Banco Davivienda S.A.
and Subsidiaries

Consolidated Financial Statements for the year ended on December 31, 2017 with corresponding figures for the year ended on December 31, 2016

CONTENTS

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

To the Shareholders
Banco Davivienda S. A.:

Report on the consolidated financial statements

I have audited the consolidated financial statements of Banco Davivienda S.A and Subsidiaries, which comprise the consolidated statement of financial position at December 31, 2017 and the consolidated statements of income, other comprehensive income, changes in equity and cash flows for the year then ended and their respective notes that include the summary of significant accounting policies and other explanatory notes.

Management's responsibility regarding the consolidated financial statements

Management is responsible for the fair preparation and presentation of these consolidated financial statements in accordance with Accounting and Financial Reporting Standards accepted in Colombia. This responsibility includes: designing, implementing and maintaining the internal control relevant to the preparation and presentation of consolidated 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 the consolidated financial statements based on my audit. I obtained the necessary information and carried out my audit in accordance with the International Standards on Auditing accepted in Colombia. Such standards require that I comply with ethical requirements, plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain evidence regarding the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of items in the consolidated financial statement. In this risk assessment, the auditor considers internal controls relevant to the preparation and presentation of the consolidated 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 consolidated financial statements in general.

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

Opinion

In my opinion, the consolidated financial statements mentioned and attached in this report, fairly present, in all significant material matters, the consolidated financial position of Banco Davivienda S. A. and Subsidiaries as of December 31, 2017, the consolidated results of their operations and the consolidated cash flows for the year ended on that date, according to the Accounting and Financial Reporting Standards accepted in Colombia.

Other matters

The consolidated financial statements as of the year ended on December 31, 2016 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, 2017 she expressed an unqualified 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 13th, 2017

CERTIFICATION OF CONSOLIDATED FINANCIAL STATEMENTS

RESPONSIBILITY OF FINANCIAL INFORMATION

The undersigned Legal Representative and Financial Director of Banco Davivienda S.A. in compliance with the terms of Articles 46 and 47 of Law 964/2005 and in accordance with the terms required in the Accounting and Financial Reporting Standards accepted in Colombia, certify that:

The Consolidated Financial Statements for the period between January 1 and December 31, 2017 do not contain any defects, inaccuracies or errors that would prevent from knowing the true financial situation or the operations of Davivienda and Subsidiaries, in the terms of Article 46 of Law 964/2005.

In the terms of the Accounting and Financial Reporting Standards accepted in Colombia and taking into account the aspects referred to in the Framework, the information and statements included in the Consolidated Financial Statements have been duly verified and are taken from the accounting records prepared In accordance with the accounting standards and principles established in Colombia.

Davivienda and Subordinates have 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 adequate manner, whose operation is verified by Audit and Financial Management.

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

In the Consolidated 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 for 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 that they have been faithfully taken from the books in accordance with article 37 of Law 222 of 1995. The Bank and Subordinates have adequate control procedures and disclosure of financial information and its operation has been verified, in accordance with the provisions of article 46 of Law 964 of 2005.

Bogotá, February 13, 2017

Banco Davivienda S. A. and Subsidiaries
Consolidated Statement of Financial Position
At December 31, 2017 with corresponding figures at December 31, 2016
(Millions of Colombian pesos (COP))

	Note	December 31,2017	December 31,2016
ASSETS			
Cash	12.1	7,889,381	8,106,246
Interbank and overnight funds	12.2	1,446,439	282,199
Investments measured at fair value	12.3	9,066,267	7,348,829
Derivatives	12.4	335,602	241,088
Loans Portfolio and financial leases operations, net	12.5	75,910,005	71,251,314
Accounts receivable, net	12.6	1,080,142	1,371,993
Assets held for sale	12.7	123,130	92,348
Investments measured at amortized cost, net	12.3	1,523,501	1,345,018
Investments in associates	12.8	82,740	82,630
Other investments	12.9	368,531	328,576
Property and equipment, net	12.10	732,372	833,629
Investment property	12.11	35,376	51,704
Goodwill	12.13	1,634,882	1,634,882
Intangibles assets	12.14	169,452	135,908
Other non-financial assets, net	12.15	373,468	441,654
Total Assets		100,771,288	93,548,017
LIABILITIES			
Deposits	12.17	63,310,594	59,644,563
Saving accounts		23,961,123	25,378,095
Checking accounts		9,084,050	7,801,395
Time deposit		29,328,063	25,664,691
Other deposits		937,358	800,382
Interbank and overnight funds	12.18	1,349,895	2,175,957
Derivatives	12.4	356,734	241,083
Credits from banks or other obligations	12.19	9,686,332	8,913,954
Debt instruments issued	12.20	12,008,969	9,586,702
Accounts payable	12.21	1,333,382	1,094,310
Current tax liabilities		65,510	75,244
Deferred tax liabilities	12.22	1,086,861	1,163,087
Technical reserves	12.23	180,451	169,462
Other non-financial liabilities and estimated liabilities	12.24	508,694	438,610
Total Liabilities		89,887,422	83,502,970
EQUITY			
Capital and reserves (1)	12.25	7,841,759	6,520,493
Unrealized gains or losses (OCI)		1,650,921	1,637,363
Adjustments in the first time adoption		23,335	77,518
Profit attributable to the owners		1,275,266	1,717,968
Total equity due to holders of Bank equity instruments		10,791,281	9,953,342
Non-controlling interests	12.26	92,585	91,705
Total equity		10,883,866	10,045,047
TOTAL LIABILITIES AND EQUITY		100,771,288	93,548,017

(1) Includes share placement premium

See the notes accompanying the consolidated financial statements

Banco Davivienda S. A. and Subsidiaries
Consolidated Statement of Income
For the year ended in December 31, 2017 with figures corresponding to the year ended on December 31, 2016
(Millions of Colombian pesos (COP))

	Note	2017	2016
Interest income		9,338,016	8,674,997
Interest on loans		8,666,780	7,869,538
Investments in securities and valuation, net	13.1	592,843	752,407
Interbank and overnight funds, repos, simultaneous operations		78,393	53,052
Interest expense		3,843,802	3,704,838
Deposits and time deposits		2,611,615	2,516,333
Current accounts		29,289	41,275
Savings accounts		865,218	935,030
Time deposits		1,717,108	1,540,028
Credits from banks or other financial obligations		382,655	334,114
Debt instruments issued		722,014	749,605
Other interest		127,518	104,786
Net interest income		**5,494,214**	**4,970,159**
Impairment of financial assets, net		1,975,362	1,234,705
Impairment of financial assets, net		2,311,779	1,479,683
Refound of financial assets, net		336,417	244,978
Net financial margin		**3,518,852**	**3,735,454**
Insurance transactions income, net		89,649	85,763
Commissions and service income, net	13.2	1,114,608	1,038,794
Result of investments in associates and joint operations, net		4,350	3,228
Operational expeditures:		3,190,350	2,935,001
Staff expeditures	13.3	1,358,562	1,281,743
Administrative and operational	13.4	1,721,403	1,551,915
Amortizactions and depreciation		110,385	101,342
Profit (Loss) on exchanges, net		105,970	(36,707)
Derivatives, net		(1,554)	214,917
Dividends Received		7,262	5,426
Other income and expenses, net	13.5	39,189	232,184
Operational margin		**1,687,976**	**2,344,059**
Current income tax and supplementary	12.22	411,843	509,762
Deferred income tax and supplementary	12.22	(6,848)	109,568
Profit attributable to the owners of the controlling company		1,275,266	1,717,968
Profit attributable to non-controlling interest		7,715	6,762
Profit for the year		**1,282,981**	**1,724,730**
Profit per share in pesos (1)		2,841	3,819

(1) Calculated as: profit for the year / average shares outstanding

See the notes accompanying the consolidated financial statements

Banco Davivienda S. A. and Subsidiaries
Consolidated Statement of Other Comprehensive Income
For the year ended in December 31, 2017 with figures corresponding to the year ended on December 31, 2016
(Millions of Colombian pesos (COP))

	2017	2016
Profit attributable to the owners of the controlling interest	**1,275,266**	**1,717,968**
Profit attributable to non-controlling interests	**7,715**	**6,762**
Components of other comprehensive income that will not be reclassified to the Profit for the period, net of taxes:		
Financial instruments with changes in other comprehensive income	(3,828)	27,046
Long-term employee benefits	26,865	(31,078)
Total other comprehensive income that will be reclassified to the income of the period, net of taxes:	**23,037**	**(4,032)**
Components of the other comprehensive income that will be reclassified to the result of the period, net of taxes		
Surplus associated equity method	262	(8,160)
Impairtment of loan portfolio for consolidated financial statement income	3,858	450,223
Exchange difference on traslation	(13,599)	(187,783)
Total other comprehensive income that will be reclassified to income period, net of taxes	**(9,479)**	**254,280**
Total other comprehensive income, net of taxes	**13,558**	**250,248**
Total Comprehensive Result	**1,296,539**	**1,974,978**
Comprehensive income attributable to the holders of the controlling interest	1,295,906	1,973,607
Comprehensive income attributable to holders of non-controlling interests	633	1,371
Total Comprehensive Result	**1,296,539**	**1,974,978**

See the notes accompanying the consolidated financial statements

Banco Davivienda S. A. and Subsidiaries
Consolidated Statement of changes in equity
For the year ended in December 31, 2017 with figures corresponding to the year ended on December 31, 2016
(Millions of Colombian pesos (COP))

	CAPITAL AND RESERVES					ACUMULATIVE RESULTS					
	Capital	**Share premium**	**Legal reserve**	**Other reserves**	**First-time adoption effects**	**Unrealized gain (OCI)**	**Profit previous years**	**Profit or loss**	**Total equity owners of the parent company**	**Non-controlling interests**	**Total shareholders´ equity**
Balance at December 31, 2015	71,074	4,133,667	1,041,015	453,966	306,662	1,387,115		1,233,122	8,626,621	89,371	8,715,992
Profit transfer							1,233,122	(1,233,122)	-	(5,051)	(5,051)
Accrual of wealth tax				(54,704)					(54,704)		(54,704)
Dividends distribution									-		-
Dividends declared in cash at a ratio of $864 per share over 451.670.413 suscribed and paid. Mar 29 and Sep 21, 2016.							(390,244)		(390,244)		(390,244)
Payment of dividends per share at a rate $940 pesos per share over 451.670.413 suscribed and pay. Apr 20, 2016.	4,517	420,053		(424,570)					-	3,282	3,282
Movement of reserves:									-		-
Legal reserve			131,190				(131,190)		-	(270)	(270)
Other reserve for future capitalization or increase to reserves				475,000			(475,000)		-		-
Other reserve				74,126			(74,126)		-	(2,224)	(2,224)
Release of other reserve for valuation on investments at market prices - Decree 2336/95, to increase the legal reserve			4,475	(4,475)					-		-
Distribution of previous years´ profits for 2015 to increase Mandatory Reserve			70,215				(70,215)		-		-
Leasing equity	1,193	123,084		667	11,162		3,912		140,018		140,018
Other comprehensive income net of income tax									-		-
Realizations First-time application of IFRS (Note 12.25)					(240,306)		240,306		-	(63)	(63)
Equity method surplus, investments in associates						(8,160)			(8,160)		(8,160)
Financial instruments through OCI						27,046			27,046		27,046
Exchange difference on conversion of subsidiaries outside Colombia						(187,783)			(187,783)		(187,783)
Long-term employee benefits						(31,078)			(31,078)		(31,078)
Loan impairment for consolidatied financial statements						450,223	(336,565)		113,658	(102)	113,556
Result for the year								1,717,968	1,717,968	6,762	1,724,730
Balance at December 31, 2016	76,784	4,676,804	1,246,895	520,010	77,518	1,637,363	-	1,717,968	9,953,342	91,705	10,045,047
Balance at December 31, 2016	76,784	4,676,804	1,246,895	520,010	77,518	1,637,363		1,717,968	9,953,342	91,705	10,045,047
Transfer of profits							1,717,968	(1,717,968)	-	(3,808)	(3,808)
Wealth tax				(21,841)					(21,841)		(21,841)
Distribution of Dividends									-		-
Payment of cash dividend at $950 per share on 451.670.413 paid sharess. Apr.05 and							(429,087)		(429,087)		(429,087)
Movement of reserves									-		-
Mandatory reserve			688,638				(688,638)		-	687	687
Voluntary resserve for future capializations or to increase mandatory reserve				192,896			(192,896)		-		-
Capitalization of reserve, commitment for 2015 profits			475,000	(475,000)					-		-
Release of voluntary reserve for valuation of investments at market prices - Decree 2336/95, to increase mandatory reserve			10,802	(10,802)					-		-
Distribution of previous years´ profits (2016) to increase mandatory reserve			236,587				(236,587)		-		-
Other comprehensive result, net of income tax									-		-
First time application of IFRS (*)					(54,183)		54,183		-	90	90
Equity method surplus - interests in Associates						262			262		262
Exchange difference on conversion of subsidiaries outside Colombia						(13,599)			(13,599)	(597)	(14,196)
Financial instruments through OCI						(3,828)	19,561		15,733		15,733
Long-term employee benefits						26,865			26,865		26,865
Loan impairment for consolidated financial statements						3,858	(19,518)		(15,660)		(15,660)
Result for the period								1,275,266	1,275,266	7,715	1,282,981
Balance at December 31, 2017	76,784	4,676,804	2,657,922	430,249	23,335	1,650,921	-	1,275,266	10,791,281	92,585	10,883,866

See the notes accompanying the consolidated financial statements

(*) Corresponds mainly to the realization of increased values of assets mobilized by Davivienda Colombia and Honduras

Banco Davivienda S. A. and Subsidiaries
Consolidated Statements of Cash Flows
For the year ended in December 31, 2017 with figures corresponding to the year ended on December 31, 2016
(Millions of Colombian pesos (COP))

	Note	2017	2016
Cash flows from operating activities:			
Profit for the period		1,282,981	1,724,730
Reconciliation between profit for the period and net cash generated (used) in operating activities			
Impairment of investments, net	12.3	2,702	4,392
Impairment of loans and financial leasing operations, net	12.5.5	2,145,331	1,398,401
Inpairment of accounts receivable, net	12.6	26,186	6,679
(Recoveries) Inpairment of assets held for sale, net	12.7	(5)	7,064
Impairment (Recovery) of property and equipment and investment property, net		915	(55)
Impairment of other assets, net		42,233	27,052
Provision for severance		48,402	3,931
Provision for other non-financial liabilities and accruals, net	12.24	79,965	16,184
Depreciation		77,079	69,149
Amortizations		33,306	32,193
Exchange difference, net		(113,872)	(145,259)
(Profit) on sale of investments, net		(31,980)	(54,887)
(Profit) on equity method, associates		(4,724)	(3,590)
Valuation (gains) on investments, net		(560,863)	(697,520)
Valuation (gains) lossesin derivatives and spot operations, net		1,554	(214,917)
(Profit) on sale of loans and leasing assets, net	12.5.14	(14,411)	-
(Profit) on sale of property and equipment, net		(31,574)	(147,531)
(Profit) on sale of assets held for sale	12.10	(737)	(2,115)
(Profit) on sale of investment property	12.11	(4,945)	(2,508)
Provision for income tax		404,995	619,330
Changes in operating assets and liabilities			
Decrease in money market and similar operations		74,027	156,782
(Increase) Decrease in acceptances, spot operations and derivatives		(96,068)	415,538
(Increase) Decrease in investments measure at fair value		(1,249,998)	538,825
(Increase) in loans and financial leasing operations		(15,909,924)	(17,211,109)
Proceeds of the sale of loans	12.5.14/12.5.15	725,252	435,882
Decrease (Increase) in accounts receivable		265,663	(690,194)
(Increase) in assets held for sale		(56,195)	(11,810)
Sasle of assets held for sale	12.7	26,155	20,408
(Increase) in other assets		(3,901)	(91,789)
Increase in deposits and demand accounts		5,816,154	9,689,621
(Decrease) Increase in ordinary interbank funds		(172,112)	17,069
Increase (Decrease) in accounts payable		291,308	(58,191)
Increase (Decrease) in liability derivatives		115,653	(124,035)
(Decrease) Increase in employment obligations		(1,606)	47,322
Increase (Decrease)in insurance technical reserves		10,989	(1,468)
Wealth tax		(21,841)	(54,704)
Income tax paid		(517,397)	(476,746)
Increase in accruals and provisions		30,025	2,639
(Decrease) Increase in other liabilities		(37,794)	41,084
Interest received		8,476,205	7,610,716
Interest paid		(2,767,556)	(2,555,057)
Payment of severance		(45,860)	4,145
Net cash (used) provided in operating activities		**(1,666,283)**	**345,651**

Banco Davivienda S. A. and Subsidiaries
Consolidated Statements of Cash Flows
For the year ended in December 31, 2017 with figures corresponding to the year ended on December 31, 2016
(Millions of Colombian pesos (COP))

	Note	2017	2016
Cash flows from investment activities			
Cash proceeds from the incorporation of Leasing Bolívar		-	62,817
Dividends received		13,299	18,658
(Increase) Decrease in investments measured at amortized cost		(39,976)	37,307
(Increase) in investments in associates and other companies		(32,647)	(133,899)
(Decrease) Repurchase of shares, non-controlling interest		(6,835)	(4,325)
Decrease in property and equipment		23,625	412,942
Proceeds of sale of property and equipment	12.10	31,212	120,188
Decrease in investment properties	12.11	19,453	11,067
Proceeds of sale of investment properties		6,425	5,436
Net cash provided by investment activities		**14,556**	**530,191**
Cash flows from financing activities			
(Decrease) in financial debt		(31,339)	(257,723)
New loans in financial debt	12.19	6,663,315	5,533,676
Debt repayments	12.19	(6,019,469)	(5,411,659)
(Decrease) in debt instruments		(11,305)	(100,977)
Issues of debt instruments	12.20	3,402,854	1,114,250
Redemptions of debt instruments issued	12.20	(954,734)	(637,796)
Payment of cash dividends		(428,951)	(390,243)
Net cash provided by (used in) financing activities		**2,620,371**	**(150,472)**
Net increase in cash and cash equivalents		968,644	725,370
Effect of exchange difference on cash and cash equivalents		52,758	(119,552)
Cash and cash equivalents at the beginning of the year		8,293,498	7,687,680
Cash and cash equivalents at the end of the year		**9,314,900**	**8,293,498**

(*) Includes cash equivalents at under 90 days in money market asset operations and similar for0 $ 187.252 at December 31, 2016 and $ 255.118 at December 31, 2015.

(**) Includes cash equivalents at under 90 days in money market and similar asset operations for $ 1.425.519 at December 31, 2017 and $ 187.252 at December 31 , 2016.

See the notes accompanying the consolidated financial statements

(Millions of Colombian pesos (COP))

1. Reporting Entity

Banco Davivienda S.A., 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; it has its main domicile in the city of Bogotá D.C. under Resolution 562 of June 10, 1997 which authorizes its operation. 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, if any of the grounds set forth in Article 114 of the Organic Statute of the Financial System, as amended by Article 32 of Law 795 of 2003, is filed. Banco Davivienda S.A. and its Subsidiaries ("the Bank") form part of Bolivar Group and has as corporate purpose to sign or carry out all the transactions and contracts legally permitted to banking establishments of a commercial character, subject to the requirements and limitations of Colombian law.

The following is the number of employees and offices held by the Bank at each reporting period:

(Unaudited)

	December 31, 2017		December 31, 2016	
	No. of Employees	No. of Offices	No. of Employees	No. of Offices
Banco Davivienda S.A.	12,590	584	12,587	592
Banco Davivienda Miami International Bank Branch	40	1	42	1
Subsidiaries in Colombia				
Fiduciaria Davivienda S.A.	210	1	203	1
Corredores Davivienda S.A.	359	5	354	5
Cobranzas Sigma S.A.S.	10	1	10	-
	579	7	567	6
Subsidiaries outside Colombia				
Grupo del Istmo S.A. (*)	952	32	946	29
Inversiones Financieras Davivienda S.A. (**)	1,775	57	1,786	58
Banco Davivienda Honduras S.A.	1,141	55	1,126	56
Seguros Bolívar Honduras S.A.	155	4	162	4
Corredores Davivienda Panamá S.A.	6	1	4	1
Banco Davivienda Panamá S.A.	158	6	146	6
Banco Davivienda Internacional S.A	1	-	1	-
	4,188	155	4,171	154
	17,397	747	17,367	753

(*) Es Holding de: Corporación Davivienda Costa Rica S.A., Banco Davivienda Costa Rica S.A., Davivienda Puesto de Bolsa Costa Rica S.A., Davivienda Corredora de Seguros Costa Rica S.A., Davivienda Leasing Costa Rica S.A., y Davivienda Seguros Costa Rica.

(**) The holding company of: Banco Davivienda Salvadoreño S.A., Factoraje Davivienda El Salvador S.A., de C.V. , Seguros Comerciales Bolívar S.A ., Valores Davivienda El Salvador S.A., Seguros Bolívar S.A., Seguros de Personas.

2. Significant Facts

At December 31, 2017, the following significant events were recorded in the Bank's operations affecting the Consolidated Financial Statements.

Bond issues

Three local bond issues were made, for a total of $1,532,013. In March 29, 2017 there was a subordinated issue for $399,013; on April 25, 2017 for $433.000 an ordinary issue solely for sustainable projects; and on June 7, an ordinary issue for $700.000.

Bonds in other countries

In 2017 there were ordinary issues in Costa Rica for $215,016 (41,000 million colones); and $8,955 (US$ 3 million); and in El Salvador investment certificates for $179,040 (US$60 million)

On October 24, 2017 senior global bonds were placed on the market for US$500 million ($1,467,830) at 5 years and 7.5% effective. Demand exceeded $3.3 billion.

See Note 12.20 for details of each issue.

Debt issue

On January 18, 2017 a debt issue was formalized in Costa Rica as a DPR, for US$150 million ($438,285)

Dividends declared

On March 22, 2017 the Annual General Meeting approved payment of a dividend of $950 per share for e total of $429,087, or 27.9% of individual profits: 50% was paid on April 5 and the balance on September 21. Additional information on profit distribution appears in Note 12.25.

Capitalization of the Bank in Panamá

On July 28, Banco Davivienda S.A., provided US$21 million at Banco Davivienda Internacional (Panamá) S.A., for 21,000 shares at US$1,000 each. On July 31, a furth contribution of UD$21 million was made, for future capitalization of the del Istmo Group, , and this sum was converted to capital on August 23 .

Merger Deceval-Bolsa de Valores de Colombia

On December 14, the merger of Deceval and Bolsa de Valores de Colombia (BVC) was completed leaving ther Bank with an interest of 6.78% in BVC, equivalent to 1,912,650,000 shares at $25.12 each. The operation represented income of $23,558 and a reclassification from OCI to profits from previous periods opf $19,561.

Mobilization of Assets

During December 2017, the Bank sold 74 properties represented in 184 property deeds. The Bank entered into an operating lease agreement in order to improve working capital and to continue operating its offices in the same buildings. The mobilization amounted up to $ 146,095 with net income of $36,516, of which $ 35,736 was profit on the sale and $ 780 for taxes. The transaction represented a release of opening IFRS statement of financial position (ESFA) to retained earnings of $. 55,639 for the realization of valuations: Other Comprehensive Income $ 72,241 and Deferred Tax $ 16,602.

(Millions of Colombian pesos (COP))

3. Basis of preparation

a. Declaration of compliance with the Financial Reporting Standards Accepted in Colombia

The financial statements have been prepared in accordance with the Accounting and Financial Reporting Standards accepted in Colombia (NCIF), established in Law 1314 of 2009, regulated by the Single Regulatory Decree 2420 of 2015, modified by the decrees 2496 of 2015 2131 of 2016 and 2170 of 2017 and the instructions of the Colombian Superintendecy of finance (Refered to herein as “SFC”), in accordance with the provisions of Decrees 1851 of 2013 and 2267 of 2014 and the external circulars 034 and 036 of 2014. The NCIF are based on the International Information Standards (IFRS), together with its interpretations, issued by the International Accounting Standards Board (IASB); The basic standards correspond to those translated into Spanish and issued by the IASB as of December 31, 2015 except for IFRS 15 Revenues from Customer Contracts, to come into effect in January 1, 2018.; and excepted from NCIF in the following cases:

Items	Normative	Exception
Treatment of the loan portfolio and its impairment	Decree 1851 of 2013 External Circular 036 of 2014, issued by, Superintendence of Finance in Colombia, SFC	The consolidated financial statements present the impairment of the loan portfolio in accordance with the Accounting Norms and Financial Reporting accepted in Colombia (NCIF) and the difference between the impairment loss recognized under NCIF and the provisions calculated under the standards established by the SFC with the expected loss methodology is reflected in Other Comprehensive Income (OCI) in the term defined in the External Circular Letter 36 of December 2014 and the ExternalCircular Letter 37 of October 2015.
Wealth	Law 1739 of December 2014.	The law allows the annual accrual of Wealth Tax an option for recognition against reserves in the equity section.

Colombian law requires the Bank to prepare consolidated and separate financial statements, which are presented by the Board of Directors to the Annual General Meeting to approve or reject them. The consolidated financial statements are those in which assets, liabilities, equity, income, expenses, and cash flows of the Bank and its Subsidiaries are presented as if they were a single economic entity, which are submitted to the General Meeting in order to report on the performance of the management of the parent and Subsidiaries. On the other hand, the separate financial statements are those in which the investments in Subsidiaries are accounted for using the equity method. These financial statements are presented to the General Meeting so that - depending on their approval or rejection - the distribution of dividends and appropriations is determined.

Law 1819/2017 states that as of 2017, assets, liabilities, equity, revenues, costs and expenses must be recognized and measured in accordance with the technical accounting frameworks in force in Colombia, with some exceptions. Until 2016, tax filings were prepared and presented 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 principal financial statements are the Separate Financial Statements.

b. Going Concern

The Consolidated Financial Statements were prepared on the basis of a “going concern”; it was determined that there is no uncertainty about facts, events or conditions that may give rise to significant doubt about the possibility that the Bank entities continue to operate normally. The judgments by which the entities included in the Consolidated Financial Statements were determined to be a going concern, relate to the evaluation of the current financial situation, the Bank´s current intentions, the results of operations and access to Financial resources in the financial market, where also considered was the impact of such factors on future operations and no situation was identified that would make it impossible for the Bank to operate as a going concern.

c. Accrual accounting

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

d. Materiality

The Bank´s management determined the relative importance of the figures to present in consolidated financial statements according to their function or nature. In other words, if a specific item lacks relative importance, it is grouped with other items, since IFRS do not require the Bank to make a specific disclosure.

e. Uniformity of presentation

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

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

Uniform accounting NCIF-based policies have been used In preparing consolidated financial statements.

f. Presentation of the consolidated financial statements

i. Statement of Financial Position

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

ii. Statement of Income and Other Comprehensive Income

They are presented separately in two statements as permitted by IAS 1 "Presentation of Financial Statements". Also, the income statement is presented by the nature of income and expenses because it is a presentation that provides more reliable and relevant information for financial institutions.

iii. Statement of Cash Flows

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

4. Main Accounting Policies

4.1 Basis of Measurement

The consolidated financial statements were prepared based on a historic cost basis, except for the following financial instruments measured at their fair values at the end of each period, as explained in the accounting policies included below:

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

i. i. Historic Cost

Historic cost generally is based on the fair value of the consideration given in exchange for goods and services.

ii. Fair Value

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

4.2 Functional currency, currency of presentation

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

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

4.3 Transactions in foreign currency

In preparing the financial statements of each individual entity included in the Bank's consolidated financial statement, transactions in a currency other than the functional currency of the Bank (foreign currency) are recognized using the exchange rates prevailing at the dates of the transaction. At the end of each period, monetary items denominated in foreign currency are converted at the exchange rates prevailing at that date. Non-monetary items are measured at historical cost in foreign currency are not reconverted.

Exchange differences in monetary entries are recognized in the income statement for the period, except when:

• They are exchange differences arising from transactions related to currency risk hedges (see Note 4.9 related to the hedge accounting policies)

The presentation of the consolidated financial statements contains foreign currency assets and liabilities expressed in Colombian pesos using the exchange rates prevailing at the end of the period. Income and expense items are converted at the average exchange rates in effect for the period, unless they fluctuate significantly during the period, in which case the exchange rates are used at the date the transactions are made and the equity at historical cost. Differences in exchange rates, if any, are recognized in OCI and accumulated in equity (attributed to non-controlling interests when appropriate).

In the sale of a foreign operation (i.e., sale of all of the Bank's participation in a foreign operation, or a provision involving a loss of control in the subsidiary that includes a foreign operation, partial loss of joint control over a controlled entity jointly involving a foreign operation, partial of which the retained interest becomes a financial instrument. All differences in accumulated exchange rate in capital related to that operation attributable to the Bank are reclassified to Results.

The conversion rates applied at the close of December 31, 2017 and 2016 are $2,984.00 and $ 3,000,71 per US$ respectively.

4.4 Bases for consolidation of financial statements

The annual consolidated financial statements include the assets, liabilities, results and cash flows of the Bank and its Subsidiaries, and are prepared using standard accounting policies for transactions or events in similar circumstances. Intercompany balances and transactions and any income or expense not carried out are eliminated in the consolidation process. Unrealized gains arising from transactions with companies whose investment is recognized under the equity method are eliminated in proportion to the investor´s interest. Unrealized losses are eliminated in the same way as unrealized gains.
The Bank controls an entity when: a) there are existing rights that give the current capacity to direct the significant activities of the investee that significantly affect the returns of the same, b) it has the rights over and / or is exposed to the variable returns of the investee and c) It has the authority to use power over the investee to influence the returns of the same.

<u>Subsidiaries</u>

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

Subsidiaries are entities controlled by the Bank. An entity is controlled by the Bank when it exercises power over the investee, is exposed, or is entitled to variable returns from its involvement in the investee and has the ability to influence those returns through its power over the investee. Generally, the control exercise is aligned with the risks or returns absorbed from the Subsidiaries. On the other hand, the Subsidiaries are consolidated from the date control is obtained to the date when it ceases.

For each year, the Bank evaluates investments in which it has a stake of less than 50%, to establishing whether there is control and, therefore, an obligation to consolidate these entities, taking into account the following elements: a) Substantial changes in the interest of the Bank, purchases or sales of its shares in the period; b) contractual changes in management; c) additional activities in the year such as providing liquidity, transactions not originally contemplated; and d) changes in the evaluated financing structure of the Bank.

All intercompany balances, transactions and cash flows have been eliminated in consolidation.

When the Bank loses control of a subsidiary, the gain or loss in the disposal is calculated as the difference between (i) the sum of the fair value of the consideration received and the fair value of any interest retained and (ii) the previous book value of the assets (including goodwill) and liabilities of the subsidiary and any non-controlling interest.

Amounts previously recognized in OCI related to the subsidiary are recorded in the same manner as if the relevant assets or liabilities are available (i.e., they are reclassified to results or transferred directly to other equity account entries as is specified/allowed by the applicable IFRS). The fair value of any investment retained in the subsidiary at the date the control is lost is considered as the fair value for the initial recognition under IFRS 9 or, if applicable, the cost of the initial recognition of an investment in an associate or joint venture.

The Bank's consolidated financial statements as of December 31, 2017 and 2016, include the following subsidiaries.

Domestic Subsidiaries

Fiduciaria Davivienda S.A.

Of private nature, it was constituted by Public Deed No. 7940 granted on December 14, 1992 of the Notary 18 of Bogotá, D.C., authorized by the Financial Superintendence of Colombia by Resolution 5413 of December 30, 1992 with a valid operating permit and duration until the 14 of December of the year 2043, with main domicile in the city of Bogota D.C.

On December 13, 2012, Fiduciaria Davivienda S.A. and Fiduciaria Cafetera S.A., Subsidiaries of Banco Davivienda, were merged, with which the Fiduciaria Davivienda S.A. is positioned among the leading companies in the Trust sector. The Fiduciary complements its offer of value to the clients with a wide portfolio of products in Investment Funds and Structured Fiduciary, backed by the knowledge and the experience of its officials.

Corredores Davivienda S.A. - Stock Brokerage Firm

Corredores Davivienda S.A. - Stock Brokerage Firm, is a private entity that was constituted on December 5, 1980 by public deed No. 6710 of Notary 1 of Bogotá D.C.; its main domicile is the city of Bogota D.C. and was authorized by the Financial Superintendence of Colombia, through Resolution No. 061 of March 9, 1981; its term goes until December 31, 2030.

On February 24, 2011, the Subsidiary Corredores Asociados Panama S.A., Limited Liability Company was incorporated under the laws of the Republic of Panama, registered with file No. 719028 with the document

1880528 of the mercantile section of the Public Registry of Stock Brokerage House under the Resolution of the National Securities Commission No. 235-11 of July 5, 2011.

On February 28, 2013, a purchase agreement was entered into for 100% of the shares of Corredores Asociados, valued at $ 120,000 between Banco Davivienda, Fiduciaria Davivienda and Sociedades Bolívar, where the Bank acquired 94.899%. This purchase was authorized by the SFC on May 16, 2013 and was formalized on December 25, 2013.

Through Resolution No. 2247 of December 19, 2014, the SFC raised no objection to carry out the merger between the two brokerage firms: Corredores Asociados S.A., and Davivalores S.A.

On January 2, 2015 Davivalores S.A., ceased to exist, and joined with Corredores Asociados S.A., through a merger with Corredores Davivienda S.A.

Cobranzas Sigma S.A.S

Cobranzas Sigma S.A.S., is a private entity that was constituted by a Single Private Shareholders Document on December 3, 2010, registered on December 09, 2010 under No. 01412815 of book IX. It has its principal domicile in the city of Bogotá, D.C.; the term of the company is of indefinite character, but may be dissolved at any time.

The Board of Directors of Leasing Bolivar by means of act No.435 of August 27, 2015 unanimously authorized the Company's President and granted him ample and sufficient powers to execute the purchase agreement for the shares of the company SIGMA S.A.S., which has as its corporate object the judicial and / or extrajudicial collection of the portfolio delivered in leasing, according to the valuation carried out by the firm Estructuras Financieras S.A.S. Likewise, the Board of Directors unanimously requested the Administration to convene an Extraordinary Shareholders' Meeting for the twenty-third (23) of December 2015, with the objective of submitting to the consideration of the highest corporate body the approval of the merger commitment or agreement and the terms of exchange between Banco Davivienda and Leasing Bolívar.

On December 23, 2015, the General Shareholders' Meeting approved the merger between Banco Davivienda S.A., and Leasing Bolívar S.A., Financing Company.

On December 23, 2016 , the General Meeting approved the merger between Banco Davivienda S.A and Leasing Bolívar S.A. Financing Compañía de Financiamiento.

Foreign Subsidiaries

Financial Investments Davivienda S.A. - El Salvador

On June 25, 2003, the Superintendence of the Financial System authorized the firm Inversiones Financieras Bancosal, S.A. to be incorporated as the controlling company for the sole purpose of managing the financial conglomerate of Banco Davivienda Salvadoreño, which is composed of the following companies: Inversiones Financieras Davivienda, S.A., the controlling company with exclusive control, Banco Davivienda Salvadoreño, S.A. And its subsidiaries: Valores Davivienda El Salvador, S.A. of C.V, as well as, Seguros Comerciales Bolívar, S.A., Seguros de Personas Bolívar, S.A. and Factoraje Davivienda El Salvador, S.A. de C.V.

Inversiones Financieras Davivienda S.A. has as its sole purpose the investment in the share capital of Salvadoran companies or companies incorporated abroad, engaged in financial intermediation or with the complementary purpose to effect the banking and financial businesses permitted by the laws of the Republic of El Salvador, with the approval of the Superintendence of the Financial System.

Banco Particular de El Salvador was incorporated on January 5, 1885 and Davivienda Seguros was incorporated on March 6, 1958 and the company of Davivienda Vida Seguros, S. A. Personal Insurance was incorporated on July 13, 2000.

On November 30, 2012 Banco Davivienda Colombia acquired the Subsidiary Inversiones Financieras Davivienda El Salvador.

There is a representation office in Guatemala which began operations in May 2014.

Banco Davivienda Honduras S.A.

It was constituted in the city of Tegucigalpa M.D.C. through public instrument No. 12 from March 31, 1948, with the corporate name of Banco la Capitalizadora Hondureña S.A.

During 2004, the Bank became a subsidiary of Primer Banco del Istmo, S.A. (BANITSMO), a Panamanian financial institution, in July 2006, HSBC purchased 99.985% of the shares.

In February 2007, the Bank's name changed was approved from Banco Ahorro Hondureño S.A., to Banco HSBC Honduras, S.A., by means of deed No. 265 of May 9, 2007, which was effective as of July 23, 2007.

On December 7, 2012, Banco Davivienda Colombia acquired Subsidiary Banco HSBC Honduras S.A., by means of deed 198, and the company name was changed to "Banco DAVIVIENDA Honduras S.A., under registration number 63,147, entry number 16,077 of the Registro de Comerciantes Sociales del Registro de la Propiedad Mercantil, Centro Asociado.

Grupo del Istmo Costa Rica S.A.

Grupo del Istmo was organized as a Limited Liability Company under the laws of the Republic of Costa Rica; its main activity being the holding of shares, having its principal domicile in San José, Costa Rica.

As of December 31, 2014, Grupo del Istmo (Costa Rica), S.A., is the holder of 99.92% of the shares of Corporación Davivienda (Costa Rica), S.A., before Corporación HSBC (Costa Rica), S.A., which is an entity authorized as a Financial Group by the National Council for the Supervision of the Financial System (CONASSIF), since April 15, 1999, through article 23 of act 86-993.

The Financial Group is integrated, as of December 31, 2014, by Corporación Davivienda (Costa Rica). S.A, which holds 100% of the shares of the following companies domiciled in San José, Costa Rica:

- Banco Davivienda (Costa Rica), S.A. (formerly Banco HSBC (Costa Rica), S.A.
- Davivienda Puesto de Bolsa (Costa Rica), S.A. (formerly HSBC Puesto de Bolsa (Costa Rica), S.A.) (Valores)
- Davivienda Corredora de Seguros Costa Rica S.A. (formerly Davivienda Sociedad Agencia de Seguros (Costa Rica) S.A.

On November 23, 2012 Banco Davivienda Colombia acquired the Subsidiary Grupo del Istmo Costa Rica.

In March 2015 Grupo del Istmo acquired the Leasing company GDICR, Limited Liability Company for 1 million colones and Corporación Davivienda (Costa Rica) acquired the shareholding held by Grupo Istmo of the business leasing subsidiary GDICR., changing the name of the leasing company to "Davivienda Leasing Costa Rica S.A.", and capitalizing it with 270 million colones (approximately US$ 0,5 million).

In October 2015 Grupo del Istmo (Costa Rica) S.A. made a capital contribution to Corporación Davivienda (Costa Rica), with the proceeds of a US$ 6.1 million loan received from Banco Davivienda Panama Licencia General, so that it could in turn acquire Riesgos e Inversiones Bolívar Internacional S.A., a company domiciled in the city of Panama, with 51% of the common and nominative shares of the company Seguros Bolívar Aseguradora Mixta S.A.

Seguros Bolívar Honduras S.A.

It was constituted by testimony of public deed No. 21 of January 17, 1917, and was certified by public deed of November 11, 1987, as a corporation with indefinite duration, based in the city of Tegucigalpa, Republic of Honduras.

During 2005, the controlling company of the insurance company, first Banco del Istmo, S.A. (BANISTMO), sold the shares of Seguros Bolívar Honduras S.A., to another of its Panamanian subsidiary companies, HSBC Seguros (Panama), S.A. Afterwards in July 2006, the Board of Directors of HSBC Seguros (Panama) S.A. signed a buy-sell agreement with HSBC Asia Holdings, in which it sold 99.98% of the controlling company's shares.

Also during 2005, the Controlling Company of the insurance company, sold the shares of Seguros El Ahorro Hondureño, S.A. (Now Seguros Bolívar Honduras, S.A.) to another of its Panamanian subsidiaries: HSBC Seguros (Panama), S.A. (formerly Compañía Nacional de Seguros, S.A. (CONASE), which became the owner that consolidates the financial statements of the Subsidiary.

In February 2007, it was approved to change the company name "Seguros El Ahorro Hondureño S.A." to "Seguros HSBC Honduras S.A." (Seguros HSBC, S.A) and increase the capital to 3,468,000 shares.

In 2009, HSBC Seguros Panama, S.A. passed to the ownership of HSBC Bank (Panama) S.A. On January 24, 2012, HSBC Bank (Panama) S.A. entered into the agreement to buy 88.64% of the shares of Seguros HSBC Honduras S.A., with Banco Davivienda S.A., an operation concluded on December 7, 2012, by resolution of the Extraordinary Shareholders' Meeting held on May 17, 2012 and resolution No. 502-11 / 2012 of the Banco Central de Honduras; the company was authorized to change its current corporate name to Seguros Bolívar Honduras, S.A.

The main purpose of the company is the acceptance of risk hedges to cover indemnities for losses suffered by the assets or equity of the controlling company, known as damage and loss insurance, including accident contracts.

Banco Davivienda Panamá

Banco Davivienda (Panama) S.A. (the "Bank"), before Bancafé (Panama) S.A., was incorporated on December 13, 1966 under the laws of the Republic of Panama, and started operations under a general banking license granted by the National Banking Commission, now Superintendence of Banks of Panama (the "Superintendence"), which allows it to carry out banking transactions in Panama and abroad. On May 3, 1988, through resolution No. 34-88, that entity also granted the Bank an international license. By Resolution number S.B.P. 0067 of June 29, 2011, the Superintendence of Banks of Panama authorized the transfer and consolidation of the activities held under the International License, under the umbrella of the General License. Therefore, this resolution invalidates Resolution No. 34-88.

(Millions of Colombian pesos (COP))

Banking operations in the Republic of Panama are regulated and supervised by the Superintendence of Banks, in accordance with Decree Law 9 of February 26, 1998 and other legal regulations in force. The principal domicile is in Panama City, Republic of Panama.

On February 16, 2007 Banco Davivienda Colombia acquired the Subsidiary Bancafé Panama and currently owns 100% of the shares.

On November 19, 2012 Bancafé Panama changed its name and logo to become Banco Davivienda Panama.

Banco Davivienda Panama adopted international financial reporting standards and presented its opening financial statement and its first comparative statement in December 2014.

Licencia Internacional

On June 3, Banco Davivienda (Panama) S.A., was split to form the new subsidiary Davivienda Internacional S.A., (Panama), with a capital of USD 10,000,000, corresponding to 10,000 shares at a unit price of USD 1,000.This new entity is 100% owned by Banco Davivienda Colombia, as a result the new paid capital of Banco Davivienda (Panama) S.A. was in USD 19,100,000.

Authorized by the Financial Superintendence in Colombia through the filing of 2014035808-010-000 of May 29, 2014 and 2014088027-015-000 of October 20, 2014 and by the Superintendence of Banks in Panama with resolution SBP-0106-2015 of June 19, 2015 the following accounting records were used to support the authorized spin-off process:

Assets were transferred for USD 109,117, which include USD 84,054 of loan portfolio and USD 25,063 for investment in bonds and deposits for USD 109,117. The spin-off process culminated in 2016.

Product of the split part of the capital reserve of USD 1.3 million was transferred from the equity to constitute the dynamic reserve.

The following is a breakdown of the assets, liabilities, equity and profitability of the Bank and the companies included in consolidation without homologation, elimination and homogenization to NCIF- Accounting and Financial Reporting Standards accepted in Colombia.

	December 31, 2017			
	Assets	Liabilities	Equity	Profit (Loss)
Banco Davivienda S.A. (Controlling Company) Excluded	78,491,880	68,947,167	9,544,715	1,108,467
Grupo del Istmo Costa Rica S.A. (*)	8,728,470	7,892,560	835,910	49,449
Inversiones Financiera Davivienda S.A. (*)	7,545,147	6,657,816	887,330	75,850
Banco Davivienda Honduras S.A	3,079,827	2,697,854	381,973	27,635
Seguros Bolívar Honduras S.A.	251,528	154,828	96,700	15,897
Banco Davivienda Panamá	3,873,998	3,399,541	474,456	23,826
Davivienda Internacional Panamá	471,628	300,460	171,167	7,705
Corredores Asociados Colombia S.A. (*)	229,274	149,007	80,267	12,898
Cobranzas Sigma	1,519	575	944	658
Fiduciaria Davivienda S.A.	230,977	25,331	205,647	41,723
Total	102,904,248	90,225,139	12,679,109	1,364,108

(Millions of Colombian pesos (COP))

	December 31, 2016			
	Assets	Liabilities	Equity	Profit (Loss)
Banco Davivienda S.A. (Controlling Company) Excluded	72,706,965	63,847,493	8,859,472	1,538,686
Grupo del Istmo Costa Rica S.A. (*)	8,029,587	7,273,463	756,123	58,734
Inversiones Financiera Davivienda S.A. (*)	6,928,876	6,044,222	884,654	76,770
Banco Davivienda Honduras S.A	3,071,213	2,713,695	357,518	39,898
Seguros Bolívar Honduras S.A.	225,960	142,696	83,264	16,682
Banco Davivienda Panamá	3,844,014	3,392,538	451,476	18,176
Davivienda Internacional Panamá	471,412	370,014	101,398	7,412
Corredores Asociados Colombia S.A. (*)	221,559	153,994	67,565	8,859
Cobranzas Sigma	1,714	551	1,163	667
Fiduciaria Davivienda S.A.	208,821	16,216	192,605	36,695
Total	95,710,119	83,954,882	11,755,237	1,802,579

(*)Sub-consolidated

To date, there are no contractual restrictions on the use of assets and liquidation of the Bank's liabilities except the cash reserve requirement, for the protection of customer deposits.

4.5 Homogenization of accounting policies

Homogenization is done by the Bank to apply uniform accounting policies for transactions and other events which, being similar, have occurred in similar circumstances

December 31, 2017

Item	Davivienda	Domestic Subsidiaries	Foreign Subsidiaries	Total Consolidated
Separated Profit Origin	1,108,467	55,280	200,361	1,364,108
Homogenizations	152,594	(2,407)	5,933	156,120
Loan Impairment	8,004	-	13,896	21,900
Ingresos Financieros por Cartera	198,028	-	9,094	207,122
Valoración Inversiones	15,728	-	(15,829)	(101)
Desreconocimiento Dividendos	(17,134)	-	-	(17,134)
Reconocimiento Método Participación Patrimonial	(16,434)	(2,407)	-	(18,841)
Impuesto Diferido	(37,602)	-	8,342	(29,260)
Otras	2,004	-	(9,570)	(7,566)
Utilidad Homogeneizada	1,261,061	52,873	206,294	1,520,228
Eliminaciones	(268,492)	29,477	1,768	(237,247)
Utilidad Consolidada	992,569	82,350	208,062	1,282,981

December 31, 2016

Concepto	Davivienda	Subsidiarias Nacionales	Subsidiarias Extranjeras	Total Consolidado
Utilidad Origen Separado	1,538,686	46,222	217,671	1,802,579
Homogeneizaciones	171,176	(1,410)	(244,121)	(74,355)
Deterioro Cartera	499,980	-	(26,696)	473,284
Ingresos Financieros por Cartera	52,126	-	12,094	64,220
Valoración Inversiones	7,632	-	1,630	9,262
Desreconocimiento Dividendos	(21,510)	-	-	(21,510)
Reconocimiento Método Participación Patrimonial	(52,259)	(1,410)	(208,529)	(262,198)
Impuesto Diferido	(245,421)	-	2,796	(242,625)
Otras	(69,372)	-	(25,415)	(94,787)
Utilidad Homogeneizada	1,709,862	44,812	(26,449)	1,728,224
Eliminaciones	(231,927)	19,820	208,612	(3,494)
Utilidad Consolidada	1,477,935	64,632	182,163	1,724,730

4.6 Cash and Cash Equivalents

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

Cash equivalents measured at a fair value or at the amortized cost of the financial instruments that meet conditions to be so in each case.

4.7 Interbank and overnight funds

Interbank and overnight funds embrace the operations of purchase and sale of interbank funds, the repo operations, the simultaneous operations and the temporary transfer of securities operations.

Repo operations, simultaneous and temporary transfer of securities are recorded in the statement of financial position as an obligation or a right according to the appropriate position. These operations are considered guaranteed 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, it cannot be established that the initial amount is calculated at a discount on the market price of the values subject matter of the transaction, or it may not be provided that during the life of the operation, securities initially delivered are replaced by others and restrictions cannot be placed on the mobility of the securities of the operation.

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

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

Interbank operations within a period less or equal than 90 days are considered as cash equivalents for cash flow presentation.

4.8 Financial Instruments

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

Financial assets and liabilities are initially measured at fair value. Transaction costs that are directly attributable to liabilities are deducted from the fair value of financial liabilities at the initial recognition.

Transaction costs directly attributable to the acquisition of financial assets and liabilities at fair value through profit or loss are recognized immediately in the statement of profit and loss.

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

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

4.8.1.1 Financial assets at amortized cost

The Bank holds financial instruments measured at amortized cost when its intention is to maintain them in order to collect contractual cash flows, and the contractual terms of asset give rise on specific dates to cash flows that are solely payments of principal and interest on the outstanding principal and the Bank has the ability to hold them until maturity.

Financial assets are recognized at amortized net cost of impairment allowances. Interest income is recognized by the effective interest method and is recorded in the statement of profit and loss under the line item of interest income.

The investments that are measured at amortized cost are evaluated in each period if there is evidence of impairment, the losses arising from impairment allowances are recognized in the profit and loss.

Reclassifications of financial instruments are made only if Bank's business model changes.

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

Financial assets that are purchased for the purpose of selling or repurchasing in the short term are held for trading. The Bank manages these investments and takes buying and selling decisions based on their fair values in accordance with risk management or investment strategy. These assets are recognized at fair value on the trade date, changes in fair value and gains or losses on sale are recorded in the profit and loss.

<u>Financial assets at fair value with changes in equity</u>

Financial assets 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, interests are recognized when they accrued the profit and loss, profits or losses generated when sold are calculated on the cost and recognized in net income by profit (loss) in other income.

Certain equity investments that complement the Bank's business are recognized at fair value with changes in equity, taking the irrevocable election to classify them in this category and are recognized at fair value plus any transaction costs on the trade date. Changes in the equity securities are recorded in other comprehensive income.

Impairment of financial instruments at amortized cost – Investments

The impairment of these investments is recognized when there is objective evidence of impairment as a result of one or more events occurring after the initial recognition and losses cause in a decrease in the estimated cash flows for the instrument. The Bank reviews these investments at least annually or semiannually, depending on the type of company concerned, and reviews individual or sector situations that could impact the creditworthiness of the counterparts.

For the equity investments, a significant and prolonged decline in value below cost is considered an impairment event. For investments in debt securities, impairment of credit rating is considered objective evidence of impairment. Other factors considered in assessing impairment include the financial position, the main financial indicators of the issuer of the instrument, significant and continuing losses of the issuer or contractual default, including non-payment of interest or defaults on loan covenants.

4.8.1.2 De-recognition of financial assets

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

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

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

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

If this is the case, the following elements are recognized:

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

b) The income from the transferred financial asset not de-recognized and expenses of the new financial liability remain uncompensated.

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

4.8.1.3 Loan Portfolio

The loan portfolio consists of assets with fixed or determinable payments and of which the Bank does not intend to sell in the short term and are not quoted in an active market. The loans are registered at amortized cost, net of impairment allowances, penalties and unearned income, including paid interest, costs and origination fees, syndicated loans commissions and unamortized discounts or premiums when the conditions are met.

Interest income is recognized using the effective interest method. Costs and origination commissions are considered to adjust the interest rate of the loan and recognized in interest income over the term of the loan.

Fees are recognized by the effective interest rate method during the term of the credit or as commission income when there are no disbursements as contractually agreed.

By decrees from 1143/09, 1190/12, 0701/13, 2480/14 and 161/14 issued by the government, the "conditioned hedging" mechanism that facilitates the acquisition of mortgage is created. The Bank implements the procedures for the implementation of this mechanism in the disbursements of mortgage portfolio and mortgage leasing contracts for the purchase of new mortgage. Loans granted from July 2012 have an interest rate hedging granted by the national government and until a predefined global quota. The Bank offered its customers an additional stimulus from quota 85 up to a maximum of the following eight (8) years and will assume the value that the government was paying as long as the customer meets the same conditions. To fulfill this obligation, allowance was estimated based on a model that considers the actual behavior of the credits which must be adjusted to the extent that coverage is given by the Bank.

<u>Mortgage Leasing</u>

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

Mortgage Leasing corresponds to the financed value of real property of mortgage delivered to the user for lease and use, in exchange for payment of a periodic fee, during the agreed term, to whose expiration the property is restored to its owner or transferred to the lessee, If the latter decides to exercise the purchase option agreed upon in his/her favor and pays its value.

<u>Restructured Loans</u>

It is understood by restructured loan any credit that by holding any legal business tends to change the conditions initially raised in order to allow the debtor proper care of the obligation. For these purposes, renewals are considered restructurings. Loan modifications that do not correspond to customer payment problems are not considered restructured. Before restructuring a loan it should reasonably be estimated that a similar amount will be recovered under the new conditions.

The restructured portfolio under the terms of Law 546 of 1999 for the mortgage portfolio is not considered restructuring.

Portfolio Purchases

They are initially recognized at acquisition cost equal to their fair value, considering any discount or premium adjustment on purchases.

Insolvency regime: Law 1116 of 2006

The insolvency regime seeks to protect credit and secure the recovery and conservation of a business as a unit of economic exploitation and source of employment, by the means of reorganization and formal liquidation, always applying the criterion of added value.

Impairment allowances

The Bank aims to guarantee its customers´ money by making prudent provisions against lending losses.

A loan or group of loans, measured at amortized cost, are considered to be impaired if objective evidence of impairment in credit quality after initial recognition (loss event) is estimated and the event has an impact on estimated future cash flows of the financial asset that can be reliably estimated.

This implies that the generated Allowances should be consistent with the incurred losses in the portfolio; that the allowances are generated as a result of sustainable evidence of impairment; and that the calculation of the allowances amount be considered as the effect of the lower value of the expected cash flows of the portfolio, as compared with the contractual flows.

Indicators of impairment, may include - but are not limited to - one or more of the following events: a) significant financial difficulty of the borrower or issuer, b) default or delinquency by a borrower, c) restructuring of the loan, d) indications that a borrower or issuer will go into bankruptcy, e) disappearance of an active market for an instrument, f) other observable data relating to a block of assets such as adverse changes in the payment status of the borrowers or issuers in the bank, or economic conditions that correlate with defaults on the Bank’s assets.

Significant loans measured at amortized cost presenting impairment are assessed individually and those that remain significant have no impairment are collectively evaluated for any signs of impairment that they may have incurred but have not yet been identified. Loans measured at amortized cost that are not individually significant are collectively assessed looking for impairment, by grouping them according to similar risk characteristics.

The model of individual impairment evaluation takes into account the expected flows affected by factors such as arrears presented, the antiquity of these arrears, exposure of the loan, the associated guarantees and the costs incurred to enforce the guarantees.

On the other hand, the evaluation model of collective impairment considers the customer´s historical record of payments at the cutoff date, allowing the construction of transition matrixes from which the existence of significant impairment in the obligations of the portfolio could be objectively determined. The collective impairment model also considers credit exposure and potential recoveries of impaired loans.

If the conditions of a financial asset measured at amortized cost are re-negotiated or otherwise modified due to financial difficulties of the borrower or issuer, the impairment should be measured using the original effective interest rate current before the change of conditions took place.

Impairment allowances represent the management's best estimate for the impairment of loans including off-balance sheet exposures at year-end. Allowances for loans are presented as a deduction from loans at the time of presentation of assets in the consolidated financial statements.

Portfolio allowances increase with impairment allowances and are reduced by net write-offs of recoveries or sales.

Write-offs

A loan is written-off when there is no expectation of recovery and extensive recovery efforts have been made or legal attempts have been tried. Consumer loans not guaranteed by mortgage and/or guarantee are written-off when exhaustive efforts of recovery have been made and/or contractual payments are in arrears for more than 180 days and for commercial loans at 570 days. Mortgage loans that are past due more than 900 days are derecognized.

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

Leasing agreements are not writing off because the property is owned by the Bank.

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

4.8.1.4 Portfolio Sales

This is a process whereby financial assets held by the Bank are 100% transferred with all the rights and risks or derivatives thereof to a third party as a firm sale and the consideration received can be money or other property. The assets being sold are removed from the consolidated financial statements for their net value on books on the trade date and the difference between the book value and the value received is recorded as a profit or loss for the year, registered according to valuation studies issued by experts.

The Bank has management contracts for securitized portfolios where is uses computer applications to control the operations of a third party loan portfolio on commission.

Loans that are derecognized and then sold are recorded at fair value and the profit or loss is recognized against income.

The Bank has management contracts for securitized portfolios where is uses computer applications to control the operations of a third party loan portfolio on commission.

4.8.1.5 Derivative financial instruments

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

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 for which it will be changed 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.

Derivatives held for purposes of risk management are recognized at fair value in the Statement of Financial Position, and changes in fair value are recognized in Results along with changes in the fair value of the hedged item that are attributable to risk coverage, on the same OCI income line as the hedge entry.

Derivatives held for trading purposes

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

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

Derivatives for managing risks

The derivatives held for the purpose of managing risks correspond to derivatives in which the Bank trades in order to hedge market risks, interest rates or foreign currency within traditional banking business operations. If derivatives are held to manage risks and also meet the requirements of hedge accounting, they are recorded with the requirements of hedge accounting. Certain derivatives that are held for hedging purposes, and do not meet hedging requirements are recognized as derivatives to manage risks and their changes in fair value are recognized in income.

Embedded derivatives

The embedded derivatives 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 registered at fair value through results.

4.8.1.6 Netting of financial instruments in the Statement of Financial Position

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

4.9 Hedge accounting

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

At the beginning of the hedge, the Bank documents the relationship between the hedging instrument and the hedged item, as well as the objectives of the risk management and its management strategy to undertake various hedging transactions. Additionally, at the beginning of the hedge and on a continuous basis, the Bank documents whether the hedging instrument is highly effective in netting the exposure to changes in fair value or changes in the cash flows of the portion hedged.

• Fair value hedges

The changes in fair value of derivatives that are designated and qualify as fair value hedges are recognized immediately in the results, along with any changes in fair value of the hedged asset or liability that are attributable to the hedged risk. The change in fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognized in the income statement in the item related to the hedged item.

Hedge accounting is terminated when the Bank revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or no longer meets the criteria for hedge accounting. The fair value adjustment of the book value of the hedged item arising from the hedged risk is amortized against income from that date.

The note 12.4 include details about financial instruments fair value used to hedges porpouse.

• Cash flow hedges

The effective portion of changes in fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income and accumulated under the caption of hedged cash flows reserve. Profit and loss related to the ineffective portion of the hedging instrument, is immediately recognized in income, and is included under the "other income and expenses" account.

The amounts previously recognized in Other Comprehensive Income and accumulated in equity, are reclassified to Results in the periods in which the hedged item is recognized in income, in the same area of the recognized hedged item. However, when a forecasted transaction that is covered results in the recognition of a non-financial asset or non-financial liability, the gains or losses previously accumulated in equity, are transferred and included in the initial valuation of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Bank revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or no longer meets the criteria for hedge accounting. Any cumulative profit or loss on the hedging instrument that has been recognized in equity remains in equity until the forecasted transaction is eventually recognized in the income statement. When the forecasted transaction is no longer expected to occur, the cumulative gain or loss in equity is recognized immediately in the income statement.

• Hedges of net changes in investment in a foreign operation

Hedges of a net investment in a foreign operation are recorded in a similar way to cash flow hedges. Any profit or loss on the hedging instrument relating to the effective portion of the hedge is recognized in Other Comprehensive Income and accumulated in the foreign currency translation reserve operations. The profit or loss related to the ineffective portion is recognized in Results.

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

The Bank has a strategy of partial (successive) hedging, 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 is no expectation of selling these investments in the short term.

4.10 Assets held for sale

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

Assets classified as held for sale are recorded at the lower value between their cost value 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.

Sales Plan

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

• Goods available, once written off legally and administratively by the areas of collection, are received by the Bank and are delivered to the sales channels (real estate, specialized individuals and suppliers of vehicles) with which the Bank works, to start the process of marketing.

• All available assets are published in the official internal disclosure through the Bank, Informador Express, as well as in the official external channel of the Bank, as its page www.davivienda.com is, through the link “Inmuebles al Alcance de Todos” ("Properties in everyone´s hands”), additionally emails addressed to internal and external customers are sent with the information. In addition to this, sales channels also published in other media such as newspapers, own websites, radio stations, regional TV among others.

• In the case of assets that are difficult to sell - so categorized when they have already been held for more than twelve months for property or more than three months for vehicles without receiving any offer since the offer opened. Specific action plans are carried out for that sale, with greater emphasis on those that have served this time, analyzing each case and creating strategies to achieve their sale.

• Regarding the prices, the general policy is determined by a commercial appraisal (no greater than six months old for property and three months old for private vehicles), salability of the goods and physical conditions and market conditions among others, of the property or vehicle in the specific areas.

• Business monitoring 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.

4.11 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 decisions related to financial and operational policies. In the joint operations, assets, liabilities, revenues and expenses related to the participation in the multiparty operation of each of the joint ventures are calculated and in joint ventures the participation as an investment using the equity method is recognized.

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

4.12 Property and equipment

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

The costs of replacing a portion of the property and equipment are recorded as an increased value of the asset if they meet the requirements for being recorded in this way, and the maintenance and remodeling costs of own assets that do not extend the useful life of the asset are recorded as expenses in the results statement. The significant remodeling expenses of rented offices are amortized over the term of the agreement.

The carrying amount of an item in the books for Property and Equipment will be derecognized upon disposal; or when no future economic benefits are expected to be derived from their use or disposal.

Transfers are made where there is a change of use of property and equipment and control of the asset is not lost.

Depreciation

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

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

The useful lives and residual values are reviewed every year and adjusted when necessary.

4.13 Investment property

Investment property is classified as real property that is not used by the Bank and which is maintained for income and / or capital gains.

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

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

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

When the use of a property changes to investment property, this is measured at fair value and reclassified as investment property. The difference that arises between the carrying book value and fair value is recognized in income. According to the IAS 40, when the entity uses the cost model, transfers between investment property, facilities occupied by owner and inventories do not change the carrying amount in the ledgers, or the cost of such properties for measurement purposes or disclosure.

4.14 Investment in associates

Associates are those entities in which the Bank has significant influence, but does not have complete or joint control over the financial and operating policies or it owns more than 20% but less than 50% of the business. Investments in associates and joint ventures are initially recognized at cost including any transaction costs and increase or decrease by the equity method to recognize participation in income and changes in equity and any decrease to reflect provisions for impairment in the value of the investment. The changes in investment are recognized in income and equity in Other Comprehensive Income, and thereafter the existence of impairment evidence is assessed applying the requirements of IAS 36. Dividends from associates are recognized in income for the period when there is the right to receive them.

When the Bank's share in the losses of an associated entity or a joint venture of the Bank exceeds the Bank's participation in the associate or joint venture (which includes long-term interests that, in substance, form part of the net investment of the Bank in the associate or joint venture), the Bank ceases to recognize its share of losses. Additional losses are always recognized if the Bank has undertaken any legal or constructive obligation or has made payments on behalf of the associate or joint venture.

The equity method is estimated based on the financial statements homogenized to the controlling company's policies.

In the acquisition of the investment in an associate or joint venture, the excess of acquisition cost over the Bank's share in the net fair value of identifiable assets and liabilities on the investment is recognized as capital gain, which is included in the book value of the investment. Any excess in the Bank's participation in the net fair value of identifiable assets and liabilities in the acquisition cost of the investment after reassessment is recognized immediately in income in the period in which the investment was acquired.

When necessary, the Bank tests impairment of the total book value of the investment in an associate or joint venture (including capital gain) in accordance with NIC 36 (IAS 36) Impairment of Assets as a single asset, by comparing its recoverable amount (the higher of value in use and fair value minus sale cost) against its book value. Any recognized impairment loss forms part of the book value of the investment. Any reversal of such an impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Bank discontinues the use of the equity method from the date the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. When the Bank maintains an interest in the associate or joint venture, the investment retained is measured at the fair value at that date and is regarded as its fair value at the initial recognition in accordance with IAS 39 and the difference between the book value of the associate or joint venture at the date the equity method was discontinued and the attributable fair value is included in determining the profit or loss on disposal of the associate or joint venture. Additionally, the profit or loss previously recognized in Other Comprehensive Income by that associate or joint venture is reclassified to the income statement.

The Bank continues to use the equity method when an investment in an associate becomes an investment in a joint business or an investment in a joint venture becomes an investment in an associate. There is no revaluation to fair value of such changes in the participation.

When the Bank reduces its ownership interest in an associate or a joint venture but continues to use the equity method, the Bank reclassifies to income the ratio of the profit or loss that had been previously recognized in Other Comprehensive Income in relation to the reduction of its investment share if that profit or loss had been reclassified to the income statement on the disposal of related assets or liabilities.

If 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:

• Colombian entities: Multiactivos, Redeban and Titularizadora de Colombia
• Indirect investments in Salvador: Sersaprosa, Serfinsa and ACH
• Indirect investments in Honduras: Zip Amarateca and Bancajero BANET

Joint ventures are those entities in which the Bank has joint control over their activities, established by contractual agreement and requiring unanimous consent for determining the financial and operating policies. In joint operations assets, liabilities, income and expenses relating to participation in the joint operation are accounted for, from each of the joint operators in joint ventures participation is recognized as an investment, applying the equity method.

The Bank engages in joint operations related to retail financial business through a business partnership agreement where each party makes contributions that remain within the agreement in part owned by each contributor receiving a percentage of participation on profits and other operations performed by the affiliate in Colombia Fiduciaria Davivienda S. A. Through contracts of consortium agreements, each entity has a percentage interest in consortia of structured Trust. These agreements are signed with other trust businesses for the purposes of participating in public tenders to run and develop a service delivery activity together.

4.15 Business combinations

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

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

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

• Liabilities or equity instruments related to payment agreements based on shares of the acquired company or payment arrangements based on the Bank’s shares held to replace payment agreements based on shares of the acquired company that are measured in accordance with IFRS 2 -Share-based payments- at the date of acquisition and (See Note 10.12); 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 - whichare measured in accordance with that standard.

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

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

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

The accounting treatment for changes in fair value of contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. A contingent consideration that is classified as capital is not measured again in future report dates and its subsequent settlement is accounted for within capital. Contingent consideration that is classified as an asset or liability is measured another time at future report dates in accordance to IAS 39, or IAS 37 - Provisions, Contingent Liabilities and Contingent Assets - as appropriate, recognizing the corresponding profit or loss in the income statement.

When a business combination is achieved in stages, the entity's previous shareholding in the acquired company is recognized at fair value at the acquisition date and the resulting profit or loss, if any, is recognized in the income statement. Amounts arising from interests in the company acquired prior to the acquisition date that have been previously recognized in Other Comprehensive Income are reclassified to the income statement when this treatment is appropriate and if such participation is eliminated.

If the initial accounting treatment of a business combination is incomplete at the end of the reporting period in which the combination occurs, the Entity reports provisional amounts for items whose accounting is incomplete. These provisional amounts are adjusted during the measurement period (see above) or additional assets or liabilities are recognized to reflect the new information obtained on the facts and circumstances that existed at the date of acquisition and that, had they been known, would have affected the amounts recognized at that date.

Combinations subject to common control

Combinations of companies under common control are accounted for using the book value approach, recognizing all identifiable assets, liabilities and contingent liabilities acquired at the incorporation for the amount recognized in the accounts of the absorbed company.

Notwithstanding the foregoing, identifiable acquired assets and the liabilities assumed must be recognized and measured and the date of acquisition shall be the date of registration with the competent authority. This date shall be deemed to correspond to that in which control of the Subordinated is acquired and which is normally referenced by the registration of the public deed of merger before the Chamber of Commerce.

There will be no recognition of intangible assets such as goodwill or good reputation in this type of transaction and costs related to the merger processes will be recognized in the income statement of the period.

4.16 Investments in other companies

Certain equity investments are recognized at fair value with changes in equity, taking the final decision to classify them in this category.

Regulation for banks only allow investment in technical services businesses to support the operation of banks in entities where it does not have control, joint control or significant influence, which are recognized at the beginning. After this recognition they are measured at fair value minus any impairment identified at the end of each reporting period. Dividends received are recognized in the income statement unless they arise from profit of periods prior to the acquisition, in which case they are deducted from the allowed investment.

4.17 Intangible assets

The Bank will proceed to record an intangible asset once it has identified: the existence of control, the separability of the asset and the fact that it is expected to generate a future economic benefit. For recognition it is essential that the intangible asset complies with all the features described above. The initial measurement of intangible assets depends on the way the Bank obtains the asset. An intangible asset can be obtained through the following ways: by the acquisition separately, as part of a business combination, or internally generated by the Bank.

The intangible asset acquired in a separate transaction is measured as the sum of the purchase price, including import duties and taxes not reimbursable on the acquisition, after deducting discounts and rebates, and the costs directly attributable to preparing the asset for the use provided. In business combinations, the value of the corresponding cost is the fair value at the acquisition date. For internally generated intangible assets, all disbursements in the research phase are recognized in expenditures along with all those incurred in the development phase to create, produce and prepare the asset for it to operate as intended are capitalized.

Subsequent disbursements are only capitalized when the future economic benefits, incorporated in the assets related to these disbursements, increase. All other disbursements, including disbursements to generate capital gains and international brands, are recognized in profit or loss when incurred.

The Bank assesses whether the useful life of an intangible asset is finite or indefinite. An intangible asset with a finite useful life is amortized, unlike one with an indefinite useful life. In the subsequent recognition, intangible assets with indefinite useful life are amortized on a straight-line over their estimated useful life.

Intangible assets acquired separately, which generally corresponds to software licenses or software, are amortized over an estimated useful life of 1 - 11 years. Maintenance or support costs are charged to income.

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

4.18 Impairment of tangible and intangible assets excluding goodwill

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

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

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

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

Later, when an impairment loss is reversed, the carrying amount in ledgers 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 in books does not exceed the carrying amount that would have been determined if an impairment loss would have not been recognized for the asset (or cash-generating unit) in prior years. The reversal of an impairment loss is recognized immediately in income results.

4.19 Goodwill

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

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

A cash-generating unit, to which goodwill has been allocated, 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 in ledgers exceeds the recoverable amount, the Bank will immediately recognize the impairment loss in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

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 in ledgers of each asset in the unit.

4.20 Other non- financial assets

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

4.21 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.

• The Bank as lessor

The amounts payable by lessees under financial leases are recognized as receivables (loan portfolio) for the amount of the loan made to the customer. Income from financial 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´s Statement of Financial Position records 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 on a straight-line basis over the term of the lease. Depreciation and impairment of leased assets is calculated in accordance with policies for similar assets.

4.22 Financial Liabilities

An instrument is classified as a financial liability when it contains a contractual obligation to transfer cash or other financial assets where appropriate; it will or may be settled in a variable number of its own equity instruments.

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

Financial liabilities at fair value with changes through profit or loss

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

A financial liability is classified as held for trading if:

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

Financial liabilities at fair value through profit or loss are recorded at fair value, recognizing any gain or loss arising from re-measurement in the income statement. The net gain or loss recognized in the income statement includes any interest earned from the financial liability and it is recorded under the heading of 'other income and expenses' in the consolidated income statement. The fair value is determined as described in Note 8.

Other financial liabilities

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

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

Financial liability 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 the accumulated amortization calculated with the method of the effective interest rate.

Subordinated debt and bonds are recorded at transaction value and are subsequently recorded at amortized cost, paid interests are recorded using the method of effective interest rate, and the issuance costs are recognized and are recorded as an interest expense.

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

De-recognition of financial liabilities

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

4.23 Insurance

Premiums for single premium businesses are recognized as income when received. This is the date the policy takes effect. For regular premium contracts, receivables are recognized on the date payments are due. Premiums are shown before deduction of commission. When policies expire because premiums are not received, all premium income accrued but that has not been collected from that date is considered to have expired, net of expenses and offset against premiums.

Claims for losses are recognized as an expense when incurred, and reflect the cost of all claims arising during the year.

Tests on the adequacy of liabilities are held for insurance portfolios on the basis of estimated future claims, costs, premiums earned and proportionate investment income. For long-term contracts, if actual experience regarding investment yields, mortality, morbidity, terminations or expenses indicates that liabilities for existing contracts, together with the present value of future gross premiums, will not be enough to cover the present value of future benefits and to recover deferred policy acquisition costs, then, a deficiency in the premium is recognized.

Costs directly attributable to the acquisition of incremental insurance and investment business are deferred to the extent that they are expected to be recoverable from future income margins on these contracts.

These costs are amortized systematically over a period not exceeding the one in which it is expected they will be recovered from these future margins.

The current risk reserve represents the portion of the premiums written from the policies in force and from the policies with future validity, discounting the expenses of issuance, corresponding to the time not taken from the risk. These premiums are recorded as income and are considered a reserve in liabilities.

This reserve is established on the date of issue of the policy and will be calculated as the result of multiplying the premium issued, net of issuance expenses. Notwithstanding of the form of payment of the insurance, the reserve is calculated based on its term

For individual life insurance, a mathematical reserve should be set up with an amount that represents the difference between the actuarial present value of future obligations of the insurer and the actuarial present value of future payments by the insured to the calculation date.

The reserve for reported losses corresponds to the amount of money that the entity must allocate to meet payments of claims incurred once they and the costs associated with them have been reported. The reserve of claims incurred but not reported is an estimate of the amount of resources that the entity must allocate to meet future claims payments that have already occurred at the date of calculation of this reserve but have not yet been notified or for which there is not enough information.

Loss reserves are not recognized in the consolidated financial statements because there is no accurate fact that can predict the occurrence of losses.

4.24 Income tax

Strategy and tax policy

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

Updating, analysis and ongoing research of the regulations allow for the planning, implementation and effective decision-making and risk management in tax matters.

Current taxes

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

Current tax is recognized in Results for the period, except for those items recognized in the equity section or Other Comprehensive Income .

Deferred taxes

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

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

Recognition of timing differences

Deferred tax liabilities arising from taxable temporary differences are recognized in all cases provided that:

They arise from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and at the date of the transaction does not affect the accounting result or the taxable income;

They correspond to differences associated with investments in subsidiaries, associates and joint ventures on which we have the capacity to control the moment of their reversal and it is not probable that their reversion will occur in the foreseeable future.

Recognition of deductible timing differences

Deferred tax assets arising from deductible temporary differences are recognized provided that:

They correspond to timing differences associated with investments in subsidiaries, associates and joint ventures to the extent that the timing differences will be reversed in the foreseeable future, and are expected to generate positive future tax gains 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 apply in the periods in which it is expected to realize the asset or settle the liabilities, based on the regulations approved or are about to be approved, and once considered the tax consequences that will arise from the way in which the Bank expects to recover assets or liquidate liabilities.

At the balance sheet date, the Bank and its subsidiaries revise the carrying amount of deferred tax assets, and this is reduced to the extent that sufficient taxable income is no longer likely to be available to allow full or partial use of the deferred tax asset.

Wealth tax

Article 1 of Law 1739 of 23 December 2014 creates a special Wealth Tax, to come into force from January 1, 2016. The tax will be temporary, applying only to 2015, 2016 and 2017 . Payment is due on January 1 of each year.

The Bank recorded the Wealth Tax as charged to equity reserves, without affecting annual profits, as permitted by Article 10 of Law 1739 of 2014.

4.25 Provisions

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

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

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

Litigation

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

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

The Bank has provisions covered by guarantee contracts made in acquisitions of other companies, which are disclosed in Note 12.24.

4.26 Bank Guarantees

Bank guarantees correspond to documents issued by the Bank to ensure compliance with one or more obligations in whole or in part, contracted by the customer in favor of third parties. In case of default by customers, the Bank will respond to the third party by paying the sum of money agreed in the document, and a credit obligation is generated in the name of the customer for the amount paid, within a period agreed upon with the customer, initially recognized at the guaranteed value and subsequently evaluated in accordance with IAS 37.

4.27 Offset of financial instruments in the Statement of Financial Position.

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legal right to offset 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, 2017 and 2016, the Bank was not subject to offsets.

4.28 Equity

Capital

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

Ordinary shares

Ordinary shares are classified as equity when there is no contractual obligation to transfer cash or another financial asset. Dividend payments are recognized as a deduction from equity.

Shares with minimum preferential dividend

The shares with minimum preferential dividend are classified as equity when they have no contractual obligation to transfer cash or another financial asset. The payment of the Minimum Preferential Dividend will be made with the frequency and manner determined by the General Meeting. The Minimum Preferential Dividend cannot be accumulated.

Share premium

The share placement premium corresponds to the difference between the par value and the price effectively paid for the share.

Reserves

i) Mandatory (“Legal”) Reserve - Banks in Colombia must establish a legal reserve of 10% of the net profits of each year until reaching 50% of subscribed capital. The reserve may be reduced to less than 50% of the subscribed capital, in order to cover losses in excess of undistributed profits. The legal reserve cannot be used to pay dividends or to assume expenses or losses during the time that the Bank has undistributed profits. The Bank has set a legal reserve that is higher than policy parameters and has exceeded 8 times the established value of subscribed and paid capital.

ii) Statutory and voluntary reserves – It includes the following reservations that must be approved by the General Meeting

- Reserve for valuation of investments at market prices. Decree 2336 of 1995
- Reserve for Wealth Tax
- Reserve available to the General Meeting for future distributions of profits
- Others

To meet solvency standards, the Bank may make commitments to capitalize reserves available to the General Meeting.

Other Comprehensive Income

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

According to the provisions of SFC Circular r 036 of 2014, the difference between the models of loss incurred of loan portfolio under NCIF and the models of expected loss recognized in the individual (separate) financial statements of domestic subsidiaries and those outside Colombia according to SFC regulations, shall be recognized in Other Comprehensive Income.

Earnings per share

Basic earnings per common share are calculated by dividing the controlling interest into the weighted average numbers of ordinary shares outstanding during the year. See note 11.25.

4.29 Recognition of income and expenses

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

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

Interest income, interest expenses and similar items

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

Commissions from banking services are recognized when earned.

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

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

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

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

Income received on the sale of goods is recognized when: a) the significant risks and benefits 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.

4.30 Operating segments

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

5. Use of estimates and judgments

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

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

5.1 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, which have a significant effect on the separate financial statements.

Significant influence assessment

The Bank determined that it has significant influence in entities disclosed in Note 12.8 and represents its investment by the equity participation method.

Fundamental sources of uncertainty in estimates

The following are the key assumptions concerning the future and other crucial sources of uncertainty estimation at the end of the period that have a significant risk of producing important adjustments to the carrying amounts of assets and liabilities within the next year:

Fair value measurements and evaluation processes

Financial assets and liabilities 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 conducted 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 SFC Circular 034/ 2014 indicating the use of information supplied by Price Providers in accordance with the instructions provided in the SFC Basic Legal Circular Part 3, Title IV, Chapter IV - Price Providers.

Derivatives are recognized in the Consolidated Statement of Financial Position at fair value at each reporting date. Additionally, the fair value of certain financial instruments is disclosed - mainly loans and long-term debt - although they do not involve a risk of adjustment to book values. The above is described in Note 12.4.

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

Impairment of goodwill

The determination of impairment in goodwill requires a calculation of the value of the use of the cash-generating units to which it is assigned. The calculation of the value in use requires the Bank to determine future cash flows that the cash generating units are expected to obtain and set an appropriate discount rate to calculate their present value.

The Bank makes this valuation with an external, specialized, independent consultant who is approved by the SFC.

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

As described in Note 4.12, the Bank regularly reviews the useful lives, residual values and methods of depreciation for long-life assets, including Property and Equipment, and Intangible Assets. Valuations are performed by technical experts. In the case of intangibles, an individual decision is made as to whether the life is for a definite or indefinite time. During the periods presented, there were no changes of these estimates.

Income tax

The Bank evaluates the realization over time of the deferred income tax asset which represents tax on recoverable profits through future deductions of taxable profits and which are recorded in the consolidated statement of financial position. Deferred tax assets are recoverable to the extent that the realization of the relative tax benefits are probable. For this cut, the Bank estimates that the deferred asset tax assets will be recoverable based on their estimates of future taxable profits. Deferred tax liabilities recorded as taxable differences in the deferred tax calculation, will reflect the values to be paid for income tax in future periods.

Provisions and contingencies

A contingency requires to be classified in conformity to a reliable estimate according to the probability of occurrence of a fact or an event. Unless the possibility of any disbursement of funds is remote, the Bank needs to disclose, for each class of contingent liabilities, at the end of the reporting period, a brief description of the nature of the contingent liability. When there is a probability of an inflow of economic benefits, the Bank shall disclose a brief description of the nature of the contingent assets at the end of the reporting period and, where feasible, an estimate of their financial effect. Estimates regarding contingencies are based on the criteria adopted under 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 result	**Provision / contingent liability**
Probable	Recognize and Disclose
Possible	Disclose
Remote	Neither recognize nor disclose

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 profit and losses in the statement of the period.

This evidence may include data indications that there has been an adverse change in the behavior of debtors in each loan portfolio (commercial, consumer, housing mortgages, 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 loan portfolios when their 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 programs

The Bank operates a loyalty program where customers earn points for purchases made through credit cards, which entitles them to redeem points for prizes in accordance with the policies and the prize plan in force on the date of redemption. The points for prizes are recognized as a separately identifiable component of the initial sales transaction by allocating the fair value of the consideration received between the prize points and other components of the sale so that loyalty points are initially recognized as deferred income at fair value and then are recognized as income when the points are redeemed by the customer. Points are canceled according to maturity, except in the foreign subsidiaries loyalty programs where the points do not expire.

Employee Benefits

Short term benefits

Employee benefits in the short term are those that the Bank expects to pay completely before the twelve months following the end of the annual reporting period, such as wages and salaries, annual leave, sick leave, severance pay and interest on severance pay, among others. When an employee has rendered service to the Bank during the accounting period, the amount will be recognized (undiscounted) of short-term benefits to be paid for such services as a liability (accumulated or accrued expenditure) and as an expense.

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

Long Term benefits

Long-term benefits are all benefits to employees 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 the changes in the carrying amount in the ledgers of the assets for long-term benefits in the results of the period.

Post-employment benefits

These are different from the termination benefits and short-term benefits, and are paid after the employee terminates the period of employment.

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

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

6. Seasonality

The activities of the Bank and Subsidiaries have no cyclical or seasonal component and these Notes therefore do not include any specific breakdown at December 31, 2017.

7. New standards and interpretations issued but not yet effective

In the context of Decrees 2496 of December 2015, 2131 of December 2016 and 2170 of December 2017, the standards issued and applicable as of 2018 are explained below. The impact of these standards is still under evaluation by the Bank´s management.

Standards applicable as of January 1, 2018

IFRS 9- Financial Instruments (revised version, 2014)

In July 2014 IASB issued a final version of the IFRS 9 -Financial Instruments - replacing IAS 39.

In the Consolidated Financial Statements, Davivienda applies the 2010 version of IFRS 9 requirements, and references to IAS 39 are for the years closing on December 31, 2016 and 2017.

IFRS 9 is effective for annual periods beginning January 1, 2018.

Implementation strategy

The process of implementation of IFRS 9 has been the responsibility of an interdisciplinary group whose members include representatives of the areas of risk, finance and operations, and IT officers. The group has engaged in regular follow-up during 2017, and has been dealing with key matters, evaluating and taking decisions and monitoring progress in the implementation at all levels of the Bank, including evaluation on the sufficiency of resources.

Classification and measurement-financial assets

The 2014 version of IFRS 9 maintains the approach of categories and measurement for financial assets which considers the business model defined to manage risks and benefits, and characteristics of contractual cash flows.

IFRS 9 classifies financial assets as measured at amortized cost (AC), or at fair value with r changes in Other Comprehensive Income (FVTOCI), and measured at fair value results (the CR).

Acid is measured multi. Not value with changes in results if it meets the following two conditions:

1. If it is held for within a business model whose objective is to obtain contractual cash flow; and

2. If the contractual terms of the financial asset set specific dates for cash flows derived solely from payments of principal and interest on outstanding balances.

A debt instrument is measured at fair value with changes to Other Comprehensive Income only if it meets

the following conditions and has not initially been designated as fair value with changes in Profit and Loss:

1. If it is held in the present business model and its object is to collect contractual cash flows and/or sell o them; and

2. If the contractual terms of the financial asset set specific dates for cash flows derived only from payments of principal and interest on outstanding balances.

Financial assets that do not meet these conditions are measured at fair value with changes in Profit and Loss (FVTPL)

Regardless of conditions, at the time of initial recognition, the Bank may irrevocably designate financial assets meets the requirements measured at amortized cost or at fair value through Other comprehensive income, to be measured at fair value with changes in results, if an accounting asymmetry is significantly is eliminated or significantly reduced by doing so.

This new version of IFRS 9 maintains the option to make an irrevocable choice of those investments in equities not held for trading purposes, from the time of initial recognition, so that subsequent changes to their value may be recorded in Other Comprehensive Income. This choice is made individually for each instrument.

In conclusion, the classification of a financial assets into one of the categories mentioned is made at the time of initial recognition. Nonetheless, for financial assets existing at the time of transition to IFRS B9, evaluation of the business model will be based on facts and circumstances at that date. Additionally, IFRS 9 allows new designations to fair value with changes through Profit and Loss or fair value through Other Comprehensive Income, to be effected on the date of initial application, and which permits or requires the revocation of previous choices of fair value through Profit or Loss, depending on facts and circumstances of the date of initial application.

As was already happening, before, derivatives incorporated into contracts in which the post is a financial asset within the scope of the standard, or never split. Instead, and evaluation is made of the classification of the hybrid financial instrument taken as a whole.

Evaluation of the business model

The bank makes an evaluation of the business model, in which it maintains financial instruments portfolio level to reflect the best way of managing the business, and in which management information is provided. The information content includes:

• In the case of loans, the set of contractual conditions of each of the products and the policies for approval, management and recovery, and in general, the Bank's intention to maintain its assets in order to receive interest and commission income. For its part, the investment portfolio includes a mandate for each portfolio in accordance with the structure of the balance sheet of each of the companies.

• Risks affecting the yields of the business model (and the financial assets held in the business model), and the way in which those risks are managed;

• The way in which business managers are remunerated (for example, whether their compensation is based on the fair value of the assets managed, or contractual cash flows obtained); and

• Frequency, value and trimming of sales in prior periods, the reasons for those sales, and the expectations on activity of future sales.

Testing whether contractual cash flows are only payments of principal and interest (SPPI)

For the purposes of this evaluation "principal" is defined as the fair value of a financial asset at the time of initial recognition; "interest" is defined as consideration for the value of money over time and for the risk associated with the amount of principal outstanding in a particular period of time, and other basic risks which other equipment alone agreement and other associated costs (e.g. Liquidity risks and overhead), and the profitability margin.

When evaluating whether cash flows contractual cash flows are only payments of interest, the Bank considers the terms of contract for the instrument. This includes an evaluation to determine whether the financial asset contains a contractual term which could change the period or amount of contractual cash flows such that it would not meet that condition. When making this valuation, the Bank considers:

- Contingent events would change the amount and regular and frequency of cash flows;
- Terms of early prepayment and extensions of payment dates;
- Terms which limit the Bank in obtaining cash flows from specific aspect assets (e g Agreement on assets

without funds); and
- Characteristics that modify the considerations for the value of money over time, e. e., Regular interest rate reviews.

Preliminary evaluation of impact

Based on the high-level evaluation of possible changes in classification and measurement of financial assets held at December 31, 2017, it is estimated that:

- Bank loans and deposits which are classified as loans and accounts receivable, held to maturity and measured at amortized cost, will continue to be measured in this way in the application of the new IFRS 9. Except for certain loans, which they do not pass the SPPI test, will be measured at fair value through Profit or Loss.

- Equity investments will continue to be measured at fair value through Other Comprehensive Income under the new I'FRS 9.

- 44% of debt securities recorded fair that FVTPL will be reclassified to FVTOCI, since the business model is looking to form a liquidity reserve, and the option to affect Other Comprehensive Income for debt securities is enabled for this. The remaining 66% is still recorded as FVTPL.

- Derivatives held for speculation and risk management, classified as “held for trading” and measured as FVTPL, will maintain this measurement under the new FRS 9.

Impairment of financial assets

IFRS 9 replaces the model of "incurred losses", in the previous version of I FRS 9, with a model of "Expected Credit Loss" (ECL), and requires a restatement of the methods established to incorporate the new classification and a differentiated horizon for forecasts and the incorporation of economic factors, amongst other things.

The new model will be applicable to the following financial assets not classed as FVTPL loans:

- Loans
- Leasing operations
- Financial guarantee contracts issued; and
- Commitments issued
- Debt securities at amortized cost or FVTOCI.

Impairment losses are not recognized on investments in equities not held for sale, in the light of the implementation of IFRS 9.

Further, Expected Credit Losses will be calculated during over the life of the asset, except in the following cases where the amount recognized is equivalent to a 12- month ECL.

- Debt instruments determined not to have suffered significant impairment of credit quality since initial recognition, or which have or continue to maintain low risk of the ata analysis; and

- Other financial instruments (other than lease payments receivable), for which the credit risk does not increase significantly since initial recognition.

The reserve for losses in lease payments receivable will always be measured to be equal to Expected Credit

Loss over the life of the asset.

The 12-month ECL is the portion of Expected Credit Loss arising from loss events or financial instrument which are possible within 12 months after the reporting date.

ECL Estimates

ECL, or Expected Credit Loss, is calculates taking accounts of different circumstances: in detail:

- Financial assets that do not evidence credit impairment at reporting date:
  - Loan assets are calculated as the difference between contractual flows and flows expected to be received based on the characteristics of the product and performance of the portfolio, expressed in present value;
  - With regard to investments in debt instruments, this is calculated as the book value of the instrument (in terms of its classification, whether it is at amortized cost or fair value through Other Comprehensive Income) multiplied by the probability of default at 12 months, and loss given default (LGD).

- Financial assets impaired at the reporting date:
  ECL is calculated as the difference between contractual flows and flows which, in the context of impairment based on recovery expectations, are expected to be received, expressed in present value. For investment assets, the procedure described in the preceding section is followed, but considering a significant increase in risk, or default, the probability of default is assigned to the entire life of the instrument;

- Loan commitments outstanding
  Given the possibility that commitments to lend may become actual loans, and based on the parameters developed for unimpaired financial assets, and estimate is made of the expected recovery of flows, and the loss is the result of the difference between the latter and potential future cash flows; and

- Financial guarantee contracts
  Given the possibility that a guarantee may be called in by a third party an estimate is made based on parameters developed on impaired and unimpaired assets, and of expectations of recovery of the loan, which arise from this context.

Definition of loss

According to IFRS 9, the Bank will consider a financial assets to be in default when, in analysis of transition of stages of arrears, the probability of recovery is significantly lower compared to the probability that the situation of arrears will worsen. In non-mass and corporate business segments, the internal classification of the rating associated with loans with a low level of expectation of recovery is leveraged. For investments in debt instruments in the investment portfolio, this is considered to be a default against the contractual agreement for payment of the instrument.

When making an evaluation of whether the debtor is in default, the Bank will consider indicators that are:

- Qualitative- e.g., Default against contractual clauses;
- Quantitative, e.g. Situation of arrears and non-payment on another debt of the same customer to the
- Based on data developed internally and obtained from external sources
- The inputs used in the evaluation as to whether financial instruments are in default or not, and their importance, may vary over time to reflect changes in circumstance.

Significant increase in credit risk

Under IFRS 9, a decision must be made as to whether the credit risk on financial assets has increased significantly since initial recognition. In relation to assets in the form of loans, the Bank has not currently implemented models for rating customers in the organization. It will therefore consider as reasonable and arguable information that which is relevant and available without disproportionate cost or effort to identify customers who, according to Bank policies and appetite for risk, are evidencing a significant increase in risk. This information includes both a quantitative analysis and qualitative analysis, based on historical experience and expert evaluation of the Bank´s lending operations. With regard to investments in debt instruments, the Bank will make its analysis of the performance of external risk ratings from issuers from the time of acquisition through to the reporting date, identifying signs of any significant increase in credit risk; including qualitative and quantitative information.

The Bank expects to 5 whether a significant increase has occurred in credit risk in its loan assets, in terms of exposure based on:

- The incidence of arrears prior to the event of default;
- The presence of changes to the original conditions of the loan due to difficulties in payment
- The incidence of default in other products;
- Internal ratings (where applicable), to denote that difficulties have arisen in meeting commitments.
- Different signs, based on experience and statistical evidence which are indicators that the credit quality of the debtor has changed for the worse, in comparison to initial recognition.

Credit risk rating

The estimates of the probability of default allow exposure in a set of ratings to be segmented, and to be incorporated into the Bank´s credit risk management. It should be remembered that of the estimated probability of default is based on a series of quantitative and qualitative factors which are indicative of the risk of loss. These factors may vary depending on the nature of the exposure and the borrower.

For investments in debt instruments, external ratings of locally and internationally recognized risk rating agencies will form part of the methodology. The information is used to classify issuers by risk level in their ratings.

Inputs for the measurement of ECL

The key inputs for the measurement Expected Credit Loss are usually the following variables:

- Probability of default (PD)
- Loss given default (LGD)
- Exposure at default (EAD).

In general terms, the expects to derive these parameters from internal statistical models, market information and other historic data, which will be adjusted to reflect information with future projection as described above.

The estimates of probability of default on made at a given date, at which the Bank expects to calculate the statistical models for rating, using rating tools for the various categories of counterparty and exposure. These statistical models are based on data compiled internally, composed of both qualitative and quantitative factors. In loan assets, the probability of default will be estimated considering contractual due dates of exposures, and prepayment rates estimated. Market information is used for estimation of the estimates of probable fraud of investments in debt instruments, changing the estimate of the probability of default associated to place online with migrations in external ratings which influence may have.

Loss given default (LGD) is the magnitude of loss given an event of default. The Bank estimated parameters for this loss given default based on a historical recovery rate of loans, which reached the stage of default; while in other portfolios, it uses parameters commonly used in the market. The loss given default models consider the type of credit product, collateral, associated overheads, et cetera. Among the cases with the materiality in records for estimates, the differentiating will be printed by reason of the coverage of the value of collateral of the births of balance of the exposure. These will be calculated on the basis of discounted cash flows using the original effective interest rate for loans, as the discount factor. The LGD may differ from the figures used for regulatory purposes.

Exposure in the event of default represents the expected exposure expected in the event of default. This includes both the actual exposure counterparty, and potential future exposure. For revolving loans, a percentage of utilization of available balances, and for term loans, there is provision for amortization of the loan and its potential prepayment. For commitments to lend and financial guarantees, exposure in the event of default considers the amount pending disbursement, future potential amounts which may be drawn down or repaid under the contract, using estimates based on historical observation and projection.

Projections of future conditions

Under IFRS 9, the Bank incorporates macroeconomic information into future predictions in its measurement of Expected Credit Losses, based on recommendation of the Bank's Economic Studies area, which projects relevant economic variables, and a representative range of other possible scenarios. With regard to the estimates of Expected Credit Loss, this process involves three economic scenarios, and considers the probabilities related to each result.

The base scenario represents the most probable result, as it is aligned with information used by the Bank for other purposes such as strategic planning and budgeting. The other scenarios represent a more optimistic and more pessimistic result.

In portfolios such as the investment portfolio in debt instruments, international market information is taken for the probability of default to consider a series of different scenarios, which intrinsically contain the macroeconomic effect.

Preliminary evaluation of impact

The most significant impact on the consolidated financial statements of the Bank caused by the implementation IFRS 9 is the calculation of impairment.

Given that the new standard represents an important change in methodology in the estimation of losses, replacing losses incurred with expected loss and additionally incorporating an adjustment factor for the prediction of future economic conditions, it is likely that there will be a higher level of monthly provisions, and an increase in the volatility of provisions due to changes in economic projections.

The Bank´s preliminary evaluation indicates that the application of this standard on the transition date of January 1, 2018 will reduce equity by between $700,000 and $800,000 million. Al number of activities for review and final calibration for the model for estimation of expected losses are still in train.

The implementation of IFRS 9 represents significant changes in processes, technological infrastructure and internal controls, in which the Bank is in the implementation stage.

The new policies on bookkeeping and judgment may require changes first intermediate financial statements are prepared at March 31, 2018, and these will include the initial impact of transition from January 1, 2018.

Classification-financial liabilities

IFRS 9 largely preserves the requirements of the previous version for the classification of financial liabilities.

In subsection 4.2, IFRS 9 states that an entity must classify all its financial liabilities as measured subsequently at amortized cost, and describes exceptions applicable to this rule.

The Bank´s preliminary evaluation indicated that most financial liabilities are measured at amortized cost, except for some instruments which have been defined in relevant instances to be following the guidelines of the standard. Given this, there will be no material impact when the requirements of IFRS 9 are applied with regard to classification of financial liabilities January 1, 2018

Hedge Accounting

When IFRS 9 is initially applied, entities must define whether hedging declared prior to January 1, 2018 continues under IAS 39. Taking account of the fact that changes introduced into IFRS 9 and their implications, the Bank decided to adopt IFRS 9 for hedge accounting as of January 1, 2018, given that this methodology provides a focus aimed at the Bank´s scheme of risk management.

Disclosures

IFRS 9 will require wine ranging new disclosures, in particular with regard to hedge accounting, credit risk Expected Credit Losses. The preliminary evaluation of the bank included an analysis to identify breaches of data in current processes, and plans to implement changes to system and controls which it considers to be necessary in order to capture the data required before the issue of the first financial statement to include eye of IFRS 9.

Impact on capital planning

The main impact on regulatory capital of the bank arises from new requirements for impairment under IFRS 9, which will be affected through undistributed profits in tier 1 capital.

Transition

Changes in accounting policy which arise from the adoption of IFRS 9 will apply as of January 1, 2018. The Bank has made its analysis, and considered it appropriate for implementation to adopt the exception which allows it not to re-express comparative information from previous periods with regard to changes of classification and measurement (including impairment). Differences in the values of financial assets and liabilities arising from the adoption of IFRS 9 will be recognized in accumulated profits and reserves at January 1, 2018.

IFRS 15 - Revenues from Contracts with Customers

In July 2014, IASB issued IFRS 15 "Revenues from Contacts with Customers ", which replaces a number of previous standards in particular IAS 11-Construction Contracts - and IAS 18-Revenues from Ordinary Activities-. This new standard requires that revenues from ordinary activities of customers other than those originating in financial instruments and leasing contracts, should be recognized with specific rules for recording under IFRS 15, it is established that revenues will be recognized in such a way as to reflect the transfer of control of goods and services committed to customers in exchange for an amount that expresses the consideration to which the Bank expects to be entitled. Under this new premise, the Bank recognizes revenues from ordinary activities other than financial items such as banking service commission and the sale of goods and services for different purposes through the application of the following stages:

1. Identification of the contract;
2. Identification of performance obligations under the contract
3. Determination of the price of the transaction
4. Allocation of the price of the transaction between performance obligations
5. Recognition of revenues to the extent that the Bank satisfies its customers in each performance obligation.

The Bank intends to adopt the standard using the retroactive method, for its cumulative effect, which means that the cumulative impact of adoption will be recognized in retained profits as of January 1, 2018, and that comparative figures will not be re-expressed.

The preliminary high-level evaluation made by the Bank indicates that the implementation of IFRS 15 will not have a material impact on the timing or amount of recognition of the Bank´s other income.

Other standards issued and applicable as of January 1, 2018

IFRS 7 – Statement of Cash Flows
Disclosure initiative

This requires that entities provide information to be disclosed, allowing users of financial statements to evaluate changes in liabilities arising from financing activities.

IAS 12-Income Tax
Recognition of deferred income tax assets for unrealized losses

The standard clarifies the requirements for recognition of deferred tax assets for unrealized losses in debt instruments measured at fair value.

IFRS 15- Revenues from Contracts with Customer

The purpose of these changes is to clarify the intentions of IASB when developing requirements for IFRS 15 without changing its underlying principles.

Standards applicable as of January 1, 2019

IFRS 16- Leases

This standard establishes requirements for recognition, measurement, presentation and information for disclosure on leases.

It will replace the following standards and interpretations after the effective date:

- IAS 17- Leases
- IFRIC 4 Determination as to whether an agreement contains a lease
- IAS 15- Operating leases, incentives
- IAS 27- Evaluation of the essence of transactions adopting the legal form of a lease

The Bank is currently making a diagnosis, and implementing the new standard.

IAS 40-Investment property
Transfer of investment property

There are changes in paragraphs referring to transfers to or from Investment Property, when and only when there is a change in the use of an asset.

IFRS 12- Information to be disclosed on interests in other entities

The changes clarify the scope of this standard with regard to subsidiaries, joint ventures or an associates that classify as non-current assets held for sale, or in a group for disposal.

IAS 28-Investments in Associates and Joint Ventures

An option has been introduced for an entity to measure an investment in an associate or joint venture at fair value, with changes in results.

IFRS 4 – Insurance contracts

Temporary exemption for the application of IAS 39 instead of IFRS 9 for recording financial instruments.

8. Fair Value Measurement

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

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

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

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

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

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

(Millions of Colombian pesos (COP))

Measurements of fair value on a recurring basis

Below are the assets and liabilities measured on a recurring basis at fair value by type of instrument, indicating the corresponding hierarchy for December 31, 2017.

	Fair value		Level	
	December 31, 2017	1	2	3
Assets				
Investments in debt securities issued and guaranteed	8,960,707	6,094,491	1,939,397	926,821
In pesos	6,407,402	5,280,189	400,697	726,517
Colombian Government	3,535,632	3,515,255	20,378	-
Financial institutions	2,014,113	1,666,834	347,279	-
Real sector issuers	33,040	-	33,040	-
Other	824,617	98,100	-	726,517
Foreign currency	2,553,305	814,302	1,538,700	200,304
Colombian Government	169,183	169,183	-	-
Foreign governments	1,511,374	65,825	1,257,192	188,357
Financial institutions	493,183	306,813	174,424	11,947
Real sector issuers	365,110	258,026	107,084	-
Other	14,455	14,455	-	-
Equity investments	391,522	389,471	-	2,052
Though Profit or Loss	26,625	26,625	-	-
Through OCI	364,897	362,846	-	2,052
Trading derivatives	335,536	-	335,536	-
Currency forwards	82,758	-	82,758	-
Securities forwards	225	-	225	-
Interest rate swaps	216,823	-	216,823	-
Currency swaps	13,899	-	13,899	-
Other	21,831	-	21,831	-
Total assets	9,687,765	6,483,962	2,274,933	928,873
Liabilities				
Trading derivatives	354,407	-	354,407	-
Currency forwards	91,764	-	91,764	-
Securities forwards	1,086	-	1,086	-
Interest rate swaps	229,828	-	229,828	-
Currency swaps	13,841	-	13,841	-
Other	17,888	-	17,888	-
Hedging derivatives	2,228	-	2,228	-
Interest rate swap	2,228	-	2,228	-
Total liabilities	356,635	-	356,635	-

(Millions of Colombian pesos (COP))

	Fair value	Level		
	December 31, 2016	1	2	3
Assets				
Investments in debt securities issued and guaranteed	7,313,338	4,660,128	1,467,551	1,185,658
In pesos	5,155,406	4,121,742	315,324	718,340
Colombian Government	2,209,193	2,196,457	12,736	-
Financial institutions	2,109,788	1,820,212	286,561	3,016
Real sector issuers	18,523	3,858	14,666	-
Other	817,901	101,216	1,362	715,324
In foreign currencies	2,157,932	538,387	1,152,226	467,318
Colombian Government	143,681	143,681	-	-
Foreign governments	1,540,653	82,565	990,769	467,318
Financial institutions	282,321	236,099	46,222	-
Real sector issuers	176,791	61,556	115,235	-
Other	14,487	14,487	-	-
Equity investments	32,130	32,130	-	-
through Profit or Loss	32,130	32,130	-	-
Trading derivatives	241,022	-	241,022	-
Currency forwards	93,389	-	93,389	-
Securities forwards	635	-	635	-
Interest rate swaps	123,059	-	123,059	-
Currency swaps	1,377	-	1,377	-
Other	22,561	-	22,561	-
Total assets	7,586,489	4,692,258	1,708,573	1,185,658
Liabilities				
Trading derivatives	241,019	-	241,019	-
Cuurency forwards	92,422	-	92,422	-
Securities forwards	1,003	-	1,003	-
Interest rate swap	122,707	-	122,707	-
Currency swap	2,492	-	2,492	-
Other	22,395	-	22,395	-
Total liabilities	241,019	-	241,019	-

The following is the movement if financial instruments measured recurrently at fair value and classified as Level 3:

	December 31,2016	Total profit (loss) in P&L	Through OCI	Reclassified	Purchases	Settlements	December 31,2017
Assets							
Investments in debt securities issued and guaranteed	1,185,658	30,757	-	(2,324)	383,860	(671,130)	926,821
In pesos	718,340	30,757	-	(2,324)	183,556	(203,812)	726,517
Financial institutions	3,016	(16)	-	-	-	(3,000)	-
Other	715,324	30,773	-	(2,324)	183,556	(200,812)	726,517
In foreign currency	467,318	-	-	-	200,304	(467,318)	200,304
Foreign governments	467,318	-	-	-	188,357	(467,318)	188,357
Financial institutions	-	-	-	-	11,947	-	11,947
Equity investments	1,570	-	482	-	-	-	2,052
Through Profit or Loss	1,570	-	482	-	-	-	2,052
Total assets	1,187,228	30,757	482	(2,324)	383,860	(671,130)	928,873

(Millions of Colombian pesos (COP))

	December 31,2015	Gtotel profit (loss) through P&L	Purchases	Settlements	December 31,2016
Asset					
Investments in debt securities issued and guaranteed	1,657,056	(24,082)	371,524	(818,840)	1,185,658
In pesos	912,408	(9,147)	53,612	(238,533)	718,340
Financial institutions	60,513	-	3,016	(60,513)	3,016
Others	851,894	(9,147)	50,596	(178,020)	715,324
In foreign currency	744,648	(14,935)	317,912	(580,307)	467,318
Foreign goverments	744,648	(14,935)	317,912	(580,307)	467,318
Total assets	1,657,056	(24,082)	371,524	(818,840)	1,185,658

For the determination of the levels of the fair value hierarchy, an evaluation is made of the methodologies used by the official price provider and the expert judgment of the treasury areas, who are aware of the markets, the inputs and the approximations used for the estimation of fair values.

Applicable methodologies for the valuation of investments in debt securities and equity securities:

• Market prices: this methodology is applied to assets and liabilities that have sufficiently large markets, in which the volume and number of transactions are sufficient to establish an exit price for each braided reference. This methodology, equivalent to a hierarchy level 1, is generally used for investments in sovereign debt securities, 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 with respect to recent quotations of the asset or liability in question or similar. This methodology, equivalent to a hierarchy Level 2, is generally used for investments in debt securities of financial institutions and corporate debt in the local market of low recurring issuers and with low amounts in circulation. Also under this methodology are credit securities and securitizations of senior mortgage portfolio.

• Other methods: For the assets to which the official price provider does not report prices based on the methodologies previously described, the Bank uses approximations to estimate a reasonable value by maximizing the use of observable data. These methods, which are located in a Hierarchy level 3, are generally based on the use of an internal rate of return obtained from the primary market of the instrument, the last observed prices and the use of reference curves. In the hierarchy level 3 are investments in securitizations of the subordinated mortgage portfolio and the residual rights resulting there from. For this type of asset there is no secondary market from which indications of a fair exchange price can be obtained, constituting the best price referring to the transaction generated at the time of the issuance of each instrument. The valuation of these instruments, which is based on the discounted cash flow approach, has as its main variable the internal rate of return implicit in the purchase value. If this variable changes by 1%, maintaining the other contingent factors would affect the fair value by an amount equivalent to 2.8% of the book value.

Similarly, at this level are located the investments in government short-term debt securities in which the investment portfolio of the Central American Subsidiaries has a position. In particular, these are securities issued by the government of Honduras and El Salvador, which generally have maturities close to one year, not having secondary markets, and where the best reference of an exit price is the one generated by the transaction made at the time of issue. Similar to the securitizations previously described, the valuation is based on the discounted cash flow method whose main variable is the internal rate of return implicit in the purchase value. If this variable changes by 1%, keeping the remaining constant factors would affect the fair value by an amount equivalent to 1.1 % of book value.

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

Methodologies applicable for the valuation of derivative financial instruments:

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

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

For the period from December 31, 2017 to December 31, 2016, 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 book values are as follows:

	Fair value	December 31,2017 Level 1	2	3	Book value
Assets					
Loans (gross)	76,461,368	-	-	76,461,368	78,219,574
Investments at amortized cost	1,527,266	174,825	836,402	516,039	1,523,501
Totalo financial assets	**77,988,634**	**174,825**	**836,402**	**76,977,407**	**79,743,075**
Liabilities					
Term deposits	29,208,202	-	29,208,202	-	29,328,063
Debt issues	12,338,349	11,506,357	-	831,992	12,008,969
Bank borrowings and other financial debt	9,711,760	-	-	9,711,760	9,686,332
Total liabilities	**51,258,311**	**11,506,357**	**29,208,202**	**10,543,752**	**51,023,364**

	Fair value	December 31, 2016 Level 1	2	3	Book value
Assets					
Loans (gross)	68,519,726	-	-	68,519,726	72,929,641
Investments at amortized cost	1,350,062	85,630	150,734	1,113,698	1,345,018
Total financial assets	**69,869,788**	**85,630**	**150,734**	**69,633,424**	**74,274,659**
Liabilities					
Term deposits	25,797,921	-	25,797,921	-	25,664,691
Debt issues	9,827,617	9,297,062	-	530,554	9,586,702
Bank borrowings and other financial debt	9,003,677	-	-	9,003,677	8,913,954
Total liabilities	**44,629,215**	**9,297,062**	**25,797,921**	**9,534,231**	**44,165,347**

9. Operating 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 engaged in financial and banking activities, which generate income and incur expenses, and which ensure a surrender of effective accounts, for an optimal measurement of their results, assets and liabilities, which are regularly evaluated and verified by the Strategic Committee, headed by the President of the Bank (MITDO - Maximum Operational Decision Maker), for correct decision-making, 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) Activities of natural persons and legal entities, which are reported separately at the level of assets, liabilities, income and expenses
b) the results that are examined periodically by the MITDO
c) The relationship with which differentiated financial information is available.

The operating segments are components of the Matrix, which include the results of the different countries where Davivienda is present, so that its results are classified and presented in the segments established by the Bank:

1. Personal Banking

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

2. Business

This segment includes the offer of products and services aimed at legal entities, offers financial and transactional solutions in local and foreign currency and financing, savings and investment products in order to meet the needs of these types of 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 of 10% or more of the assets, which are presented in an aggregate manner, as well as to the management of the mismatch and liability, and any effect of re-expression by change, either by position of the Treasury Book or the Bank Book. Therefore the result of this segment reflects not only the result of a line of business but reflects corporate decisions about the management of issues and financing of the bank. Even so, when managing liquidity resources, the Bank has a follow-up by the management, as the other segments. Taking this into account we present the main dynamics in the segment.

4. International

This segment corresponds to the Bank's International operation; therefore, it includes the financial information of the Subsidiaries outside Colombia, located in: Panama, Costa Rica, El Salvador and Honduras. These subsidiaries derive their income from a variety of products and financial services offered in each country, products which are based on an effective offer of integral value for its multi-Latin customers, with a focus on quality and service.

The results are presented below by segments of Banco Davivienda S, A, Consolidated, which were prepared under International Financial Reporting Standards, following the guidelines established by senior management to follow up on them.

(Millions of Colombian pesos (COP))

Results by segment
January – December 2017

Income Statement	Personal banking	Business	GAP differentiated financial information (1)	International (**)	Homogenization and eliminations	Consolidated total - Bank
Interest income	4,283,582	2,748,179	547,274	1,535,912	223,069	9,338,016
Interest expense	(328,939)	(1,857,475)	(1,038,713)	(635,133)	16,458	(3,843,802)
Net FTP (*)	(1,083,913)	555,465	528,448	-	-	-
Net ,loans and receivables provisions	(1,311,065)	(464,990)	(1,092)	(186,168)	(12,047)	(1,975,362)
Net financial margin	**1,559,665**	**981,179**	**35,917**	**714,611**	**227,480**	**3,518,852**
Net commissions, services and insurance income	533,521	219,115	233,286	251,631	(33,296)	1,204,257
Results of investments in associates, net	-	-	4,350	-	-	4,350
Dividends	-	-	7,262	-	-	7,262
Operating expenses	(1,496,781)	(682,719)	(337,181)	(739,930)	66,261	(3,190,350)
Exchange and derivatives, net	-	-	67,836	31,523	5,057	104,416
Other income and expenses, net	(41,155)	18,423	89,241	12,232	(39,552)	39,189
Operating margin	**555,250**	**535,998**	**100,711**	**270,067**	**225,950**	**1,687,976**
Income tax	(62,914)	(199,645)	(41,169)	(71,304)	(29,963)	(404,995)
Net profit	**492,336**	**336,353**	**59,542**	**198,763**	**195,987**	**1,282,981**

At december 31, 2017

Assets	31,276,464	28,985,966	18,686,234	23,944,542	(2,121,918)	100,771,288
Liabilities	13,010,859	33,491,128	22,619,237	21,099,514	(333,316)	89,887,422

Results by segment
January – December 2016 (***)

Income statement	Personal banking	Business	GAP differentiated financial information (1)	International (**)	Homogenization and eliminations	Consolidated total - Bank
Interest income	3,680,693	2,732,299	674,212	1,489,581	98,212	8,674,997
Interest expense	(329,481)	(1,778,247)	(1,039,351)	(566,509)	8,750	(3,704,838)
Net FTP (*)	(798,760)	544,704	254,056	-	-	-
Net ,loans and receivables provisions	(976,706)	(496,294)	1,811	(209,171)	445,655	(1,234,705)
Net financial margin	**1,575,746**	**1,002,462**	**(109,272)**	**713,901**	**552,617**	**3,735,454**
Net commissions, services and insurance income	518,137	202,776	192,040	240,701	(29,097)	1,124,557
Results of investments in associates, net	-	-	3,228	-	-	3,228
Dividends	-	-	5,426	-	-	5,426
Operating expenses	(1,344,247)	(615,390)	(278,560)	(736,697)	39,893	(2,935,001)
Exchange and derivatives, net	-	-	132,583	37,374	8,253	178,210
Other income and expenses, net	(38,090)	22,321	290,087	19,642	(61,776)	232,184
Operating margin	**711,547**	**612,169**	**235,532**	**274,921**	**509,890**	**2,344,059**
Income tax	(135,425)	(231,761)	49,237	(61,548)	(239,833)	(619,330)
Net profit	**576,122**	**380,408**	**284,769**	**213,373**	**270,057**	**1,724,730**

At december 31, 2016

Assets	27,906,495	27,736,814	17,492,377	22,565,638	(2,153,307)	93,548,017
Liabilities	12,639,677	31,027,832	20,349,770	19,932,501	(446,810)	83,502,970

(*) Net FTP: refers to funds transfer prices between segments. These are allocated systematically and consistently and are managed internally.

(**) International: Results of subsidiaries outside Colombia without elimination or homogenization

(***) During 2017 the method of calculating FTP was changed based on adjustments to best practices. The methosd was applied on an historic basis in oprder to make figures comparabhle. This situation means that there are differences with figures presented for 2016 in previous reports. Also, customer segmentation is reviewed annually and reclaasifications are made where necessary and this produces changes in business units.

(1) Asset and Liability management

Personal Banking

Accumulated profit at December 2017 in the personal banking segment totaled $ 492.336 million, down 14.5% from the accumulated results at December 2016, increasing its share of the Bank's total profit from 33.4% to 38.4% in the same periods, mainly due to the increase in ALM participation in the Bank's total results.

The net financial margin of the personal banking segment in December 2017 was 1% lower than in 2016, totaling $ 1.559,665 million due to the increase in portfolio provisions and accounts receivable of 34.2%, and net financial costs by 35.7%; however, financial income increased 16,4%, explained by the good performance of the housing and ordinary loans, which showed a growth in annual revenues of 10.9% and 31,4% respectively.

In addition, there was outstanding growth of 9.9% in income from payroll instalment loans, fixed consumer credit, up 31.3% an increase of $190,455 million between the two products, in comparison to the previous year.

The financial expenses of the segment fell 0.2% as a result of a slight increase in deposits balances, mainly because current and savings accounts carries more weight than term deposits in the balance sheet.

Net provisioning expense in the personal banking segment increased by $ 334.356 million, closing at $1,311,065 million, mainly explained by the increase in provisions for ordinary loans, payroll instalment loans and fixed consumer credit, by 39.5%, 32.5% and 58.2% respectively.

Income from net commissions and services increased by 3,0% to $ 533.521 million, as liners for ordinary loans rose 12.4% and home mortgage loans 7.9% But there was a decrease of 6.4% in areas related to deposit-taking, which represents 43.9% of the funding in this segment, due to the slight growth of account balances.

Finally. Operating expenses increased 11.3% in 2017, due mainly to an increase of 13.2% in deposits with related areas, 9.1% in ordinary lending lines and 9.8% in home mortgages.

Business Banking

The profit for december 2017 was $336,353 million, or 26.2% of total profit. This was 11.6% down on 2016, mainly due to an increase of 4.5% in financial expense and 10.9% in operating expenses.

The net financial margin for this segment to December 2017 was 2.1% down on the total for 2016, as a result of growth of 0.l6% in financial income and a reduction of 6.3% on provisions against loans and accounts receivable. This was matched by greater growth in financial costs (up 4.5%) mainly due to higher costs in corporate banking, up 3.3%.

Portfolio revenues in the Business Banking segment totaled $ 2.748.179 million, 0,6% up on 2016, mainly due to the increase in revenues from the SME portfolio, of $786,114 million with an increase of13.8% and Construction sector loans, up 8.7% in Corporate Banking, closing at $1,453,689.

Net provisioning expense fell by $ 31.304 million when closing at $ 464.990 million, mainly explained by the reduction of $ 171,023 million in provisioning expenses of the corporate portfolio, which has a 49,9% share in banking provisions, This reduction was countered by an increase of 106,087 million in SME banking, which represents 37.7% of total provisions.

Fee and commission income amounted to $ 219.115 million, 8,1% higher than 2016, mainly explained by the increase in the expenses of corporate banking, of 7.2% and SME banking of 8.8%. However, net fee and commission income from construction and Business Banking was up´33% and corporate banking up 3.3%.

Finally, operating expenses in the corporate segment increased 10.9% at the close of December 2017, mainly explained by increased expenses in Corporate (up 9%) and SME (up 13.6%).

Differentiated Financial Information ALM

The net financial margin for this segment to December 2017 shows an increase of $ 145,189 million compared to December in 2016. This is due to the fact that the FTP fell 108%, due mainly to the decline in deposits-taking rates.

Service and commission income for the Unit and ALM segment increased by $ 41.246 million, up 21,5% from December 2016, In particular there was an increase in escrow business of 20.62%, mainly due to a rise in Fiduciaria Davivienda business of 26.94%.

Operating expenses for the segment grew 21% or $68,621 million, due to increased impairment of Foreclosed and Restored Assets.

Finally, this segment closed with a profit of $59,542 million during the year, down 79.1% on the year before due mainly to the reduction of 69.2% of non-recurring income in areas such as asset mobilization, the sale of CIFIN and Credibanco, generate din 2016.

This profit includes $42,058 from Fiduciaria Davivienda and %$10,584 from Corredores Davivienda in 2017.

International Operation

Results for December 2017 for the International segment totaled $ 198,763 million and represented 15,5% of the bank's profit, 6.8% down on 2016. This was mainly due to am, increase of $68,624 million (12.1%) in financial expense due to high bond balances in Costa Rica in 2017. There was also an increase of 8.3% of provisions in Costa Rica, mainly in commercial loans among clients with problems, a situation that affected the entire banking system there.

The net financial margin for this segment to December 2017 showed a growth of 0.1% compared to December 2016, given the performance of loans, with higher revenues of $46,331 million and provisions down 11%.

Financial income totaled $1,535,912 million, 3.1% up on 2016, partly due to a revaluation of the peso from 3,000.71 to $2,984.00 ($16.71).

Revenues from commissions and services increased 4,4%, $10,930 million more than 2016, totaling $ 251,631, while other operating income fell 37.73%, or $7,410 million down on 2016 due to higher expenses on impaired Foreclosed Assets.

Finally, operating expenses increased by 0.4% compared to December 2016, closing at $ 739,930 million, representing 23.2% of the total expenses of the Bank.

10. Risk Management

The Bank's comprehensive risk management is based on a governance structure aimed at achieving the strategic objectives, based on risk management, administration and control, supporting the growth of business and the use of opportunities. On this basis, the efforts of the management towards the fulfillment of the strategy and the control of the associated risks are focused.

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

The Bank's comprehensive risk management is governed by the principles and policies of the Bolivar Business Group, under the autonomy of each company in its risk management and being responsible of the control environment of the same.

Principles and Policies

• Risk management must be in accordance with the nature and activity of the business. We only act in businesses that we understand and that do not affect economic stability or reputation. Companies will ensure maximum care of their reputation.

• Companies will maintain sufficient liquidity levels permanently.

• Companies will manage levels of economic capital appropriate to their risk levels and growth prospects.

• The risk management system is supported by a balance of checks and balances that is guaranteed by the independence between the business, operational and risk areas.

• The fulfillment of growth objectives must not lead Grupo Bolivar to overexposures that generate present and future losses outside of the risk levels of the organization.

• The risks that may affect the achievement of key corporate goals and strategies and that significantly impact the Organization as a whole are managed centrally. Risk management that because of its nature is best managed at the process and / or area level is done in a decentralized way because its effect is particular to each process, without this modifying the organization's ability to successfully implement its strategies.

• The Group has sector/regional specialties in its business. Any investment in new sectors or regions must be approved by the Board of the Holding Company and/or subsidiaries, and particular characteristics will be analyzed.

• The strength developed in the knowledge, understanding and quantification of the risks, as well as the characteristics of each business, define the levels of risk of Bolivar Group. Boldness in decisions will depend on that understanding.

• For new businesses that do not fit adequately with the Risk Philosophy and the defined risk appetite, the only instance that can authorize them is the Board of Directors of each Company and from the Holding Company.

• Risk management, regulatory compliance and internal policies are the responsibility of the company's three lines of defense, in its order: business, commercial and operational areas, in the second instance, risk areas and, lastly, internal audit.

• Human resources policies must include career plans to include technical and specialized knowledge fit for each position, key positions must be identified and efforts made to train up successors in each position with the competences and experience that will made rotation and replacement in key positions a process that will not increase risks. These policies must be taken into account in selection policies.

• Remuneration systems must be aligned to strategic objectives of the companies and their appetites for risk.

• The structure of the companies must recognize key areas that will have special supervision.

• Companies must have a robust system of processes to support the range of business needs and solid base of management of the risks special to Bolivar Group. Changes to processes must not increase risks exposure and the sustainability of the process must be guaranteed.

• The culture of risk and compliance must be strengthened in th Bank and in each Subsidiary.

Affiliates in accordance with the rules of corporate governance, should adopt policies, standards and procedures and internal control structures to secure the integrity and efficiency of management processes. In addition they have manuals that set out 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 to comprehensive risk management of Bolivar Group. The Bank's risk management involves the analysis of current and planned positions as well as defining limits for them. 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 conducted using a “top-down” vision in order to ensure its integrity, its consistency and interrelationship of the various risks. It should also be conducted “bottom-up,” through the development of management and control schemes of each and every one in order to ensure their effectiveness and depth as well as where it clearly defines the governance model of each risk, the relevance and strength of each definition of limits for these positions, and procedures to follow in the event of breaches.

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

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

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

Structure of Government

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

Risk management runs through the Vice President of Risk and Financial Control and the Risk Investment Vice President who reports to the Corporate Risk Committee of the Bank it being a committee of the Board with two active members.

<u>Board of directors</u>

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

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

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

• Evaluation, approval and oversight of the management of corporate risks in the Bank
• Approval of the appetite and risk tolerance of the institution and the general corporate risk scheme.
• Assurance that the risk management mechanisms of the entity will provide an appreciation of most of the risks related to the strategy and objectives of the Bank.

Audit Committee

• Supervision of the activities of the internal and external audit in the evaluation of the methodology and implementation of the Bank's risk management model.
• Evaluation of methods used to implement the Bank´s risk management model.
• Follow-up of recommendations arising from the evaluation process, and instructions of the Audit Committee and the Board.

Corporate Risk Committee

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

Management Risk Model

Banco Davivienda's risk management is done according to operations management: Banco Davivienda Colombia and Banco Davivienda international Subsidiaries, defined internally and is aligned to the overall risk management and compliance strategy

Banco Davivienda Colombia

The risk management of Banco Davivienda Colombia is approached from the business done in Personal, Business and Treasury Banking units, managing its risks within a clear segregation framework of duties that allow independence in the analysis and control of the associated risks. The vice president in charge of each business unit is responsible for the risks generated by decisions taken within the approved framework by the authorized bodies such as committees, business boards and Board of Directors.

In addition, specialized risk areas are responsible for promoting the appropriate control scheme for each of the risks. Thus, the Executive Vice-Presidency for Risk manages the issue of policies, makes the risk assessment of the portfolios in, SME, mass lending, business and corporate banking, and maintains a risk-return balance, The Vice-Presidency of Company Investment Risk assesses the financial risks to which the Bank is exposed.

The Personal Banking Credit vice Presidency is responsible for the assessment, management and collection of all credit lines in that segment. Approvals are based on a pyramid structure with defined authority limits. Similarly, there are credit committees which make collegiate decisions. For these credit products, it works on a points system, based on the Bank´s own historical information and there are evaluations of customer variables, record and indebtedness in the financial sector, the product and collateral. There are also methods developed to segment the universe of credit into homogeneous groups in order to arrive at a definition of individual risk levels.

The Corporate Credit Vice-Presidency manages credit risk in the SME and Corporate segment,, and is responsible for analyzing credit applications, tracking current obligations, assigning risk categories and arranging for recoveries where needed.

The Corporate Credit Vice-Presidency is also responsible for granting credit facilities to Colombian and foreign companies whose economic activity is framed within the norms and conditions established by both the Superintendent of Corporations and the Bank; the intention is to achieve this objective through a thorough analysis of the creditworthiness of companies, 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, are all examined.

Finally, the Risk Investment Vice President manages market and liquidity risk, and Treasury risk He has designed and implemented a robust structure of exposure limits to the various risks to control the portfolios and the activities undertaken to carry out their management thereof.

Banco Davivienda - International

The risk management function of each country is responsible its own risk management, evaluated and monitored by the Parent, and subject to the exposure limits defined and to the risk management policies supported by the Corporate Risk Committee and approved by the Board. The International Credit Vice President is responsible for the Corporate and Business Banking, and the Personal Banking of the foreign Subsidiaries and, as in the Parent Company, it is responsible for the assessment, management and collection of credit lines. The approval is also based on a pyramid structure of authority with defined limits and there are credit committees with collegial decision.

Credit products in Personal Banking, use a points system which can be both generic as well as tailored to the customer´s history and variables, record and indebtedness in the financial sector, the product and collateral

Credit approvals in Corporate and Business Banking have a pyramid structure of local and Regional Unit authority limits, and a higher level of approval in the Colombia Corporate Credit Committee.

The Vice President of International Credit Risk maintains the overarching business perspective and coordinates the efforts of all Subsidiaries of their Credit Risk areas in each country, and aims to appreciate the particular features of each market.

Business management in Davivienda International is developed based on a different model to that of other companies of Grupo Bolivar: a different governance model has been defined to include functions for subsidiaries, a different group of instances and some different methodologies and processes. The Board of Directors of each of the Subsidiaries is the senior body in the organization, responsible for the proper comprehensive management of financial risks in each balance sheet. They are therefore responsible for defining and approving market risk appetite, and the policies and guidelines on liquidity risk in each of the currencies when applicable, or on a consolidated basis by company, supported by approvals made by the Assets and Liabilities in Foreign Currency Management Committee (ALM ME Committee) from Colombia. Also, in each of the international subsidiaries there is a local ALCO committee which must confirm the decisions taken at the ALM ME Committee, it will be responsible for approving the risk limits structure in terms of business and the monitoring the strategies.

Finally, the Risk and Financial Control Vice President is responsible for operating risk management, ensuring the integrity of business processes and the ability to maintain services available to customers and partners, following Board directives to secure transparency in business management.

Risk Management Systems

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

Banco Davivienda is exposed to credit risk in its lending operations (funding for consumer credit and home mortgages, working capital for business) and its treasury operations (money market, investment portfolio management, derivatives, and currency trading). There are three sub general processes in the implementation of the general process of credit risk management:

• 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. Potential loan losses are monitored and analyzed. Strategies and effectiveness of collection efforts and their effect on the mitigation of loan losses are analyzed.

• Credit Risk Methodologies and Models This process involves the study, design, development and implementation of methodologies, models and tools for proper management of credit risk, and sensitization of portfolios to changes in economic scenarios.

• Credit Risk Monitoring and Control: The main purpose of the control process and the monitoring of credit risk is to ensure compliance and proper implementation of the definitions established by the Board and the Risk Committees. The controls and monitoring are put in place, implemented and coordinated with the Credit Cycle units in the context of actions required to prevent deviations from the strategy defined by the Bank.

Organizational Structure for Credit Risk Management

The Bank manages credit risk for Colombia from the Risk Division, whose internal structure is aligned with the internal segmentation of the Bank. During 2016 the SME Credit Risk Department was established in order to strengthen the process of managing credit risk in this segment, supporting the process of risk analysis, development and calibration methods and models.

The Board, defines, creates and establishes the structure of the Credit Risk Committees for personal Banking, SME and corporate Banking (CRC), the Credit Risk Collections Committee (CRCC) and the Portfolio Rating Committee (CC) as specialized bodies and coordination issues regarding credit risk management. The Board authorizes the CRC, CRCC and CC to be the only collegiate bodies with attribution to recommend policies and authorization rules and / or provisions relating to the management of credit risk, portfolio recovery and portfolio rating under the government process established and with the sole purpose of materializing the policies established by the Board.

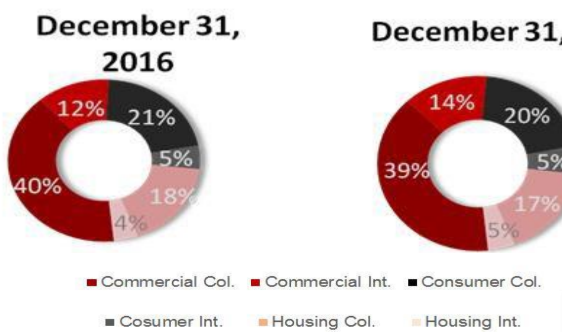
The Risk and Financial Control Vice President is responsible for evaluating the different managing financial risks alternatives to which the Bank is exposed, manage approval policies, the analysis of risk in mass portfolios, SMEs and business and maintains a risk-return balance in line with the Board guidelines.

Credit Risk Management Procedure Manual (MARC) represents the navigation chart for the Credit Risk Management System, describing our culture, policies, methods, rules and general procedures. It is the instrument, for the re4cording, and orderly and systematic transmission of information to the organization in this area.

Credit risk exposure - Portfolio Composition

The Bank's portfolio, both in Davivienda Colombia and Davivienda International, is distributed in: Consumer, Home mortgage and Commercial. The first two relate to loans granted to individuals to finance consumer needs (free investment and unsecured, revolving credit, promissory note, car and credit card) and housing (Social Interest
- VIS, Traditional - Mayor VIS and Residential Leasing) respectively and the commercial portfolio corresponds to loans to finance corporate and business needs.

At December 31, 2017, the portfolio has a value of $78,219,574 million; Davivienda-Colombia contributes 79% and Davivienda International 21%, distributed as follows:



At the close of 2017, Banco Davivienda's loan portfolio grew by 7.3% compared to the end of December 2016, driven by the portfolio of Davivienda Colombia, which grew by an average of 8.7%, with the highest growth rate in the consumer portfolio with a variation of 19.1%, followed by the housing and home mortgage portfolio which increased by 15.8%, consumer lending by 9.9% and commercial loans by 5.3%, as shown in the following table:

$ Million

			Variation		
Business model	December 31, 2017	December 31, 2016	$	%	% Part
Davivienda Colombia	**62,472,513**	**57,470,817**	**5,001,696**	**8.7%**	**80%**
Commercial	30,854,186	29,289,740	1,564,446	5.3%	39%
Consumer	16,973,917	15,443,086	1,530,832	9.9%	22%
Home mortgage	14,644,410	12,737,991	1,906,418	15.0%	19%
International subsidiaries	**15,747,061**	**15,458,824**	**288,237**	1.9%	20%
Commercial	8,687,747	8,990,127	(302,380)	-3.4%	11%
Consumer	3,695,619	3,418,567	277,052	8.1%	5%
Home mortgage	3,363,695	3,050,130	313,565	10.3%	4%
TOTAL	**78,219,574**	**72,929,641**	**5,289,933**	**7.3%**	**100%**

Loans of Davivienda – International Subsidiaries are distributed as follows by country

$ Million

Country	**Commercial**	**Consumer**	**Home mortgage**	**Total**
Costa Rica	3,246,358	905,665	1,560,609	5,712,632
El Salvador	2,457,272	1,966,581	912,217	5,336,070
Honduras	918,221	725,681	664,113	2,308,015
Panamá	2,065,895	97,693	226,756	2,390,344
General Total	**8,687,746**	**3,695,620**	**3,363,695**	**15,747,061**

The investment portfolio is mainly concentrated in sovereign debt securities of countries where Davivienda operates, given that the main mandate is to establish a liquidity reserve. The portfolio is therefore concentrated in assets with a low credit risk and high liquidity. There are also positions in corporate debt securities, mostly of well-known issuers who are regularly in the market, with high credit ratings, and mortgage portfolio securitizations. In terms of participation for December 2017, 50% corresponds to sovereign debt, mostly Colombian, followed by corporate debt with 42% and finally securitizations, accounting for 8%. The composition of the portfolio reflects conservative and adequate credit risk management, in accordance with the policies defined by the Bank's management.

Consolidated credit risk exposure includes the loans of Davivienda-Colombia and its International Subsidiaries' credit portfolio and their treasury operations. Subject to counterparty credit risk. The following table comparative exposure is observed separating the carrying amount of financial assets secured by some form of collateral that depends on the nature of the product and / or the counterparty and unsecured loans.

(Millions of Colombian pesos (COP))

Assets	December 31, 2017		December 31, 2016	
	With Guarantee	With out Guarantee	With Guarantee	With out Guarantee
Debt instruments at fair value	13,381	9,282,930	10,057	7,576,498
Colombian government	-	3,704,816	-	2,352,874
Foreign governments	-	1,511,374	-	1,540,653
Financial institutions	-	2,507,296	-	2,395,019
Real sector	-	398,151	-	224,533
Other	-	839,072	-	832,388
Derivatives	13,381	322,221	(*) 10.057	231,031
Debt instruments at amortized cost	-	1,530,802	-	1,349,617
Investments in debt securities	-	1,530,802	-	1,349,617
Loans	41,889,407	36,330,167	36,271,558	36,658,083
Commercial	20,945,413	18,596,520	17,723,657	20,579,793
Consumer	2,935,889	17,733,647	2,759,779	16,078,290
Home mortgage	18,008,105	-	15,788,122	-
Total financial assets with credit risk	41,902,788	47,143,899	36,281,615	45,584,198
Off-balance-sheet risk	14,013,479	8,007,192	11,595,316	7,719,847
Credit limits	14,013,479	8,007,192	11,595,316	7,719,847
Total Maximum exposure to credit risk	**55,916,267**	**55,151,091**	**47,876,931**	**53,304,045**

(*) The presentation is updated for December 2016 separating out secured derivatives

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

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

At year-end 2017, el 54% of the portfolio exposure is backed by a guarantee: The commercial portfolio has collaterals like mortgages, liens, cash collaterals, escrows, guarantees granted by the National Guarantee Fund (FNG) and the Agricultural Guarantee Fund (FAG) among others, covering 53% of the exposure.

Consumer loans are mostly unsecured, except for vehicle loan pledges, free-use personal loans with mortgage guarantees (14% of consumer exposure). In particular, unsecured consumer include payroll installment loans with guaranteed collection. The balance of payroll installment loans represents about 37% of unsecured consumer loans.

Finally, home mortgages are fully backed by a mortgage (or, in the case of residential leasing, are assets owned by the Bank) and the credit risk exposure can always be mitigated by this form of security.

Guarantees

The guarantee is an instrument by which Inferred Loss (IL) is reduced when there is an event of default. The guarantee represents a right that the Bank acquires when the debtor does not fulfill obligations due to default in the payment.

Credit approvals at the Bank must include the guarantee under which the operation is authorized. The formalization of the guarantee needs to be prior to the disbursement of the loan proceeds.

The analysis of the guarantees should include the following characteristics:

Suitability: According to legal definition.

Legality: Document duly perfected that offers legal support that facilitates the management of the collection of the obligations granted.

Value: Established based on technical and objective criteria.
Possibility of realization: Possibility reasonably adequate to make the guarantees effective.

For the consumer portfolio once the guarantee valuation process has been applied, the Bank maintains as a policy to apply the "unsecured" PDI except for personal and vehicle loans.

In the case of mortgages for Mortgage loans, first-degree and indefinite amounts are required in favor of the Bank, on the property offered as a back-up. Mortgages must be perfected by public deed before Notary Public and registered with the corresponding Office of Registry 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 Valuation Index (IVP), as applicable.

Measurement of the Reserves that Refer to Impairment

The Bank seeks to ensure that the expected flows of credit and investment activity meet the expected requirements of the funds raised, prudently make reserves to cover its lending risks. Also, it is important for the Bank to guarantee the stability and consistency of the reserves with loan losses incurred, and it has therefore developed models in line with international standards (IFRS 9) in order to manage and mitigate the risks efficiently.

The Bank has identified two major lines of credit business (Mass and Corporate) that, due to differences in management, the size of their portfolios and the levels of customer concentration in their portfolio, merit the application of different methodologies.

PORTFOLIO
MASSIVE (Personal -SME)
BUSINESS (Business - Corporate - Construction)

GUARANTEES	COLOMBIA	CENTRAL AMERICA
Secured	HLR	HLR
Unsecured	PI - C	PI - C
Total	HLR	HLR

PI-C: Loss incurred in write-offs
HLR: Historical Loss Rates

For this, two methodologies that comply with IFRS standards were identified and implemented. The methodologies developed are:

- **PI-C: Loss incurred in write-offs:** Methodology by means of which the possibility is calculated that a credit is punished based on the historical behavior and default range of the portfolio. This methodology has four methodological procedures, which are the calculation of the Loss Given the Default, the elaboration of the Performance Tables, the calculation of the Incurred Loss and the application of the Coverage Factor algorithm.

- **Historic Loss Rates and Individual Analysis (HLR):** Methodology that observes the weight of the penalties in the last 5 years against the portfolio. This methodology is useful for estimating the impairment in portfolios with low number of records and / or low number of losses; Portfolios in which due to representativeness of cases they cannot be subject to measures such as HC and PI-C.

The results of the application of models for estimating impairment are presented below:

$ Millions

Business Models	December 31, 2017			December 31, 2016		
	Balance	Impairment	% Impairment / Balance	Saldo	Impairment	% Impairment / Balance
Davivienda Colombia	**62,472,513**	**1,995,489**	**3.2%**	**57,470,817**	**1,369,147**	**2.4%**
Commercial	30,854,186	1,109,770	3.6%	29,289,740	593,470	2.0%
Consumption	16,973,918	811,002	4.8%	15,443,086	727,930	4.7%
Home mortgage	14,644,409	74,717	0.5%	12,737,991	47,747	0.4%
Subsidiarias Internacionales	**15,747,061**	**314,080**	**2.0%**	**15,458,824**	**309,180**	**2.0%**
Commercial	8,687,746	112,122	1.3%	8,990,127	122,513	1.4%
Consumption	3,695,620	177,580	4.8%	3,418,567	163,023	4.8%
Home mortgage	3,363,695	24,378	0.7%	3,050,130	23,645	0.8%
TOTAL	**78,219,574**	**2,309,569**	**3.0%**	**72,929,641**	**1,678,327**	**2.3%**

At December 31, 2017, the total impairment of the Bank's portfolio reached $2.309,569 million, equivalent to 3.0% of the total portfolio, which implies an increase of 70 basis points over that observed at the end of 2016, aligned with the increase in the portfolio quality indicator.

For international subsidiaries, at the end of 2017, the deterioration reached a level of $314,080 million pesos, representing 13.6% of the total impairment of the Bank. The segment with the greatest increase in the level of impairment was the consumer segment, which grew by $14,557 million, The Honduras Subsidiary reported the largest increase, incurred among unsecured products, as a result of the macro situation of unemployment in that country.

Risk Management for Derivatives

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

• Authorized market or product.

• Counterparty limits and authorized credit, admissible 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 where a central counterparty risk clearing house is involved.

The Bank applies these criteria in focusing its derivatives business between distribution and speculation, concentrating its counterparties in the financial sector and in high-rating short and medium term real sector operations.

Market Risk and Liquidity Risk

Management of Market and Liquidity Risk

The Investment Risk Division is the instance to which the Board of Directors of each company delegates the responsibility for the assessment of existing risks, the identification of new ones, and the definition of calculation methodologies, policy suggestions, and control of risks of all kinds.

The Administration and Risk Management the companies owned by Bolívar Group is conducted through a strategy for synergy between the companies, consolidating a Market and Liquidity Risk Department for all of the companies, in order to optimize technological and human resources. The Market and Liquidity Risk Department accountable to the Vice-President of Investment Risk of Bolívar Group, 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 Bolivar Group, the Assets and Liabilities Management Committee (C-ALM) or his substitute, the Assets and Liabilities Foreign Currency Management Committee (C-ALM ME), the Market Risk Committee, and the Board of Directors of each entity in the Group are the bodies responsible for defining institutional policies regarding exposure to various financial risks, in line with the financial structure and operation of each of the entities, as well as its strategy and corporate objectives.

Further, the Financial Risk Management Manual for Bolivar Group (MARF) consolidates management and financial risk aspects as well as management and treasury liquidity in Group companies; and it is the document that establishes the management system required.

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

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

Market Risk

Market risk management requires the identification, measurement, monitoring and control of the risks arising from fluctuations in interest rates, exchange rates, prices, indicators and other risk factors.

The strategic principles applied by Davivienda's market managers are:

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

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

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

Business Model and Portfolio Structure

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

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

The gross investment portfolio, at December 2017 was at $19,597,068 million, according to the business models stated:

$ Millions			Variation	
Business model	**December 31, 2017**	**December 31, 2016**	**$**	**%**
Trading	1,221,757	1,003,465	218,292	22%
Structural	9,375,312	7,694,982	1,680,330	22%
Liquidity Reserve	7,717,403	6,287,452	1,429,951	23%
Balance management	1,657,909	1,407,530	250,379	18%
Total	**10,597,069**	**8,698,447**	**1,898,622**	**22%**

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

The accounting classification rules for investments are associated with the business models with which the portfolios are managed. At December 2017, the gross portfolios were classified as follows;

$ million			**Variation**	
Accounting classification	**December 31,2017**	**December 31,2016**	**$**	**%**
Fair value	9,066,267	7,348,829	1,717,438	23%
Amortized cost	1,530,802	1,349,617	181,185	13%
Total	**10,597,069**	**8,698,447**	**1,898,622**	**22%**

Most of the investments are classified as fair value, since the liquidity reserve and trading portfolios, given the nature of eventual sale at market prices must reflect the settlement or fair value.

In relation to December 2016, there was a growth of the investment portfolio of 21.83%, explained by significant increases to the liquidity reserve portfolio. In particular, most of the liquidity reserve investments match the structure of growth in liabilities co that the profile of risk tolerated by the Bank and Subsidiaries is preserved. The trading portfolio varies with market conditions and expectations prevalent at the time of the analysis.

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

$ million			**Variation**	
Country	**December 31,2017**	**December 31,2016**	**$**	**%**
Colombia	7,339,685	6,024,567	1,315,118	22%
Costa Rica	1,240,778	1,191,893	48,885	4%
El Salvador	800,018	474,515	325,503	37%
Panamá	651,831	585,659	66,172	37%
Honduras	364,887	272,198	92,689	34%
U.S.A.	199,870	149,615	50,255	34%
Total	**10,597,069**	**8,698,447**	**1,898,622**	**22%**

Measurement of Market Risk

The measurement of market risk quantifies the potential loss due to changes in risk factors that affect the valuation of expected results. This requires the definition of parameters and tools for measurement, together with the generation of reports, analysis, and regular assessments by senior management and risk taking areas.

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

In addition to the standard model required by the 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

We use 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 the Bank 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 define which are the best complementary measures to be used. 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 are performed by portfolio, asset class and product on a weekly and monthly basis.

According to the standard model, the value at risk for the investment portfolio of the consolidated balance sheet as of December 31, 2017 and December 31, 2016 was as follows:

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

	December 31, 2017			
	Minimum	**Average**	**Maximum**	**Latest**
Interest rate	171,274	192,503	210,078	210,078
Exchange rate	57,886	77,709	120,955	120,955
Shares	2,194	2,915	3,274	3,123
Unit funds	9,760	10,687	11,357	10,349
VaR	242,194	283,814	344,505	344,505

	December 31, 2016			
	Minimum	**Average**	**Maximum**	**Latest**
Interest rate	126,677	181,437	251,723	126,677
Exchange rate	52,317	56,456	63,194	52,353
Shares	550	1,492	4,186	4,186
Unit funds	8,927	9,239	9,461	9,461
VeR	192,677	248,624	324,431	192,677

In addition to management under normal conditions, Davivienda 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. Davivienda uses, statistical tools to apply these worst scenarios to the current situation of the portfolio.

(Millions of Colombian pesos (COP))

Two stress estimation methodologies, have been implemented in the framework of quantitative techniques. The first, is a stressed VaR, which represents the maximum expected extreme loss in one day according to historical events (stress scenarios). It represents the estimated value at stressed risk for a given time using volatilities and EWMA (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 U.S. markets, and secondly because of its trading activities in the foreign exchange market.

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

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

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

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

	December 31, 2017		**December 31, 2016**	
	Currency balance	**Peso balance**	**Currency balance**	**Peso balance**
Dólar Americano	(75)	(224,244)	(221)	(663,128)
Lempira	2,666	337,298	2,295	293,147
Colón	85,384	449,699	46,247	249,524
Others (*)	(9)	(27,100)	(4)	(12,821)
Total	-	535,653	-	(133,278)

(*) Figures expressed in USD in the column "Currency balance"

The estimated effect of a 1% increase or decrease in the US dollar exchange rate, maintaining the other exchange rates constant, with respect to the exchange rate in effect at December 31, 2017, would be +/- $5,627.52 million. This compares with $1,667 million at December 31, 2016.

Interest rate risk in the balance sheet structure

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

(Millions of Colombian pesos (COP))

The sensitivity of interest-bearing assets and liabilities at financial cost is presented below. At December 31, 2017, an increase or decrease of 50 basis points in interest rates could have caused a decrease or increase, respectively, of $49,574 million in the Bank's margin throughout the year. For 2016 this sensitivity would have been 22,121 million.

	December 31,2017				
	Monthly average	Income/ expense	Average rate	Impact Δ50 pb	
				Increase	Decrease
Interest-earning assets					
Money-market operations	1,009,807	46,322	4.6%	5,049	(5,049)
Local currency	856,232	38,426	4.5%	4,281	(4,281)
Foreign currency	153,575	7,897	5.1%	768	(768)
Investments at fair value through profit or loss and through OCI	8,047,588	303,103	3.8%	(27,043)	27,043
Local currency	5,732,900	247,426	4.3%	(14,214)	14,214
Foreign currency	2,314,689	55,676	2.4%	(12,829)	12,829
Investments at fair value through profit or loss	8,047,588	303,103		(27,043)	27,043
Local currency	5,732,900	247,426		(14,214)	14,214
Foreign currency	2,314,689	55,676		(12,829)	12,829
Investments at amortized cost	1,539,415	141,208	9.2%	7,697	(7,697)
Local currency	885,721	97,371	11.0%	4,429	(4,429)
Foreign currency	653,694	43,837	6.7%	3,268	(3,268)
Loans	76,362,633	8,687,809	11.4%	256,246	(256,246)
Local currency	55,874,740	7,040,842	12.6%	163,414	(163,414)
Foreign currency	20,487,892	1,646,967	8.0%	92,832	(92,832)
Total assets in local currency	**63,349,594**	**7,424,066**	**11.7%**	**157,910**	**(157,910)**
Total assets in foreign currency	**23,609,850**	**1,754,377**	**7.4%**	**84,040**	**(84,040)**
Total interest-earning assets	**86,959,444**	**9,178,442**	**10.6%**	**241,950**	**(241,950)**
Interest-bearing financial liabilities					
Customer deposits	61,876,343	2,605,939	4.2%	207,066	(207,066)
Local currency	45,764,260	2,183,661	4.8%	160,691	(160,691)
Foreign currency	16,112,084	422,278	2.6%	46,375	(46,375)
Bonds	10,882,622	727,939	6.7%	28,984	(28,984)
Local currency	7,171,079	553,544	7.7%	28,984	(28,984)
Foreign currency	3,711,543	174,396	4.7%	-	-
Money-market operations	2,202,541	105,441	4.8%	11,013	(11,013)
Local currency	1,943,679	95,410	4.9%	9,718	(9,718)
Foreign currency	258,862	10,031	3.9%	1,294	(1,294)
Bank borrowings	8,892,062	382,655	4.3%	44,460	(44,460)
Local currency	1,806,897	124,538	6.9%	9,034	(9,034)
Foreign currency	7,085,165	258,117	3.6%	35,426	(35,426)
Local currency liabilities	**56,685,914**	**2,957,153**	**5.2%**	**208,428**	**(208,428)**
Foreign currency liabilities	**27,167,654**	**864,821**	**3.2%**	**83,095**	**(83,095)**
Total interest-bearing liabilities	**83,853,569**	**3,821,974**	**4.6%**	**291,523**	**(291,523)**
Total net financial assets subject to interest rate risk	**3,105,875**	**5,356,469**		**(49,574)**	**49,574**
Local currency	6,663,679	4,466,913		(50,518)	50,518
Foreign currency	(3,557,804)	889,556		945	(945)

(Millions of Colombian pesos (COP))

	December 31,2016				
	Monthly average	Income/ expense	Average rate	Impact Δ50 pb	
				Increase	Decrease
Interest-earning assets					
Money-market operations	670,829	53,052	7.9%	3,354	(3,354)
Local currency	418,517	30,603	7.3%	2,093	(2,093)
Foreign currency	252,311	22,449	8.9%	1,262	(1,262)
Investments at fair value through profit or loss and through OCI	7,166,754	500,933	7.0%	(24,218)	24,218
Local currency	5,009,193	420,269	8.4%	(15,587)	15,587
Foreign currency	2,157,561	80,665	3.7%	(8,630)	8,630
Investments at fair value through profit or loss	7,166,754	500,933		(24,218)	24,218
Local currency	5,009,193	420,269		(15,587)	15,587
Foreign currency	2,157,561	80,665		(8,630)	8,630
Investments at amortized cost	1,406,531	136,042	9.7%	7,033	(7,033)
Local currency	867,058	84,907	9.8%	4,335	(4,335)
Foreign currency	539,473	51,135	9.5%	2,697	(2,697)
Loans	69,612,488	7,872,582	11.3%	256,961	(256,961)
Local currency	50,042,918	6,297,959	12.6%	162,673	(162,673)
Foreign currency	19,569,570	1,574,623	8.0%	94,288	(94,288)
Total assets in local currency	**56,337,686**	**6,833,737**	**12.1%**	**153,513**	**(153,513)**
Total assets in foreign currency	**22,518,915**	**1,728,872**	**7.7%**	**89,617**	**(89,617)**
Total interest-earning assets	**78,856,600**	**8,562,609**	**10.9%**	**243,130**	**(243,130)**
Interest-bearing financial liabilities					
Customer deposits	56,942,812	2,509,012	4.4%	188,028	(188,028)
Local currency	41,842,897	2,104,961	5.0%	141,943	(141,943)
Foreign currency	15,099,914	404,051	2.7%	46,085	(46,085)
Bonds	9,251,977	758,072	8.2%	25,124	(25,124)
Local currency	5,738,792	584,484	10.2%	25,124	(25,124)
Foreign currency	3,513,185	173,588	4.9%	-	-
Money-market operations	1,876,461	103,546	5.5%	9,382	(9,382)
Local currency	1,647,717	100,268	6.1%	8,239	(8,239)
Foreign currency	228,744	3,277	1.4%	1,144	(1,144)
Bank borrowings	8,543,374	334,114	3.9%	42,717	(42,717)
Local currency	1,634,077	122,680	7.5%	8,170	(8,170)
Foreign currency	6,909,297	211,434	3.1%	34,546	(34,546)
Local currency liabilities	**50,863,484**	**2,912,393**	**5.7%**	**183,475**	**(183,475)**
Foreign currency liabilities	**25,751,140**	**792,351**	**3.1%**	**81,776**	**(81,776)**
Total interest-bearing liabilities	**76,614,624**	**3,704,744**	**4.8%**	**265,251**	**(265,251)**
Total net financial assets subject to interest rate risk	**2,241,977**	**4,857,865**		**(22,121)**	**22,121**
Local currency	5,474,202	3,921,344		(29,962)	29,962
Foreign currency	(3,232,225)	936,521		7,841	(7,841)

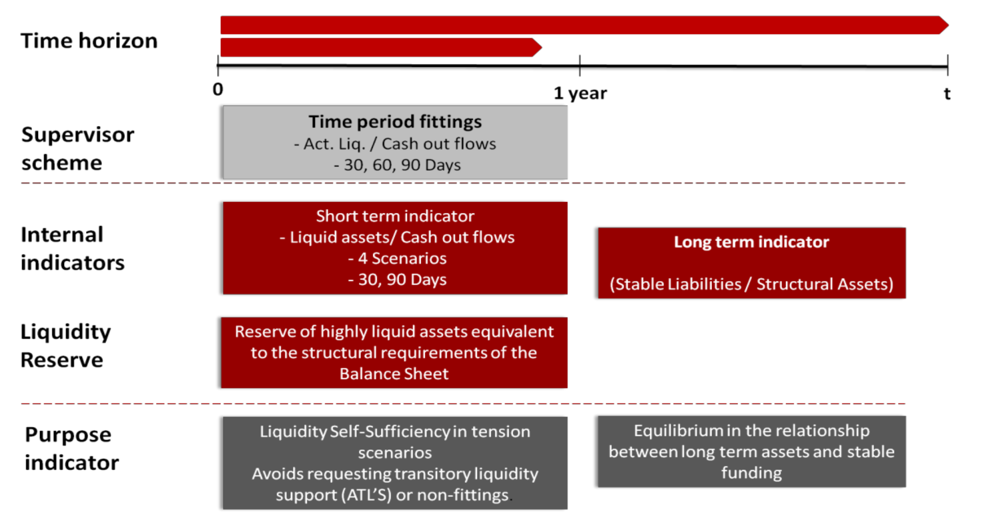
Liquidity Risk

Liquidity risk materializes when a business is unable being unable to comply fully, promptly and efficiently with current and future expected and unexpected cash flows, without affecting the normal course of operations or its financial condition. This contingency (funding liquidity risk) is becomes evident when there are insufficient liquid assets available and / or the business is forced to assume unusually high funding costs. In turn, the ability to take on or break off from financial positions at market prices is limited either because the market is not deep enough or because drastic changes occur in rates and prices (market liquidity risk). Similarly, for businesses 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 stress situations.

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

→ Permanent availability of high quality liquid assets, according to the balance sheet structure and appetite for risk.
→ Davivienda's balance sheet and that of each Subsidiaries should be self-sufficient in a liquidity crisis.
→ The availability of liquid assets should not be overestimated; that is, 1we must constantly assess the level of liquidity of the assets that are part of the reserves and anticipate changes.
→ Mitigate reputational risk, using own resources to be able to address adverse situations without compromising compliance with regulations and reduce the likelihood of requiring temporary support from State entities.

The risk management scheme, which complements the Supervisors´ standard models, must also comply with these principles. The Treasury manages a number of short and long term indicators, limits and alerts. The areas responsible for the balance sheet structure also regularly review the situation, as follows:



For short-time analysis, the methodologies used to estimate liquidity risk consist of calculating the cash flows of the assets, liabilities and off-balance-sheet positions in different time bands, as a way to monitor immediate liquidity problems. For long-term management, the methodologies focus on the analysis of funding sources, its composition at the segment and product's level, and the characterization of assets and liabilities that are not definitely of a permanent nature.

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

(Millions of Colombian pesos (COP))

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

The Notes 12.17, 12.19 and 12.20 present the contractual maturity of the liabilities of the balance sheet as of December 31, 2017 and December 31, 2016.

The contractual capital and interest flows of financial liabilities are shown below, as of December 31, 2017 and December 31, 2016, in the Consolidated Balance Sheet.

Due dates of financial liabilities at December 31, 2017	**Up to 1 month**	**1-3 months**	**3-12 months**	**1-5 years**	**over 5 years**	**Total**
Term deposits	3,045,206	5,874,872	11,649,619	8,365,979	59,937	28,995,613
Checking and Savings accounts	33,516,256	-	-	-	-	33,516,256
Bonds	1,587,392	599,886	730,839	7,780,264	4,745,779	15,444,160
Bank borrowings	297,378	1,676,566	2,297,477	2,763,645	1,644,541	8,679,607
Total financial liabilities	38,446,232	8,151,324	14,677,935	18,909,888	6,450,257	86,635,636

Flows of financial liabilities as of December 31, 2016	**Up to 1 month**	**1-3 months**	**3-12 months**	**1-5 years**	**over 5 years**	**Total**
Term deposits	3,158,230	5,650,176	10,462,704	7,014,143	99,657	26,384,910
Checking and Savings accounts	33,231,839	-	-	-	-	33,231,839
Bonds	104,850	246,608	1,239,855	5,670,634	5,786,707	13,048,655
Bank borrowings	134,346	611,016	3,474,938	2,172,625	2,949,727	9,342,653
Total financial liabilities	36,629,266	6,507,800	15,177,498	14,857,403	8,836,091	82,008,057

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

Internal Control System (SCI)

The Bank permanently review and updates its controls, taking into account the regulatory changes, the environment, new products and services, the processes, it also considers the materialization of events to determine the causes of events and draw up action plans to minimize exposure to risks.

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

During 2017, 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 that these guidelines are a 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.

Additionally, optimization continued in elements of the Internal Control System, based on international best practices.

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 SFC, formerly Circular 038 of 2009.

Financial Costumer Service System (SAC)

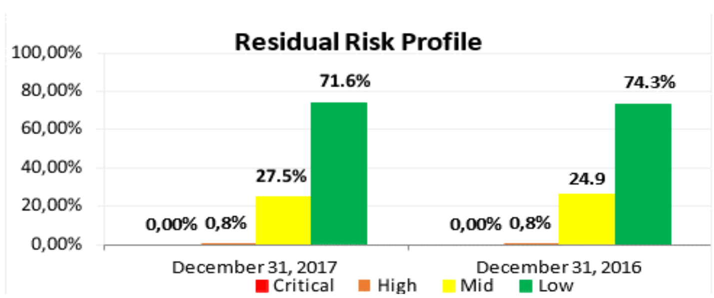
Customers and other financial consumers are of the essence of the Bank and its domestic and international Subsidiaries led us to develop an inter-institutional strategy to secure that the integration of our higher purpose, “enrich life with integrity”, is assimilated within them through trustworthy, friendly and simple relationships, by anticipating their needs and expectations and dealing with inquiries and disagreements promptly and efficiently.

As fundamental components of the customer service strategy we have developed the following topics:

1. Know the customer’s satisfaction levels and take the required action.
2. Ensure that all staff members have sufficient knowledge of the service model, through constant training.

3. Strengthen the various communication channels to reach financial consumers faster and more effectively.

Development of this strategic plan has allowed us, to keep SAC risks duly regulated in compliance with policies and the regulatory framework, as can be observed in the following comparative charts up to December 31, 2017 and up to December 2016:



(Millions of Colombian pesos (COP))

SAC	December 31, 2017						December 31, 2016					
	Risks					Controls	Risks					Controls (1)
Entities	**Low**	**Mid**	**High**	**Critical**	**Total**		**Low**	**Mid**	**High**	**Critical**	**Total**	
Banco Davivienda	471	139	6	-	616	1,660	456	163	6	-	625	1,592
Domestic Subsidiaries (Fidudavivienda, Davivienda Corredores)	135	94	1	-	230	582	113	28	-	-	141	328
Total	**606**	**233**	**7**	**-**	**846**	**2,242**	**569**	**191**	**6**	**-**	**766**	**1,920**

(1) The number of controls reported to December 2016 is updated, due to the merger of Leasing Bolívar.

This model allows the Bank and its domestic Subsidiaries to comply with SFC requirements regarding financial customer services detailed in Law 1328 of 2009 and SFC Circular 015 de 2010.

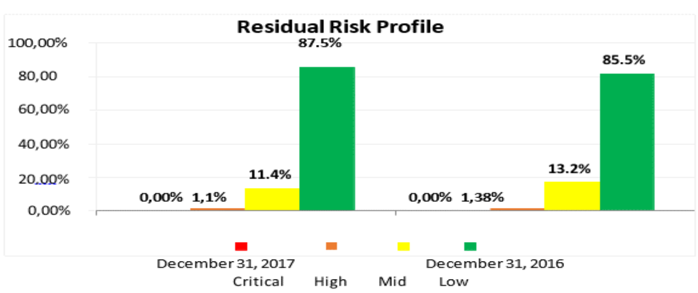
Operatingve risk management system (SARO)

During 2017 the Bank and domestic and international Subsidiaries developed a process of alignment and synergy for the model of management of operating risk and the various activities in it. The aim is to ensure that important relevant risks of the various business lines are duly controlled and monitored especially in regard to the following:

- Operating risks that affect the Bank's revenue and expenses
- Operating risks in both operational and financial processes
- Risk of fraud, information security and business continuity.

Accordingly and as part of the operating risk management strategy we have been integrating our technological structure as fundamental basis for maintaining the security of information and documentation and the application of models that contribute to the orientation of a strategy for risk management and control.

We have followed the operating risk policies approved by the Board and required by the Regulator in each country, and we have achieved adequate levels of operating risk management, as can be seen in the consolidated risk profile, comparative up to December 31 2017 and December 31 2016:



(Millions of Colombian pesos (COP))

SARO	December 31, 2017							December 31, 2016						
	Processes	Risks					Controls	Processes	Risks					Controls
Entities		Low	Medium	High	Critical	Total			Low	Medium	High	Critical	Total	
Banco Davivienda Colombia	204	1508	413	16	-	1937	4838	208	1407	421	21	-	1849	4679
Banco Davivienda Internacional	165	1749	38	21	-	1808	3932	161	1561	37	25	-	1623	3392
Total	**369**	**3257**	**451**	**37**	**-**	**3745**	**8770**	**369**	**2968**	**458**	**46**	**-**	**3472**	**8071**

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

The Bank has adopted and implemented a money laundering and terrorism financing control compliance program (AML-FT), based on the management of risk events. It consolidates information, implements a robust technological platform, uses data mining technology, knowledge of the customer and his financial operations, risk profiles for different risk factors, design and implementation of mitigating controls, defining and managing risk segments and risk characteristics of customers, products, distribution channels and jurisdictions. The system generates alerts, and prompts the analysis and follow-up of unusual transactions, reporting any suspect operations to the authorities; in order to avoid being used to give the appearance of legality to the proceeds of illegal activities and/or to finance terrorist activities. All this is also in compliance with SFC Basic Legal Circular 029/ 2014, as amended, the compliance ALM- FT is periodically evaluated by internal control entities such as fiscal audits and revisions.

The application of the compliance program in the year 2017 allows determining that the evolution of consolidated risk of risk factors has kept stable during the year 2017, and also within the exposition thresholds categorized as low.

The compliance program for ALM-FT is supported in organizational culture and structure, policies, controls and procedures that are all well-known and applied throughout the organization. The program complies with the Colombian regulatory framework, as well as recommendations and international best practices in this field, especially those of the international financial action group “GAFI”.

The procedures and rules of conduct regarding the application of all mechanisms and control instruments are built into the Code of Conduct and the Compliance Manual which is known and accessible to all Group staff. The Bank regularly provides training programs for its staff, third parties, allies, suppliers, and others, in which it aims to create awareness and commitment in all of them regarding the mitigation of crimes related to money laundering and/or the financing of terrorism through Group entities.

The Board has named the Bank´s statutory Compliance Officer and his deputy, and they have been sworn in by the SFC.

The Bank has adopted an organizational culture, policies, controls and procedures to comply with the FATCA guidelines, and Group members are duly registered with the IRS and have obtained their Global Intermediary Identification Number (GIIN), with which they certify that they comply with the law.

The Bank’s Subsidiaries outside Colombia must comply with their local Regulator´s legal directives and instructions from the Parent; and must ensure that the compliance program is working correctly. The principles that sustain the compliance program are the inclusion of internal policies, procedures, systems audit programs and training to all staff members belonging to the organization supported on the following pillars:

I. Know Your Customer, II. Know your Shareholders, employees, and suppliers, III. Monitor operations, IV. Suspicious operations, V. Disclosure to Regulators, VI. Correspondent transaction banking – Money Remitters, VII. Records and documentation, VIII. Control bodies, IX. Evaluation in the compliance program for risks from new factors and X. Sanctions for failure to comply.

Fraud Risk Management System (SARFRA)

Fraud risk, defined as any illegal act using deceit, concealment, or betrayal of trust, aimed at the appropriation of funds, goods, services and/or individual advantages or benefits[1], has been managed by the Davivienda bank through the Fraud Risk Management System (SARFRA) in harmony with the regulatory framework of the Operating Risk Management System (SARO).

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

In 2018 Banco Davivienda will be working on the leveraging of the digital strategies of the Bank and Subsidiaries at home and abroad through a solution that facilitates interaction between Bank channels and authentication factors, in order to enhance customer transaction security

(1) Reference: [1]investigaiton document – the best anti-fraud practices – AMV

Environmental and Social Risk Management System (SARAS)

The Environmental and Social Risk Management System SARAS allows the Bank to identify, classify, evaluate and control environmental and social risks associated to the individual projects and activities financed.

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

In the application of policies established regarding amounts, terms and sensitive sectors for the Bank in Colombia, in 2017, 269 loans in the Corporate, Construction and Business segments were evaluated through SARAS, for a total amount of $6,000,000 million pesos. The system has also been used to accompany and dimension the structuring and approval of loans for the fourth generation national infrastructure projects (4G).

In Central American Subsidiaries, SARAS has been applied to the characteristics of projects and activities to be financed in Business Banking, in harmony with local regulations.

Commercial, operating and risks staff involved in the SARAS process are provided with sensitization and training in relation to the policies of the system, to ensure that it is implemented as intended.

Davivienda continues to participate in the Green Protocol Committee during 2017, and was its Chair in 2017 The Green Protocol initiative of the Colombian financial sector, the bankers´ association Asobancaria and the Government and is a means of promotion of the sustainable development of the country. It fosters environmental conservation and the sustainable use of natural resources, through the execution of strategies and tools of common benefit and socialization of good practices in relation to internal environmental matters.

Information security: cybersecurity

During 2017 the Bank,´s Department of Information Security focused efforts to the refinement of policies, norms and security guidelines: on the other hand, technological updates were carried out on a process level to increase capacity, detect and contain possible cyber-attacks, threats and vulnerabilities promptly. Among the most notable projects is the implementation of the antimalware tools, tools for correlation and security monitoring control tools to provide protection against malware in customers, the execution of special tests against intrusion, to evaluate our attitude to security and response to potential attacks and security incidents and the introduction of the plan to optimize identity management processes and access to applications, amongst other areas.

At the level of processes and regulations, policies and procedures have been updated and adjusted, according to business needs, in order to maintain adequate controls to mitigate the threats and risks related to information assets. On the other hand, the training and awareness-raising plan was executed on a regular basis and addressed to all its officials and third parties, seeking to create awareness and commitment on the protection of information and risk mitigation.

In matters of regulatory and legal compliance the Bank has updated policies, rules and procedures to match business needs, as a function of the maintenance of controls as appropriate, observing the security requirements of SFC Circular 029/2014 (formerly, Circular 042/2012) and includes these requirements in the development of each project starting from its planning phase. Likewise it has been working on the definition of government, and has been developing a plan to comply with Law 1581 on personal data protection. The

(Millions of Colombian pesos (COP))

Bank´s information security area performs internal monitoring and follow up to identify compliance level and possible risks.

The Bank continues with its research on market tendencies, new threats, tools and control mechanisms that will enable it to mitigate risks and to maintain acceptable levels of risk for the business. Its actions in this area will guarantee the delivery of products and services with high levels of quality and security to our customers.

11. Netting of Financial Assets and Liabilities – Consolidated

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

In this context, the following is the detail of financial instruments subject to offset at December 31, 2017 and December 31, 2016 and the impact of Master Netting Agreements and the remittance of collateral.

December 31, 2017				Items not netted out in the Statement of Financial Psition			
	Gross value of financial assets recognized	Gross value of financial liabilities recognized and netted in the Statement of Financial Position	Net value of financial assets shown in the Statement of Financial Position	Impact of Master Netting Agreements	Cash collateral	Debt securities collateral	Net value
Assets							
Money market operations	1,446,438	-	1,446,438	-	-	1,177,625	268,813
Derivatives	335,535	-	335,535	283,519	28,368	-	23,648
Total assets	1,781,973	-	1,781,973	283,519	28,368	1,177,625	292,461
Liabilities							
Money market operations	1,300,536	-	1,300,536	-	-	1,335,015	(34,479)
Derivatives	356,635	-	356,635	283,513	19,672	-	53,450
Total liabilities	1,657,171	-	1,657,171	283,513	19,672	1,335,015	18,971

(Millions of Colombian pesos (COP))

December 31, 2016				Items not netted out in the Statement of Financial Psition			
	Gross value of financial assets recognized	Gross value of financial liabilities recognized and netted in the Statement of Financial Position	Net value of financial assets shown in the Statement of Financial Position	Impact of Master Netting Agreements	Cash collateral	Debt securities collateral	Net value
Assets							
Money market operations	197,209	-	197,209	-	-	47,283	149,926
Derivatives	241,022	-	241,022	175,100	10,572	-	55,350
Total assets	438,231	-	438,231	175,100	10,572	47,283	205,277
Liabilities							
Money market operations	1,998,841	-	1,998,841	-	-	1,778,135	220,707
Derivatives	241,019	-	241,019	175,100	3,931	-	61,988
Total liabilities	2,239,860	-	2,239,860	175,100	3,931	1,778,135	282,694

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

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

(Millions of Colombian pesos (COP))

12. Specific Items of the Consolidated Financial Situation Statements

12.1 Cash

The following is the detailed account of cash and cash equivalent

	December 31, 2017	December 31, 2016
Local currency		
Cash and bank balances	2,780,606	3,472,692
Exchange and transit remittances	29,850	38,951
	2,810,456	3,511,643
Foreign currency (*)		
Cash and bank balances	5,016,953	4,541,230
Exchange and transit remittances	61,972	53,373
	5,078,925	4,594,603
	7,889,381	8,106,246

(*) At December 2016, reclassification corresponding to eliminations of Banco Salvadoreño S.A subsidiaries for $33.285.

Cash and Central Banks balances in local currency, are part of the mandatory cash reserve requirement calculated against customer deposits.

The following are cash and cash equivalent restricted balances:

	December 31, 2017		December 31, 2016	
	Required (*)	Available (*)	Required (*)	Available (*)
Colombia	3,389,598	4,196,469	3,305,820	3,611,861
Subsidiaries outside Colombia	2,018,306	2,545,306	1,445,814	1,902,704

(*) Corresponds to average reserves and/or toll for the period.

Additionally, according to present regulations, the Miami Branch must maintain a cash reserve with the Federal Reserve Bank. The average amount was approximately US$107 and US$102 at December 31, 2017 and December 31, 2016, respectively.

Credit Quality

Detailed below is the credit quality determined by independent risk rating agents of the major financial institutions where the Bank maintains cash funds:

	December 31, 2017	December 31, 2016
Sovereign guarantee , guarantee of Banco de la Republica	1,202,232	2,406,162
Investment grade	6,687,149	5,700,084
Total	7,889,381	8,106,246

(Millions of Colombian pesos (COP))

12.2 Interbank and overnight funds

December 31, 2017			Date (*)		
	Amount in Dollars	Rate	Start	Final	Amount
Foreign Currency					
Interbank funds		1,18% - 4,71%	28/12/2017	04/01/2018	120,197
Securities Brokers	USD 2,000,000	4,28% - 4,58%	19/12/2017	11/01/2018	5,968
Repos	USD 583,546	2,00% - 3,38%	29/12/2017	02/01/2018	1,741
Legal Currency					
Simultaneous					
Broker companies from stock exchange		4,00% - 5,80%	07/12/2017	30/01/2018	64,399
Others		4,00% - 8,90%	15/11/2017	20/02/2018	1,098,355
Fiduciarias		4,75% - 4,80%	26/12/2017	04/01/2018	66,732
Interbank					
Banks/financial corporations		4,52% - 4,55%	26/12/2017	02/01/2018	89,047
					1,446,439

December 31, 2016			Date (*)		
	Amount in Dollars	Rate	Start	Final	Amount
Foreign currency					
Interbank funds	USD 25.290.000	0,76% - 1,41%	14/08/2014	01/06/2017	94,947
Securities Brokers	USD 2.424.299	2,88% - 5,28%	12/02/2016	01/10/2017	7,275
Repos	USD 2.164.027	0,50% - 6,01%	22/12/2016	25/01/2017	58,621
Legal Currency					
Simultaneous					
Broker companies from stock exchange		7,45% - 7,50%	27/12/2016	11/01/2017	11,819
Others		6,005 - 8,60%	16/12/2016	17/01/2017	100,528
Interbank					
Banks/financial corporations		7.35%	26/12/2016	02/01/2017	9,009
					282,199

(*) Format Date: dd/mm/yyyy

The following is the detailof the credit quality of money market and related operations:

	December 31, 2017	December 31, 2016
Investment grade	1,446,439	282,199
	1,446,439	282,199

(Millions of Colombian pesos (COP))

12.3 Investments measured at fair value and amortized cost

Investments by ratings and issuer

Detailed below is the classification of financial instruments of investment by issuer:

	December 31, 2017	December 31, 2016
Investments at fair value through in Profit and Loss		
Government	3,704,815	2,352,874
Financial institutions	2,105,795	2,134,274
Banks outside Colombia	476,293	260,746
Foreign Governments	1,511,374	1,540,653
Multilateral credit organizations	14,455	14,487
Corporate	417,319	224,533
Securitizations	824,617	817,901
	9,054,668	7,345,468
Investments at amortized cost		
Financial institutions	840,284	836,148
Banks outside Colombia	409,250	295,122
Foreign Governments	85,585	129,128
Corporate	191,899	89,219
Securitizations	3,784	-
	1,530,802	1,349,617
Investments at a fair value with changes in OCI		
Financial institutions	1,114	1,172
Overseas banks	1	839
Corporate	10,484	1,350
	11,599	3,361
	10,597,069	8,698,446
Impairment	(7,301)	(4,599)
	10,589,768	8,693,847

There are no legal or economic restrictions, pledges or embargoes on investments in financial instruments in debt securities or equity instruments at fair value; and no limitation to their securitization.

(Millions of Colombian pesos (COP))

Investments by Rating and type

The following is the detail of investments in financial instruments by type:

	December 31, 2017	December 31, 2016
Investments at fair value through Profit and Loss		
Shares	26,624	32,130
Private Debt issues	985,841	518,373
Public Debt issues except TES	189,561	119,303
Unit, pension and trust Investment Funds	1,726,884	1,799,478
CDT	292,738	285,421
Other nations Sovereign debt	1,496,264	1,577,767
Mortgage securities y Real estate securitizations	821,501	816,539
TES Securities	3,515,255	2,196,457
	9,054,668	7,345,468
Investments at amortized cost		
Private debt securities	1,340,889	286,294
CDT	104,597	934,506
Other nations Sovereign debt	85,316	128,817
	1,530,802	1,349,617
Investments at fair value through OCI		
Shares	11,599	3,361
	11,599	3,361
Impairment	(7,301)	(4,599)
General Total	10,589,768	8,693,847

(Millions of Colombian pesos (COP))

Detailed below is the investments in financial instruments rating according to the risk rating agent and impairment:

	December 31, 2017			December 31, 2016		
Long-term rating	Amount	% share.	Impairment	Amount	% share.	Impairment
AAA	1,419,808	13%	(3,374)	1,349,891	16%	-
AA+	147,356	1%	(272)	74,403	1%	-
AA	44,716	0%	(200)	31,403	0%	-
AA-	80,762	1%	(3)	43,614	1%	-
A+	53,198	1%	(33)	44,891	1%	-
A	21,219	0%	-	392,822	5%	(2,635)
A-	77,689	1%	(71)	42,373	0%	-
BBB+	421,681	4%	(1)	311,710	4%	-
BBB	98,091	1%	-	67,925	1%	-
BBB-	565,146	5%	(298)	79,997	1%	-
BB+	13,783	0%	-	5,527	0%	-
BB	92,897	1%	-	24,103	0%	-
BB-	-	0%	-	1,334	0%	-
B+	7,954	0%	-	883	0%	-
B	1,437	0%	(8)	4,479	0%	(43)
Equity instruments (Shares)	38,223	0%	-	35,492	0%	-
Sovereign debt	5,342,728	50%	(2,925)	4,022,344	46%	(1,921)
No rating	2,046,155	19%	(116)	2,002,367	23%	-
	10,472,843	99%	(7,301)	8,535,558	98%	(4,599)
Short-term rating						
1	105,149	1%	-	143,693	2%	-
2	19,077	0%	-	19,196	0%	-
	124,226	1%	-	162,889	2%	-
	10,597,069	100%	(7,301)	8,698,446	100%	(4,599)

Investments by currency

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

	December 31, 2017	December 31, 2016
Peso	5,874,930	5,676,925
USD	2,682,741	2,032,362
Colon	273,189	425,806
UVR	1,456,281	323,732
Lempiras	292,307	215,711
CAD	17,621	23,911
Total	10,597,069	8,698,446
Impairment	(7,301)	(4,599)
Total investment	10,589,768	8,693,847

Investment maturities

(Millions of Colombian pesos (COP))

The following is the detail of maturities of the investments in financial instruments. (Does not include shares.)

December 31, 2017

	0-1 year	1-5 years	5-10 years	Over 10 years	Total
Investments at fair value through Profit and Loss	5,074,820	2,830,683	725,514	397,027	9,028,044
Investments at amortized cost	1,312,361	113,823	104,618	-	1,530,802
Total	6,387,181	2,944,506	830,132	397,027	10,558,846

December 31, 2016

	0-1 year	1-5 years	5-10 years	Over 10 years	Total
Investments at fair value through Profit and Loss	3,758,621	2,355,286	788,856	410,575	7,313,338
Investments at amortized cost	1,210,702	55,761	83,154	-	1,349,617
Total	4,969,323	2,411,047	872,010	410,575	8,662,955

Impairment of investments

Presented bellow in detail is the impairment for financial instruments of investment:

	December 31, 2017	December 31, 2016
Opening Balance	4,599	207
Plus:		
Impairment	4,547	17,708
Less:		
Recoveries	(1,845)	(13,316)
Closing balance	7,301	4,599

Credit quality

Detailed below is the credit quality of investments measured at fair value and amortized cost.

December 31, 2017	Fair value		
	Debt securities	Equity instruments	Amortized cost
Credit Quality			
Investment grade	1,938,399	-	1,115,494
Issued and guaranteed by the Nation and/or the Central Bank	5,218,556	-	124,172
Speculative	24,487	-	91,584
No rating or no rating available	1,846,602	38,223	199,552
	9,028,044	38,223	1,530,802

(Millions of Colombian pesos (COP))

December 31, 2016

Credit Quality	Fair value: Debt securities	Fair value: Equity instruments	Amortized cost
Investment grade			
Issued and guaranteed by the Nation and/or the Central Bank	1,521,933	-	1,133,698
Speculative	3,827,652	-	128,817
No rating or no rating available	34,882	-	1,443
	1,928,869	35,491	85,659
	7,313,338	35,491	1,349,617

12.4 Derivatives

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

December 31, 2017

Product	Assets: Notional Amount	Assets: Fair Value	Liabilities: Notional Amount	Liabilities: Fair Value	Total
Cash transactions	41,782	67	62,269	99	(32)
Options Contracts	1,337,431	21,831	1,373,317	17,888	3,943
Futures Contracts	3,157,738	-	-	-	-
Swaps Contracts	15,382,156	230,722	16,910,722	245,897	(15,175)
Forwards Contracts	7,156,561	82,982	8,299,112	92,850	(9,868)
	27,075,668	335,602	26,645,420	356,734	(21,132)

December 31, 2016

Product	Assets: Notional Amount	Assets: Fair Value	Liabilities: Notional Amount	Liabilities: Fair Value	Total
Cash transactions	-	66	-	64	2
Options Contracts	1,028,733	22,561	977,428	22,395	166
Futures Contracts	2,107,664	-	2,107,664	-	-
Swaps Contracts	15,391,078	124,436	16,815,093	125,199	(763)
Forwards Contracts	5,220,123	94,024	6,033,350	93,424	600
	23,747,599	241,088	25,933,535	241,083	5

(Millions of Colombian pesos (COP))

The result of speculative derivatives is the following:

December 31, 2017

		Forward	Future	Swaps	Options	Total
FX Purchases	Right	7,243,451	1,816,320	776,994	-	9,836,765
	Obligation	7,310,419	1,816,320	771,817	-	9,898,556
FX Sales	Right	7,505,097	1,592,871	804,578	-	9,902,546
	Obligation	7,447,135	1,592,871	809,697	-	9,849,703
Securities Purchase	Right	26,727	40,920	-	-	67,647
	Obligation	26,580	40,920	-	-	67,500
Securities sales	Right	680,529	147,249	-	-	827,778
	Obligation	681,538	147,249	-	-	828,787
Interest rate	Right	-	-	3,053,785	-	3,053,785
	Obligation	-	-	3,069,018	-	3,069,018
Call options	Purchase	-	-	-	778	778
	Sale	-	-	-	(16,649)	(16,649)
Put options	Purchase	-	-	-	21,052	21,052
	Sale	-	-	-	(1,238)	(1,238)
Total rights		15,455,804	3,597,360	4,635,357	-	23,688,521
Total obligations		15,465,672	3,597,360	4,650,532	-	23,713,564
Total Net		(9,868)	-	(15,175)	3,943	(21,100)

December 31, 2016

		Forward	Future	Swaps	Options	Total
FX Purchases	Right	5,266,928	1,126,154	104,717	-	6,497,800
	Obligation	5,329,226	1,126,154	105,269	-	6,560,649
FX Sales	Right	5,747,818	931,422	89,821	-	6,769,061
	Obligation	5,684,553	931,422	90,384	-	6,706,358
Securities Purchase	Right	26,311	116,884	-	-	143,194
	Obligation	25,675	116,884	-	-	142,559
Securities sales	Right	201,169	328,754	-	-	529,923
	Obligation	202,171	328,754	-	-	530,925
Interest rate	Right	-	-	3,058,557	-	3,058,557
	Obligation	-	-	3,058,205	-	3,058,205
Call options	Purchase	-	-	-	1,418	1,418
	Sale	-	-	-	(20,208)	(20,208)
Put options	Purchase	-	-	-	21,143	21,143
	Sale	-	-	-	(2,187)	(2,187)
Total rights		11,242,225	2,503,214	3,253,095	-	16,998,535
Total obligations		11,241,625	2,503,214	3,253,858	-	16,998,697
Total Net		600	-	(763)	166	3

(Millions of Colombian pesos (COP))

Presented below in detail is credit quality determined by independent risk qualifying agents, of the principal counter parts in derivate instruments assets and liabilities.

December 31, 2017	Derivatives Option Contracts	Futures Contracts	Swaps Contracts	Forwards Contracts
Credit Quality				
Investment grade	21,576	-	230,439	63,120
No rating or no rating available	255	-	283	19,862
	21,831	-	230,722	82,982

December 31, 2016	Derivatives Option Contracts	Futures Contracts	Swaps Contracts	Forwards Contracts
Credit Quality				
Investment grade	22,241	-	123,760	53,436
Speculative	320	-	677	40,589
	22,561	-	124,436	94,024

The following is the detail of maturity periods of Derivatives:

December 31, 2017

	Up to1 year	1 - 5 years	5-10-years	Over 10 years	Total
Cash Transactions	(32)	-	-	-	(32)
Options Contracts	3,943	-	-	-	3,943
Swaps Contracts	1,933	(15,450)	(1,657)	-	(15,175)
Forwards Contracts	(10,723)	856	-	-	(9,868)
	(4,880)	(14,594)	(1,657)	-	(21,132)

December 31, 2016

	Up to1 year	1 - 5 years	5-10-years	Over 10 years	Total
Cash Transactions	2	-	-	-	2
Options Contracts	166	-	-	-	166
Swaps Contracts	5,427	(1,867)	(4,319)	(4)	(763)
Forwards Contracts	(5,330)	5,930	-	-	600
	264	4,063	(4,319)	(4)	5

(Millions of Colombian pesos (COP))

12.5 Loans and financial leasing operations, net

12.5.1 Loans and financial leasing by mode

The following is the detail of loans and leasing operations by mode:

	December 31, 2017	December 31, 2016
Commercial Loans		
Corporate and construction	26,745,986	26,908,764
Other commercial lines	9,027,048	8,066,244
Financial leasing	2,279,930	1,932,305
Credit Card	446,890	388,567
Vehicles	767,837	730,666
Overdraft	170,987	131,767
	39,438,678	38,158,313
Consumer Loans		
Credit Card	4,717,956	4,363,960
Other consumer lines	13,354,217	12,107,551
Vehicles	2,519,809	2,329,924
Overdraft	33,436	36,634
Financial leasing	44,118	23,584
	20,669,536	18,861,653
Home Mortgage (1)		
Home Loans	10,530,506	9,486,661
Residential Leasing	7,477,599	6,301,461
	18,008,105	15,788,122
Microcredit Loans		
Microcredit	102,695	120,663
Financial leasing	560	890
	103,255	121,553
Gross Loans	78,219,574	72,929,641
Less Impairment	(2,309,569)	(1,678,327)
	75,910,005	71,251,314

(1) Includes employee loans of $ 437.780 at December 31, 2017 andy $ 351.680 at December 31, 2016.

(Millions of Colombian pesos (COP))

12.5.2 Loans by collateral and level on impairment

The following are loans by collateral and level on impairment.

December 31, 2017

	Closing balance				IFRS Impairment		
		Past due					
	Current (1)	Unimpaired (2)	Impaired (3)	Total	Collective	Individual	Total
With guarantee							
Commercial	17,773,624	94,929	697,273	18,565,826	238,426	422,533	660,959
Consumer	2,650,674	13,722	227,375	2,891,771	77,238	2,982	80,220
Home mortgage and Residential Leasing	16,617,660	244,986	1,145,459	18,008,105	81,348	17,748	99,096
Microcredit	85,914	255	12,928	99,097	4,151	-	4,151
Financial Leasing	2,151,649	40,687	132,272	2,324,608	35,634	7,601	43,235
	39,279,521	394,579	2,215,307	41,889,407	436,797	450,864	887,661
Without guarantee							
Commercial	18,071,232	1,174	520,516	18,592,922	162,373	351,009	513,382
Consumer	16,702,085	1,312	1,030,250	17,733,647	907,834	528	908,362
Microcredit	3,272	13	313	3,598	164	-	164
	74,056,110	397,078	3,766,386	78,219,574	1,507,168	802,401	2,309,569

December 31, 2016 (*)

	Closing balance				IFRS Impairment		
		Past due					
	Current (1)	Unimapired (2)	Impaired (3)	Total	Collective	Individual	Total
With Guarantee							
Commercial	15,128,227	110,381	361,883	15,600,491	126,559	238,967	365,526
Consumer	2,582,652	18,477	160,210	2,761,339	61,098	1,841	62,939
Home mortgage and Residential Leasing	14,761,095	220,406	806,621	15,788,122	56,402	16,784	73,186
Microcredit	108,094	708	10,766	119,568	3,977	-	3,977
Financial Leasing	1,829,782	37,053	89,944	1,956,779	35,341	99	35,440
	34,409,850	387,025	1,429,424	36,226,299	283,377	257,691	541,068
Without guarantee							
Commercial	20,416,322	3,488	205,707	20,625,517	146,755	164,185	310,940
Consumer	15,154,987	6,295	915,448	16,076,730	820,791	5,428	826,219
Microcredit	845	-	250	1,095	100	-	100
	35,572,154	9,783	1,121,405	36,703,342	967,646	169,613	1,137,259
	69,982,004	396,808	2,550,829	72,929,641	1,251,024	427,304	1,678,327

Days in default
(1) Current: 0 - 30 days in arrears with or without impairment
(2) Due not impaired > 30 days in arrears without impairment
(3) Impaired > 30 days with impairment
(*) Presentation as at December 2016 has been reclassified for comparative purposes to conform the new classification based on days in arrears.

(Millions of Colombian pesos (COP))

12.5.3 Loans and financial leasing operations by risk level

The folllowing are loans by risk rating:

	December 31, 2017	December 31, 2016
Commercial		
Category A - Normal Risk	33,162,863	33,938,123
Category B - Acceptable Risk	1,452,695	1,248,002
Category C - Appreciable Risk	1,412,941	374,407
Category D - Significant Risk	888,769	476,050
Category E - Uncollectible Risk	241,480	189,426
	37,158,748	36,226,008
Consumer		
Category A - Normal Risk	18,526,254	17,116,283
Category B - Acceptable Risk	716,361	578,630
Category C - Appreciable Risk	426,560	399,845
Category D - Significant Risk	650,462	461,172
Category E - Uncollectible Risk	305,781	282,139
	20,625,418	18,838,069
Home mortgage		
Category A - Normal Risk	9,831,865	8,986,963
Category B - Acceptable Risk	334,377	260,190
Category C - Appreciable Risk	134,335	116,184
Category D - Significant Risk	142,898	50,644
Category E - Uncollectible Risk	87,031	72,680
	10,530,506	9,486,661
Microcredit		
Category A - Normal Risk	87,807	108,463
Category B - Acceptable Risk	4,469	3,357
Category C - Appreciable Risk	2,205	2,210
Category D - Significant Risk	1,602	1,538
Category E - Uncollectible Risk	6,612	5,095
	102,695	120,663
	68,417,367	64,671,401

(Millions of Colombian pesos (COP))

Financial leasing by risk level

	December 31, 2017	December 31, 2016
Commercial		
Category A - Normal Risk	1,958,368	1,737,189
Category B - Acceptable Risk	150,580	64,580
Category C - Appreciable Risk	43,552	34,429
Category D - Significant Risk	66,777	50,636
Category E - Uncollectible Risk	60,653	45,471
	2,279,930	1,932,305
Consumer		
Category A - Normal Risk	40,539	20,645
Category B - Acceptable Risk	349	368
Category C - Appreciable Risk	513	482
Category D - Significant Risk	452	510
Category E - Uncollectible Risk	2,265	1,579
	44,118	23,584
Home mortgage		
Category A - Normal Risk	7,092,687	6,082,160
Category B - Acceptable Risk	196,149	130,886
Category C - Appreciable Risk	74,683	48,806
Category D - Significant Risk	65,037	17,538
Category E - Uncollectible Risk	49,043	22,071
	7,477,599	6,301,461
Microcredit		
Category A - Normal Risk	475	870
Category B - Acceptable Risk	38	-
Category D - Significant Risk	10	-
Category E - Uncollectible Risk	37	20
	560	890
	9,802,207	8,258,240
Impairment	(2,309,569)	(1,678,327)
Total Net Loans	75,910,005	71,251,314

(Millions of Colombian pesos (COP))

12.5.4 Individually assessed loans

December 31, 2017

	Current 0-30 days	31 - 90 days	> 90 days	Gross value recorded	Securities	Constituted allowance Total
No impairment recorded						
Commercial	44,019	-	83,447	127,466	73,298	-
Consumer	-	-	2,900	2,900	12,017	-
Home mortgage and Residential Leasing	-	-	5,921	5,921	18,327	-
	44,019	-	92,268	136,287	103,642	-
With impairment recorded						
Commercial	19,158,062	229,672	445,400	19,833,134	11,247,072	781,061
Consumer	826	145	8,423	9,394	10,615	3,592
Home mortgage and Residential Leasing	10,760	9,255	61,233	81,248	168,269	17,748
Financial leasing	-	-	-	-	-	-
	19,169,648	239,072	515,056	19,923,776	11,425,956	802,401
	19,213,667	239,072	607,324	20,060,063	11,529,598	802,401

December 31, 2016 (*)

	Current 0-30 days	31 - 90 days	> 90 days	Gross value recorded	Securities	Constituted allowance Total
No impairment recorded						
Commercial	17,342	25,718	30,667	73,727	173,846	-
Consumer	-	-	2,044	2,044	-	-
Home mortgage and Residential Leasing	-	553	14,747	15,300	-	-
	17,342	26,271	47,458	91,071	173,846	-
With impairment recorded						
Commercial	19,826,245	53,162	156,144	20,035,551	16,151,112	403,153
Consumer	5	95	10,480	10,580	318	7,268
Home mortgage and Residential Leasing	14,170	11,613	54,368	80,151	-	16,784
Financial Leasing	-	-	474	474	-	99
	19,840,420	64,870	221,466	20,126,756	16,151,430	427,304
	19,857,762	91,141	268,924	20,217,827	16,325,276	427,304

(*) Presentation is updated for December 2016 including the ranges of days arrears, for comparative purposes.

(Millions of Colombian pesos (COP))

12.5.5 Movement of the loan portfolio loss impairment

The roll-forward of the impairment loss is as follows:

December 31, 2017

	Commercial	Consumer	Microcredit	Home mortgage	Total
Opening Balance	711,907	890,951	71,391	4,078	1,678,327
Plus:					
Impairment loss charged to operational	720,105	1,495,484	56,378	5,158	2,277,125
Foreign currency loan re-expression	(10,248)	20,569	(668)	-	9,653
Less:					
Loans written-off	(168,535)	(1,331,839)	(18,448)	(4,920)	(1,523,742)
Recoveries	(35,653)	(86,583)	(9,558)	-	(131,794)
	1,217,576	988,582	99,095	4,316	2,309,569

December 31, 2016

	Commercial	Consumer	Microcredit	Home mortgage	Total
Opening Balance	892,498	736,814	95,735	3,574	1,728,621
Plus:					
Leasing Bolívar merger	59,967	752	-	-	60,719
Impairment loss charged to operational	321,804	1,128,419	1,205	2,455	1,453,883
Foreign Currency loans re-expression	(3,277)	36,351	(12,127)	-	20,947
Less:					
Loans written-off	(550,384)	(966,785)	(11,241)	(1,951)	(1,530,361)
Recoveries	(8,701)	(44,600)	(2,181)	-	(55,482)
	711,907	890,951	71,391	4,078	1,678,327

12.5.6 Loans by maturity

Detailed below is the loan portfolio by maturity:

December 31, 2017

Mode	0-1 years	1- 5 years	Over 5 years	Over 10 years	Total
Commercial	11,710,620	14,596,314	10,810,939	2,320,805	39,438,678
Consumer	389,516	14,474,167	5,340,281	465,572	20,669,536
Home mortgage	34,520	366,064	2,616,790	14,990,731	18,008,105
Microcredit	7,134	91,936	4,185	-	103,255
	12,141,790	29,528,481	18,772,195	17,777,108	78,219,574

December 31, 2016

Mode	0-1 years	1- 5 years	Over 5 years	Over 10 years	Total
Commercial	12,094,417	14,347,171	9,244,892	2,471,833	38,158,313
Consumer	346,940	13,294,634	4,795,383	424,696	18,861,653
Home mortgage	34,570	341,590	2,221,636	13,190,326	15,788,122
Microcredit	5,250	110,801	5,502	-	121,553
	12,481,177	28,094,196	16,267,413	16,086,855	72,929,641

(Millions of Colombian pesos (COP))

12.5.7 Loan by currency

The following is the loan and financial leasing portfolio by currency:

	December 31, 2017			December 31, 2016		
	Local Currency	Foreign Currency	Total	Local Currency	Foreign Currency	Total
Commercial	23,673,583	13,485,165	37,158,748	22,322,516	13,903,492	36,226,008
Consumer	16,867,958	3,757,460	20,625,418	15,330,051	3,508,018	18,838,069
Home mortgage and Residential Leasing	14,644,410	3,363,695	18,008,105	12,737,991	3,050,131	15,788,122
Microcredit	102,695	-	102,695	120,663	-	120,663
Financial Leasing	2,248,299	76,309	2,324,608	1,906,473	50,306	1,956,779
	57,536,945	20,682,629	78,219,574	52,417,694	20,511,947	72,929,641

12.5.8 Loans by ageing of arrears

The following is the loan portfolio based on ageing, including unimpaired loans

December 31, 2017

	Loans to date (1)	Due (2)						
		Unimpaired			Impaired (3)			
	0 - 30 days	31-90 days	> 90 days	Total past due unimpaired	31-90 days	> 90 days	Total Impaired	Total loan portfolio
Commercial	35,844,860	296	95,808	96,104	425,836	791,949	1,217,785	37,158,748
Consumer	19,352,756	2,517	12,517	15,034	728,616	529,013	1,257,629	20,625,418
Home mortgage and Residential Leasing	16,617,660	16,939	228,047	244,986	770,053	375,406	1,145,459	18,008,105
Microcredit	89,185	-	268	268	6,786	6,456	13,242	102,695
Financial Leasing	2,151,649	76	40,611	40,687	54,989	77,283	132,272	2,324,608
	74,056,110	19,827	377,251	397,078	1,986,279	1,780,107	3,766,386	78,219,574

December 31, 2016 (*)

	Loans to date (1)	Due (2)						
		Unimpaired			Impaired (3)			
	0 - 30 days	31-90 days	> 90 days	Total past due unimpaired	31-90 days	> 90 days	Total Impaired	Total loan portfolio
Commercial	35,544,548	26,259	87,611	113,870	209,270	358,320	567,590	36,226,008
Consumer	17,737,640	1,951	22,820	24,771	600,084	475,574	1,075,658	18,838,069
Home mortgage and Residential Leasing	14,761,096	276	152,755	153,031	762,637	111,358	873,995	15,788,122
Microcredit	108,938	-	709	709	6,166	4,850	11,016	120,663
Financial Leasing	1,829,782	-	104,427	104,427	653	21,917	22,570	1,956,779
	69,982,004	28,486	368,322	396,808	1,578,810	972,019	2,550,829	72,929,641

(*) Presentation is updated for December 2016, including ranges of days in arrears, for comparison purposes.

Days in arrears
(1) Current: 0 - 30 days in arrears with or without impairment
(2) Past due unimpaired > 30 days in arrears without impairment
(3) Impaired > 30 days with impairment

(Millions of Colombian pesos (COP))

12.5.9 Loans by economic sector

The following are loans by economic sector:

Economic sector	December 31, 2017	December 31, 2016
Farming, livestock, forestry and fishing	2,121,909	2,015,045
Mining and quarries	428,696	468,446
Manufacturing industry	6,058,582	5,930,635
Electricity, Gas, Steam & Air conditioning supply	3,685,349	2,833,895
Water supply, removal of wastewater, waste and decontamination management	121,781	78,514
Construction	5,367,639	6,084,688
Wholesale and retail; Vehicles and motorcycles	6,935,802	6,862,340
Transport and storage	3,266,586	3,367,314
Accommodation and catering services	466,610	288,512
Information and communication	987,860	1,089,331
Finance and Insurance	2,512,255	2,751,160
Real estate	2,519,200	1,940,103
Professional, scientific and technical	1,014,115	1,047,271
Administrative and support services	875,299	921,798
Public administration and defense; mandatory social security schemes.	501,330	489,184
Education	446,860	363,602
Health care and social assistence	751,769	556,956
Artistic, entertainment and recreational activities	147,233	162,444
Other service activities	560,194	475,840
Household activities as employers	15,226	10,408
Extraterritorial organizations and entities	5,624	7,160
Salaried workers: Individuals	39,106,723	34,810,834
Rentiers (Individuals)	322,932	374,161
	78,219,574	72,929,641

(Millions of Colombian pesos (COP))

12.5.10 Loans by geographical zone

Below are loan portfolio and financial leasing by geographical zone:

December 31, 2017

	Commercial	Consumer	Home mortgage	Microcredit	Total
Bogotá	13,184,090	8,079,157	4,525,575	79,658	25,868,480
Antioquia	6,081,025	3,110,127	789,594	9,586	9,990,332
Northeast	4,894,283	3,542,858	1,170,479	12,526	9,620,146
Southwest	3,274,916	2,218,911	681,163	925	6,175,915
Miami Branch	1,089,854	1,886	-	-	1,091,740
Costa Rica	3,196,178	883,676	1,560,609	-	5,640,463
Honduras	918,221	725,681	664,113	-	2,308,015
Panamá	2,062,909	96,541	226,756	-	2,386,206
Salvador	2,457,272	1,966,581	912,217	-	5,336,070
	37,158,748	20,625,418	10,530,506	102,695	68,417,367

December 31, 2016

	Commercial	Consumer	Home mortgage	Microcredit	Total
Bogotá	12,798,830	7,184,581	4,168,039	95,729	24,247,179
Antioquia	5,906,896	2,800,273	904,056	11,678	9,622,903
Northeast	4,513,794	3,320,725	924,149	13,256	8,771,924
Southwest	3,155,337	2,113,806	440,288	-	5,709,431
Miami Branch	909,769	1,677	-	-	911,446
Costa Rica	2,993,191	796,862	1,369,018	-	5,159,071
Honduras	997,952	655,047	636,862	-	2,289,861
Panamá	2,638,438	109,169	168,371	-	2,915,978
Salvador	2,311,801	1,855,929	875,879	-	5,043,609
	36,226,008	18,838,069	9,486,661	120,663	64,671,401

Financial leasing by geographic zone

December 31, 2017

	Commercial	Consumer	Home mortgage	Microcredit	Total
Bogotá	1,584,707	17,265	3,578,427	515	5,180,914
Antioquia	293,734	2,121	1,569,433	45	1,865,333
Northeast	336,777	1,591	1,475,686	-	1,814,054
Southwest	11,544	-	854,053	-	865,597
Costa Rica	50,180	21,989	-	-	72,169
Panamá	2,988	1,152	-	-	4,140
	2,279,930	44,118	7,477,599	560	9,802,207

December 31, 2016

	Commercial	Consumer	Home mortgage	Microcredit	Total
Bogotá	1,260,436	18,399	3,033,636	786	4,313,257
Antioquia	210,948	1,483	1,173,352	104	1,385,887
Northeast	194,655	776	1,210,179	-	1,405,610
Southwest	217,521	1,366	884,295	-	1,103,182
Costa Rica	39,549	-	-	-	39,549
Panamá	9,196	1,560	-	-	10,756
	1,932,305	23,584	6,301,461	890	8,258,240

(Millions of Colombian pesos (COP))

12.5.11 Loans by type of collateral

The following is the detailed account of loans by type of collateral :

December 31, 2017

	Commercial	Consumer	Home mortgage and Residential Leasing	Microcredit	Financial Leasing	Total
Unsecured loans	18,592,922	17,733,647	-	3,598	-	36,330,167
Loans secured by other Banks	203,228	-	-	-	-	203,228
Home mortgages	475,991	358,340	17,814,099	-	-	18,648,430
Other real estate	6,969,841	426,852	193,867	-	1,397,868	8,988,428
Investment in equity instruments	647,954	-	-	-	-	647,954
Cash deposits	337,523	104,898	-	-	-	442,421
Other assets	9,931,289	2,001,681	139	99,097	926,740	12,958,946
	37,158,748	20,625,418	18,008,105	102,695	2,324,608	78,219,574

December 31, 2016

	Commercial	Consumer	Home mortgage and Residential Leasing	Microcredit	Financial Leasing	Total
Unsecured loans	20,577,808	16,078,290	-	1,985	-	36,658,083
Loans secured by other Banks	17,713	-	-	-	-	17,713
Home mortgages	519,645	337,365	15,658,164	-	-	16,515,174
Other real estate	5,702,953	392,776	129,807	-	1,565,563	7,791,099
Investment in equity instruments	584,332	-	-	-	-	584,332
Cash deposits	354,886	116,018	-	-	-	470,904
Other assets	8,468,671	1,913,620	151	118,678	391,216	10,892,336
	36,226,008	18,838,069	15,788,122	120,663	1,956,779	72,929,641

12.5.12 Financial leasing maturities

The following are the maturities of financial leasing operations

(Unaudited)

December 31, 2017

	0-1 years	1-5 years	Over 5 years	Total
Gross investment in financial leases	1,729,970	5,877,810	9,735,850	17,343,630
Financial income not accrued by financial leasing interest	(1,097,190)	(3,560,773)	(5,044,346)	(9,702,309)
Total minimum payments of financial leases receivable, at present value	632,780	2,317,037	4,691,504	7,641,321

(Millions of Colombian pesos (COP))

December 31, 2016

	0-1 years	1-5 years	Over 5 years	Total
Gross investment in financial leases	67,170	1,113,993	12,618,660	13,799,823
Financial income not accrued by financial leasing interest	(63,217)	(875,962)	(6,782,046)	(7,721,225)
Total minimum payments of financial leases receivable, at present value	3,953	238,031	5,836,614	6,078,598

12.5.13 Shareholders and employee loans

Loans to shareholders and home loans to employees at preferential rates, as follows:

	December 31, 2017	December 31, 2016
Shareholders(*)	97	206
Employees	437,780	433,041
Consumer	83,989	81,361
Home mortgage	262,718	262,976
Residential leasing	91,073	88,704
	437,877	433,247

(*) Shareholders with a participation greater than 5%

The Bank, in compliance with IFRS 9 and IAS 19, incorporated in its financial statements the effect of preferential rates granted to its staff who apply for home loans, to be recognized as a personnel expense for $ 9.668 M at December, 2017, and $9.698 M at the close of 2016.

12.5.14 Loan portfolio sales

December 31, 2017

Titularizadora Colombiana S.A.

Date	Number	Rate	Capital	Interest	Other	Total	Profit	Proceeds of Sales	Impairment recovery
Mar-02-2017	3,278	8.20%	205,792	984	228	207,004	2,675	210,173	4,179
Jun-20-2017	1,834	7.00%	175,999	864	168	177,031	3,536	181,175	3,549
Oct-30-2017	4,554	3.50%	183,930	911	297	185,138	5,666	191,164	3,745
Nov-29-2017	1,699	7.10%	105,789	594	136	106,519	2,534	109,307	2,135
	11,365		671,510	3,353	829	675,692	14,411	691,819	13,608

December 31, 2016

Titularizadora Colombiana S.A.

Date	Number	Rate	Capital	Interest	Other	Total	Profit	Proceeds of Sales	Impairment recovery
Sep-08-2016	2,471	8.40%	220,023	1,045	276	221,344	-	221,783	4,491
Nov-10-2016	2,344	8.37%	168,830	852	170	169,852	-	170,869	2,309
	4,815		388,853	1,897	446	391,196	-	392,652	6,800

(Millions of Colombian pesos (COP))

12.5.15 Sale of loans written off

The following is the detail of written-off loans.

Banco Davivienda — December 31, 2017

Date	Number of loans	Capital	Interest	Other items	Total	Proceeds of Sales
14/02/2017	44	1,087	15	1,271	2,373	282
25/04/2017	9,740	61,017	2,204	10,371	73,594	4,332
25/07/2017	40,135	274,541	9,725	24,538	308,804	13,876
09/11/2017	2,666	5,847	688	556	7,091	234
24/11/2017	31,870	235,684	7,445	15,963	259,089	13,578
	84,455	578,176	20,077	52,699	650,951	32,302

El Salvador

Date	Number of loans	Capital	Interest	Other items	Total	Proceeds of Sales
23/01/2017	80	404	70	-	474	104
24/02/2017	102	471	145	-	616	92
24/03/2017	206	851	370	-	1,221	150
23/04/2017	59	268	45	-	313	59
25/05/2017	165	919	395	-	1,314	148
21/06/2017	28	326	41	-	367	59
23/07/2017	62	425	72	-	497	87
24/08/2017	133	757	134	-	891	143
22/09/2017	66	383	62	-	445	82
20/10/2017	206	780	292	-	1,072	125
25/11/2017	52	307	48	-	355	53
22/12/2017	43	164	37	-	201	29
	1,202	6,055	1,711	-	7,766	1,131

Banco Davivienda — December 31, 2016

Date	Number of loans	Capital	Interest	Other items	Total	Proceeds of Sales
20/04/2016	50,869	260,722	10,322	39,612	310,656	18,510
25/07/2016	14,028	72,493	2,311	8,693	83,494	5,181
30/11/2016	46,232	269,000	65,355	25,575	359,929	17,302
30/11/2016	25	635	10	766	1,411	118
06/12/2016	1,204	2,886	294	245	3,425	178
29/12/2016	74	1,915	35	2,516	4,466	352
	112,432	607,651	78,327	77,407	763,381	41,641

El Salvador

Date	Number of loans	Capital	Interest	Other items	Total	Proceeds of Sales
21/01/2016	128	629	117	-	746	128
17/03/2016	139	830	211	-	1,041	156
21/04/2016	105	631	104	-	735	110
23/05/2016	121	888	167	-	1,055	160
23/07/2016	167	1,271	205	-	1,476	229
21/10/2016	57	331	54	-	385	68
18/11/2016	88	616	98	-	714	128
23/02/2016	146	797	136	-	933	159
22/06/2016	136	765	180	-	945	170
19/08/2016	108	551	99	-	650	114
21/09/2016	74	325	60	-	385	67
20/12/2016	64	415	62	-	477	100
	1,333	8,049	1,493	-	9,542	1,589

(Millions of Colombian pesos (COP))

12.5.16 Purchases and interests in Loan portfolios

No portfolio purchases had been made at December 31, 2017 and December 31, 2016.

The following is the detail of loan portfolio interests:

At December 31, 2017 and 2016, the balance of loan interests with Miami as of $251,632 and $288,186 respectively, corresponding to loan operations in which the Miami branch participates in its funding structure and its recording is in proportion to the transaction; therefore, this type of transaction does not generate an effect in profit and loss .

	December 31, 2017	December 31, 2016
Number of Loans	10	10
Capital	251,632	288,186
Interest	3,802	2,352
Total	255,434	290,538

12.6 AccountsReceivable, net

Below is the detail of Accounts Receivable:

	December 31, 2017	December 31, 2016
Advancesto contractors and suppliers	226,686	329,967
Funds transferred to Icetex - abandoned accounts	163,436	130,858
Taxes	145,914	37,701
Payments for borrowing customers´ account	103,826	86,605
Premiums for collection	66,524	57,853
Sale of fixed assets	60,039	511,216
Deposits	32,294	21,682
Payments on customers account	22,060	13,578
Commissions	20,390	14,152
Colombian Treasury	19,797	18,417
Reinsurers outside Colombia	16,941	12,278
Interest receivable on TIPS	15,201	10,834
Banco de la República - Rate hedging	12,018	11,755
Leasing assets	6,809	23,005
Parent, subsidiaries, related and parties and associates	4,405	4,297
Technical reserves reinsurers	4,152	2,917
Interest	3,626	4,526
Employees	2,350	3,534
Settlement of forwards	2,124	654
Joint ventures	1,489	1,117
Other	187,839	108,360
Accounts receivable	1,117,920	1,405,306
Impairment	(37,778)	(33,313)
Accounts receivable, net	1,080,142	1,371,993

(Millions of Colombian pesos (COP))

The following is the detail of Accounts Receivable, by maturity bands:

December 31, 2017

	Up to 1 year	1-5 years	Over 5 years	Total
Advances to contractors and suppliers	188,484	38,202	-	226,686
Funds transferred to Icetex - abandoned accounts	163,436	-	-	163,436
Taxes	145,474	440	-	145,914
Payments for account of borrowing customers	103,826	-	-	103,826
Premiums for collection	66,512	12	-	66,524
Sale of fixed assets	60,039	-	-	60,039
Deposits	26,256	4,215	1,823	32,294
Payments for customer account	18,640	3,420	-	22,060
Commissions and fees	19,787	593	10	20,390
Colombian Treasury	19,797	-	-	19,797
Reinsurers outside Colombia	243	16,698	-	16,941
Interest receivable TIPS	15,201	-	-	15,201
Banco de la República - Rate hedging	12,018	-	-	12,018
Leasing assets	6,809	-	-	6,809
Parent, subsidiaries, related parties and associates	4,405	-	-	4,405
Technical reserves reinsurers	4,152	-	-	4,152
Interest	3,621	-	5	3,626
Employees	1,746	604	-	2,350
Settlement of forwards	2,124	-	-	2,124
Joint ventures	1,489	-	-	1,489
Other	161,032	24,299	2,508	187,839
Accounts receivable	1,025,091	88,483	4,346	1,117,920
Impairment	(31,615)	(5,988)	(175)	(37,778)
Accounts receivable, net	993,476	82,495	4,171	1,080,142

December 31, 2016

	Up to 1 year	1-5 years	Over 5 years	Total
Sale of fixed assets	511,216	-	-	511,216
Advances to contractors and suppliers	320,525	9,442	-	329,967
Funds transferred to Icetex - abandoned accounts	130,858	-	-	130,858
Payments from borrowing customers	86,605	-	-	86,605
Premiums for collection	57,774	79	-	57,853
Taxes	37,261	440	-	37,701
Leasing assets	23,005	-	-	23,005
Deposits	17,494	2,273	1,914	21,681
Colombian Treasury	18,417	-	-	18,417
Commissions and fees	13,124	1,015	13	14,152
Payments for customers account	10,366	3,212	-	13,578
Reinsurers outside Colombia	398	11,881	-	12,279
Banco de la República - Rate hedging	11,755	-	-	11,755
Payable interest TIPS	10,834	-	-	10,834
Interest	4,526	-	-	4,526
Parent , subsidiaries, related parties and associates	4,297	-	-	4,297
Employees	2,516	1,018	-	3,534
Technical reserves reinsurers	2,917	-	-	2,917
Joint ventures	1,117	-	-	1,117
Other	98,528	8,261	2,225	109,014
Accounts receivable	1,363,533	37,621	4,152	1,405,306
Impairment	(35,384)	2,242	(171)	(33,313)
Accounts receivable, net	1,328,149	39,863	3,981	1,371,993

(Millions of Colombian pesos (COP))

To minimize credit risk posed by Other Accounts receivable, the Bank evaluates their performance in each report period and applies an estimated allowance based on ageing, as protection from the exposure risk.

	December 31, 2017	December 31, 2016
Opening Balance	33,313	21,972
Opening Balance Leasing	-	4,294
Plus:		
Impairment charged to expenses	18,474	10,184
Various Provision	9,959	26,390
Reclassifications	234	1,130
Less:		
Impairment Recovery	(2,242)	(3,605)
Write-offs	(12,691)	(12,358)
Impairment Recovery - Other Sundry	(5)	(100)
Recoveries Other Accounts receivable	(9,434)	(14,248)
Reexpression	170	(447)
Closing balance	37,778	33,313

12.7 Assets held for sale

The following is the detail of assets held for sale:

	December 31, 2017	December 31, 2016
Intended for housing		
Voluntary release	6,999	7,200
Award	1,475	1,707
Total intended for housing	8,474	8,907
Different from Household		
Voluntary release	29,888	7,316
Award	3,322	831
Other than housing	33,210	8,147
Movable property		
Vehicles	741	512
Rights	37,616	39,229
Other than housing	-	404
Other than housing	38,357	40,146
Recovered property from Leasing contracts		
Machinery and Equipment	174	61
Vehicles	1,908	14,324
Real Property	19,243	12,186
Real Property - Residential Leasing	21,764	10,688
Total Recovered from Leasing contracts	43,089	37,260
Real Property		
Subtotal	123,130	94,460
Impairment	-	(2,112)
Total	123,130	92,348

(Millions of Colombian pesos (COP))

The following is the movement of assets held for sale:

December 31, 2017

	Intended for housing	Other than housing	Recovered property from Residential Leasing contracts	Real Property Leasing	Total
Cost					
Opening Balance	8,908	48,292	37,260	-	94,460
Additions (received)	7,849	41,566	45,305	-	94,720
Withdrawals (sales)	(1,913)	(5,371)	(18,871)	-	(26,155)
Transfers	(6,368)	(12,922)	(20,606)	-	(39,896)
Reexpression	(2)	2	1	-	1
Closing balance	8,474	71,567	43,089	-	123,130
Impairment					
Opening Balance	(10)	(1,727)	(375)	-	(2,112)
Assets current at previous close				-	-
Additions (received)				-	-
Withdrawals (sales)	5			-	5
Transfers and other movements	5	1,727	375	-	2,107
Impairment	-	-	-	-	-

December 31, 2016

	Intended for housing	Other than housing	Recovered property from residential leasing contracts	Real Property Leasing	Total
Cost					
Opening Balance	12,124	16,130	11,016	54,152	93,422
Leasing merger	-	2,995	14,145	-	17,140
Additions (received)	3,761	42,667	33,301	(54,152)	25,577
Withdrawals (sales)	(4,636)	(7,686)	(8,086)	-	(20,408)
Transfers	(1,984)	(5,814)	(13,116)	-	(20,914)
Reexpression	(357)	-	-	-	(357)
Closing balance	8,908	48,292	37,260	-	94,460
Impairment					
Opening Balance	(523)	(51)	(106)	-	(680)
Additions (received)	(5)	(2,937)	(1,159)	-	(4,101)
Withdrawals (sales)	513	1,189	676	-	2,378
Transfers and other movements	5	72	214	-	291
Impairment	(10)	(1,727)	(375)	-	(2,112)

(Millions of Colombian pesos (COP))

The following is the detail of assets held for sale, depending on the length of time held:

	December 31, 2017	December 31, 2016
Up to 1 year	77,988	90,615
Between 1 and 3 years	45,142	3,845
Total	123,130	94,460

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

	December 31, 2017		December 31, 2016	
	amount	value	amount	value
Foreclosed assets	172	(26,155)	262	(20,406)
Total sales	172	(26,155)	262	(20,406)
Profit on sales	-	630	-	1,787
Amortization of deferred profit	-	1,702	-	968
Profit on sale of unused assets	-	3,120	-	3,156
Total Profit on sales	-	5,452	-	5,911
Loss on sale of Foreclosed assets	-	3,013	-	2,828
Net effect on Profit and Loss	-	2,439	-	3,083

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

	December 31, 2017	December 31, 2016
Opening Balance	2,112	680
Plus:		
Impairment	-	7,064
Reexpression	(2,117)	(5,123)
Less:		
Derecognitions	-	(509)
Recoveries	5	-
Closing balance	-	2,112

12.8 Investments in associates

Below is the detailed of investment in associates

December 31, 2017

Corporate Name	% interest	Equity	Acquisition Cost	MPP	Adjusted cost
Titularizadora Colombiana S.A.	26.85%	131,534	41,851	(5,158)	32,357
Redeban Multicolor S.A.	26.04%	91,980	21,785	(399)	26,686
Sersaprosa S.A.	25.00%	8,786	2,312	6,751	9,063
Serfinsa S.A.	41.03%	4,292	1,474	1,787	3,261
ACH de El Salvador S.A	25.00%	1,541	385	596	981
Zip Amarateca	37.85%	8,606	3,258	3,412	6,669
Bancajero BANET	34.81%	2,673	930	2,775	3,705
		249,412	71,995	9,764	82,722
Investments in Joint Ventures					
CCA Rentacafé					18
Total					82,740

(Millions of Colombian pesos (COP))

December 31, 2016

Corporate Name	% interest	Equity	Acquisition Cost	MPP	Adjusted cost
Titularizadora Colombiana S.A.	26.85%	129,123	41,851	1,146	34,673
Redeban Multicolor S.A.	26.04%	91,093	21,785	5,410	23,719
Grupo Empresarial Richnestt, S.A.S.	48.94%	1,256	328	-	328
Sersaprosa S.A.	25.00%	34,854	2,312	6,402	8,714
Serfinsa S.A.	41.03%	8,290	1,474	1,928	3,401
ACH de El Salvador S.A	25.00%	3,236	385	424	809
Zip Amarateca	37.85%	17,817	3,258	3,487	6,744
Bancajero BANET	34.81%	12,031	930	3,258	4,188
		297,701	72,322	22,054	82,577
Investments in Joint Ventures					
CCA Rentacafé					52
Total					82,630

The following is the value of the homogenized asset, liability and equity, as the basis to calculate the equity method:

December 31, 2017

Name	Participation	Total Assets	Total Liabilities	Total Equity	P&L
Titularizadora Colombiana S.A.	26.85%	614,032	487,073	126,959	8,161
Redeban Multicolor S.A.	26.04%	175,358	79,535	95,823	9,725
Grupo Empresarial Richnestt, S.A.S.	48.94%	-	-	-	-
ZipAmarateca	37.85%	20,229	2,611	17,618	1,866
Bancajero BANET	34.81%	12,628	1,984	10,644	1,592
Servicio Salvadoreño De Protección, S.A. De C.V.-Sersaprosa	25.00%	48,313	12,062	36,251	1,591
ACH de El Salvador, S.A. de C.V.-Sersaprosa	25.00%	4,312	389	3,923	636
Servicios Financieros, S.A. de C.V.-Serfinsa	41.03%	18,357	10,409	7,948	200
		893,229	594,063	299,166	23,771

December 31, 2016

Name	Participation	Total Assets	Total Liabilities	Total Equity	P&L
Redeban Multicolor S.A.	26.04%	158,521	67,427	91,093	5,519
Titularizadora Colombiana S.A.	26.85%	500,950	371,827	129,123	8,019
Grupo Empresarial Richnestt, S.A.S.	48.94%	1,293	38	1,256	(216)
ZipAmarateca	37.85%	17,995	178	17,817	1,950
Bancajero BANET	34.81%	13,781	1,750	12,031	1,423
Servicio Salvadoreño De Protección, S.A. De C.V.-Sersaprosa	25.00%	46,015	11,160	34,854	1,335
ACH de El Salvador, S.A. de C.V.-Sersaprosa	25.00%	3,564	328	3,236	512
Servicios Financieros, S.A. de C.V.-Serfinsa	41.03%	18,956	10,666	8,290	564
		761,075	463,374	297,701	19,107

(Millions of Colombian pesos (COP))

12.9 Investments in other companies

The following is the investment detail in other companies.

Company	% interest	December 31, 2017	December 31, 2016
Inversiones AFair ValueCon Cambios En El Ori			
CrediBanco	15.55%	123,325	119,141
Finagro	12.67%	130,588	123,677
Bolsa De valuees De Colombia	6.78%	51,912	1,975
Ach Colombia S.A.	18.42%	42,731	32,785
Corabastos	3.39%	12,784	18,288
Camara De Riesgo Central De Co	5.48%	2,996	2,034
Camara Comp Div Colombia S.A.	8.31%	2,143	1,720
Tecnibanca S.A. - Servibanca S.A.	0.94%	1,056	924
Corporacion Andina De Fomento	0.00%	986	637
Almacafe	0.01%	10	10
Deceval	11.85%	-	27,387
		368,531	328,576

12.10 Property and Equipment, Net

The following is the detail of Property and Equipment

	Land	Buildings and Improvements	Technological Equipment	Furniture and Equipment	Vehicles	P&E in Joint Ventures	Total
December 31, 2016							
Cost:	243,048	450,308	240,570	372,295	22,454	1	1,328,676
Additions							
Purchases	2,499	20,973	25,420	49,338	3,310	-	101,540
Withdrawals							
Sales	(39,198)	(63,446)	(10,285)	(11,706)	(3,643)	-	(128,278)
Derecognition of assets measured at cost	(4,788)	(5,656)	(760)	(6,147)	(259)	-	(17,610)
Donations	-	-	(49)	(38)	-	-	(87)
Reexpression	(562)	(2,164)	(2,124)	(1,347)	(141)	-	(6,338)
Transfers	(547)	(4,857)	(22,788)	15,747	-	-	(12,445)
Impairment	-	(915)	-	-	-	-	(915)
December 31, 2017	200,452	394,243	229,984	418,142	21,721	1	1,264,543
Accumulated depreciation							
December 31, 2016	-	(108,388)	(182,190)	(194,606)	(9,862)	(1)	(495,047)
Cost:							
Purchases	-	(2,175)	-	(379)	-	-	(2,554)
Withdrawals:							
Sales	-	3,021	8,842	10,827	2,817	-	25,507
Derecognition of assets measured at cost	-	2,090	3	1,672	74	-	3,839
Donations	-	-	48	37	-	-	85
Accumulated movement of depreciation	-	(11,643)	(32,629)	(28,748)	(3,671)	-	(76,691)
Reexpression	-	2,815	3,342	3,024	532	-	9,713
Transfers	-	(4,051)	20,922	(13,935)	41	-	2,977
December 31, 2017	-	(118,331)	(181,662)	(222,108)	(10,069)	(1)	(532,171)
Book value							
December 31, 2017	200,452	275,912	48,322	196,034	11,652	-	732,372

(Millions of Colombian pesos (COP))

	Land	Buildings and Improvements	Technological Equipment	Furniture and Equipment	Vehicles	P&E in Joint Ventures	Total
diciembre 31, 2015							
Cost:	369,802	765,913	210,708	353,904	22,274	1	1,722,602
Additions							
Purchases	7,047	55,075	51,689	32,289	5,872	-	151,972
Leasing merger	1,816	7,962	803	35	-	-	10,616
Withdrawals							
Sales	(128,141)	(358,158)	(8,468)	(1,275)	(4,566)	-	(500,608)
Derecognition of assets measured at cost	-	(1,611)	(3,982)	(1,777)	(329)	-	(7,699)
Donations	-	-	(26)	-	-	-	(26)
Reexpression	(4,661)	(13,600)	(9,023)	(5,597)	(789)	-	(33,670)
Transfers	(2,815)	(4,961)	(1,131)	(5,284)	(8)	-	(14,199)
Impairment	-	(312)	-	-	-	-	(312)
December 31, 2016	243,048	450,308	240,570	372,295	22,454	1	1,328,676
Accumulated depreciation							
December 31, 2015	-	(85,199)	(146,276)	(211,645)	(11,078)	(1)	(454,199)
Cost:							
Purchases	-	(29,019)	-	-	-	-	(29,019)
Leasing Bolivar merger	-	(189)	(218)	-	-	-	(407)
Acquisition of other companies	-	121	-	-	-	-	121
Withdrawals:							
Sales	-	13,104	2,439	895	3,519	-	19,957
Derecognition of assets measured at cost	-	4,035	2,533	2,008	223	-	8,800
Donations	-	-	27	-	-	-	27
Accumulated movement of depreciation	-	(15,591)	(35,997)	(13,095)	(3,496)	-	(68,179)
Reexpression	-	4,936	5,157	6,503	963	-	17,559
Transfers	-	(585)	(9,855)	20,728	7	-	10,295
December 31, 2016	-	(108,388)	(182,190)	(194,606)	(9,862)	(1)	(495,047)
Book value:							
December 31, 2016	243,048	341,920	58,380	177,689	12,592	-	833,629

Below is the product of property and equipment sale:

December 31, 2017

	Amount	Book value	Proceeds of Sales (*)	Profit	Loss
Real property:	225	(99,623)	131,432	38,120	(6,818)
Technological Equipment	3,360	(1,443)	1,674	141	(30)
Fixtures and Fittings	4,447	(879)	779	152	(76)
Vehicles	45	(827)	893	111	(27)
	8,077	(102,772)	134,778	38,526	(6,951)

(Millions of Colombian pesos (COP))

December 31, 2016

	Amount	Book value	Proceeds of Sales (*)	Profit	Loss
Land	1	(128,141)	2,004	90	-
Buildings	690	(371,262)	620,834	152,887	(5,248)
Technological Equipment	4,469	(10,907)	5,533	223	(670)
Office equipment	268	(2,170)	287	12	(96)
Vehicles	49	(8,085)	1,329	407	(74)
	5,477	(520,566)	629,987	153,619	(6,088)

(*)The sale of property and equipment produced accounts receivable of $103,566 and $509,799 at December 31, 2017 and 2016, respectively, corresponding to the mobilization of real property:

Restrictions on Property and Equipment title.

There are no restrictions to title or pledges in guarantee of obligations, for the periods reported.

12.11 Investment properties

The following is the movement of Investment properties

Cost:	December 31, 2017	December 31, 2016
Opening Balance	55,082	67,099
Additions		
Leasing merger	-	9,710
Transfers	(2,962)	(1,831)
Withdrawals		
Sales	(15,606)	(19,597)
Reexpression	(27)	(299)
Closing balance	36,487	55,082
Accumulated depreciation		
Opening Balance	(1,734)	(1,294)
Withdrawals		
Sales	625	329
Derecognition of assets measured at cost	-	78
Accumulated movement of depreciation	(388)	(969)
Reexpression	(36)	51
Transfers	421	71
Closing balance	(1,111)	(1,734)
	35,376	53,348
Impairment	-	(1,645)
Book value	35,376	51,704

The following are the poroceeds of of sales of investment properties.

December 31, 2017

	Amount	Book value	Proceeds of Sales (*)	Profit	Loss
Real property: investment	23	14,329	19,253	5,571	(647)
Foreclosed assets	1	652	672	21	-
	-	14,981	19,925	5,592	(647)

December 31, 2016

	Amount	Book value	Proceeds of Sales (*)	Profit	Loss
Real property: investment	25	14,292	16,862	4,647	(2,077)
Foreclosed assets	9	2,984	2,923	9	(71)
	-	17,276	19,785	4,656	(2,148)

(*) The sale of investment properties generated accounts receivable of $13,500 and $14,349 respectively, corresponding to the mobilization of real property.

(Millions of Colombian pesos (COP))

The results recognized in the consolidated profit and loss statement for the management of investment properties were:

	December 31, 2017	December 31, 2016
Lease income	2,309	2,646
Direct Operating expenses resulting from investment properties generating rent income	(236)	(548)
Direct Operating expenses resulting from investment properties that DO NOT generate rent income	(955)	(1,197)
Net	1,118	901

The fair value of investment properties at 31 December 2017 and 2016 is $55,863 and $62,503 respectively.

Restrictions to title in investment properties

There are no restrictions to title or pledges to guarantee obligations, for the periods reported.

12.12 Operating Leasing

An operating lease related to land and building leases fr 5 -60 years. All operating leases for over 5 years contain market review clauses every 5 years. The Bank does not have the option to buy leased land at expiry date of lease periods.

	December 31, 2017	December 31, 2016
1 year or less	155,252	59,407
More than 1 to 5 years	559,115	237,630
Over 5 years	691,860	401,110
	1,406,227	698,147

The following is the expense of operating leases:

	December 31, 2017	December 31, 2016
Expenditure operating leases	166,111	698,147
	166,111	698,147

12.13 Goodwill

The following is the detail of acquisitions of Banco Davivienda in the purchase of Granbanco, CAM and Corredores.

Name of the acquiree	Date of acquisition	% held
Granbanco	February 2007	99.06%
Grupo del Istmo Costa Rica	November 2012	100.00%
Inv. Financ. El Salvador	November 2012	95.95%
Banco y Insurance Honduras	December 2012	Bank 94% - Insurance 89%
Corredores Asociados	September 2013	94.90%

(Millions of Colombian pesos (COP))

The following is the detail of goodwill generated in the purchases of Granbanco, CAM and Corredores.

	December 31, 2017	December 31, 2016
Granbanco	1,084,549	1,084,549
HSBC operations in Central América	473,362	473,362
Corredores Asociados	76,972	76,972
	1,634,882	1,634,882

Granbanco Purchase

The purchase of Granbanco completed on February 16, 2017, originated goodwill for $1,372,458; the following are the main characteristics in the evaluation of goodwill :

- The definition and determination of business lines takes into account potential synergies; goodwill value was assigned to six business lines with market prices valuation and based on the figures at December 31, 2006 for Davivienda and January 31 for Granbanco; the lines identified are: Consumer, Commercial, SME, Credit card, Home Mortgages and subsidiaries (Panamá, Miami and Fiducafé).

The general criteria to define above business lines were: characteristics of the business lines (Average placement rate average balance by customer/product, customer profile, growth of loan portfolio and assignation of expenses), feasibility of independent and international accounting norms.

The business lines are defined and their assets identified; profit and loss statements and balances were then established for each of the business lines, for a projection period of 10 years.

The valuation by business lines was made using the dividend flow methodology, discounted at shareholder cost, which according to experts, is the most appropriate for measuring ffinancial institutions,and is widely used by the leading investment banks. This methodology consists in estimating the flow of available dividends during 10 years, plus a terminal value, and discouning them at an appropriate rate.

For the purposes of impairment tests, the goodwill was assigned to the following cash generating units:

Business Line	Share	Goodwill	Accumulated amortization Colgaap	NCIF Balance
Consumer	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 Card	16.2%	222,395	46,653	175,742
Home mortgage	11.2%	153,150	32,127	121,023
Subsidiaries	0.6%	8,743	1,834	6,909
	100.0%	1,372,458	287,909	1,084,549

Impairment tests made at December 31, 2017 by external consultants Deloitte Asesores y Consultores Ltda., concluded that there was no impairment loss for any business line

The following are the main projection assumptions used for the impairment tests:

	2017	2018	2019	2020	2021	2022
Placement rate (%)	11.38%	10.98%	11.14%	11.10%	11.28%	13.50%
Deposit rate (%)	3.50%	2.93%	3.17%	3.23%	3.43%	3.50%
Growth of operating income	8.51%	4.99%	6.39%	6.00%	5.94%	5.95%

(Millions of Colombian pesos (COP))

Growth of operating expenses (CPI)	4.97%	3.20%	3.93%	3.67%	3.46%	3.96%
Inflation	3.80%	3.10%	3.10%	3.10%	3.10%	3.10%
Annual Growth Rate GDP	2.50%	3.40%	3.40%	3.40%	3.40%	3.40%

The discount rate to determine the capital cost that generates income is determined by the average cost of capital at market value of the cost of all financial sources in the Bank's capital structure, estimated at 15%; the sensitivity analysis of value in use and the impairment test of each IGU identified for goodwill vs. the discount rate structure reveals that a higher risk allocation of the discount rate would not generate Impairment in most of the IGUs.

Purchase of the HSBC operation in Central America

The purchase of the HSBC operation in Central America between November 23 and December 7, 2012, generated goodwill of $473,362.

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

The Impairment test completed at December 31, 2017 by external consultants PriceWaterhouseCoopers concluded that business lines did not genetrate Impairment loss.

The following are the main projection assumptions used for the impairment tests:

Banks	2017	2018	2019	2020	2021	2022
Placement rates (%)	10.87%	11.00%	11.10%	11.23%	11.33%	11.47%
Deposit rates (%)	3.56%	3.25%	3.21%	3.24%	3.26%	3.30%
Growth of operating income	7.10%	8.73%	9.13%	10.00%	11.13%	12.53%
Growth of other operating expenses	-3.97%	-3.80%	-4.73%	-5.23%	4.30%	-81.13%
Inflation	1.11%	2.42%	2.33%	2.33%	2.33%	2.33%
Annual Growth Rate GDP	6.23%	6.60%	6.47%	6.43%	6.47%	6.40%

Insurance	2017	2018	2019	2020	2021	2022
Growth of other operating expenses	2.60%	9.50%	7.00%	6.50%	6.50%	6.50%
Inflation	0.80%	2.20%	2.00%	2.00%	2.00%	2.00%
Annual Growth Rate GDP	6.20%	6.30%	6.10%	6.05%	6.00%	5.90%

Purchase Corredores Davivienda

The purchase agreement for 100% of the shares of Corredores Asociados was signed and the goodwill was recorded for $73,336 and Fiduciaria Davivienda for $3,636.

Business Line	Acquirer	Cost $	Goodwill
Corredores Davivienda	Banco Davivienda	70,732	73,336
	Fiduciaria Davivienda	-	3,636
		70,732	76,972

The impairment test completed at December 31, 2017 by external consultants PriceWaterhouseCoopers concluded that business lines did not generate impairment loss.

The following are the main projection assumptions used for Impairment tests:

(Millions of Colombian pesos (COP))

	2017	2018	2019	2020	2021	2022
Average growth of loan portfolio	43.67%	-2.69%	8.06%	6.53%	6.10%	5.51%
Growth of operating income	14.01%	9.92%	12.99%	9.41%	8.89%	8.54%
Growth of other operating expenses	14.94%	9.91%	15.28%	8.48%	7.74%	7.10%

For tax purposes, the Bank applies Article 143 of the Tax Code that provides that the term for investment amortization can be no less tan 5 years, and is currently 7 years for Granbanco and 5 years for Corredores Asociados, using the straight line method and a simple calculation of the total divided into the number of months proposed.

The difference arising between the accounting amortization and tax amortization is recorded in deferred tax payable.

12.14 Intangibles

The following is the movement of intangubles:

December 31, 2017

Item	Licences	Software and applications	Total
Opening Balance	60,559	75,349	135,908
Acquisitions :	43,738	24,568	68,306
Accumulated Amortizations	(13,351)	(19,955)	(33,306)
Reclassifications	(669)	646	(23)
Reexpression	3	(1,436)	(1,433)
Closing balance	90,280	79,172	169,452

December 31, 2016

Item	Licences	Software and applications	Total
Opening Balance	21,128	106,767	127,895
Leasing Bolívar merger	868	-	868
Acquisition Other Companies	14	1,228	1,242
Acquisitions :	14,867	24,093	38,960
Accumulated Amortizations	(8,659)	(23,348)	(32,007)
Reclassifications	35,095	(34,046)	1,049
Reexpression	(2,754)	655	(2,099)
Closing balance	60,559	75,349	135,908

(Millions of Colombian pesos (COP))

12.15 Other non financial assets, net

The following is the detail of other non financial assets:

	December 31, 2017	December 31, 2016
Foreclosed assets	307,214	247,450
Prepaid expenses	133,660	125,782
Letter of credits - deferred payment	35,451	42,918
Taxes	12,509	90,809
Works of art	2,887	2,730
Trust Rights	7,639	8,582
Assets pending activation	8,211	8,526
Projects advance	2,874	1,443
Joint Ventures	17	16
Other	3,245	6,342
Impairment	(140,239)	(92,943)
	373,468	441,654

The following is the movement of the impairment for other assets:

	December 31, 2017	December 31, 2016
Opening Balance	92,943	17,423
Plus:		
Impairment	76,952	74,150
Less:		
Recoveries	(34,719)	(47,098)
Adjustment to impairr	10,197	11,643
Reexpression	(5,134)	36,825
Closing balance	140,239	92,943

12.16 Joint Ventures

The following is the summary of Joint Ventures

		December 31, 2017		December 31, 2016	
	% interest	Assets	Liabilities	Assets	Liabilities
Retail Business	50.00%	73,848	-	49,333	-
Fidufosyga 9.86%	9.86%	71	543	69	544
Fpb 2013 50%	50.00%	6	-	6	-
Pensac 2012	50.00%	2	-	-	-
Pensac 2015	50.00%	1	-	98	28
U.G Fonpet 2012	36.33%	1,610	84	1,257	69
Cali Mio	44.00%	6	2	8	1
		75,615	638	50,771	642

(Millions of Colombian pesos (COP))

Joint Venture assets include:

	December 31, 2017	December 31, 2016
In Colombian pesos		
Cash and cash equivalents	245	256
Deposits and investments in debt securities	19	52
Loans and accounts receivable	75,334	50,447
Other Joint Venture activities	17	16
Total Assets	75,615	50,771

Joint Venture liabilities include:

	December 31, 2017	December 31, 2016
Accounts payable	48	56
Other liabilities	48	44
Other impairment	542	542
Total liabilities	638	642

The following is the movement of Joint Ventures

	December 31, 2017	December 31, 2016
Opening Balance	50,129	44,082
Fair value of assets and liabilities acquired	24,848	6,047
Closing balance	74,977	50,129

12.17 Deposits y Demand accounts

Below is the detail of Deposits and Demand accounts:

	December 31, 2017		December 31, 2016	
	Balance	Interest paid	Balance	Interest paid
Interest bearing liabilities				
Checking accounts	4,292,979	62,854	3,837,894	59,204
Savings accounts	23,845,726	784,144	25,372,460	851,208
Term deposits	29,328,063	1,062,560	25,664,691	1,487,354
Total interest-bearing liabilities	57,466,768	1,909,558	54,875,045	2,397,766
Non-interest bearing liabilities				
Checking accounts	4,791,071	-	3,963,501	-
Savings accounts	115,397	-	5,635	-
Demand accounts for services	589,465	-	538,278	-
Electronic deposits	86,330	-	60,866	-
Others (*)	261,563	-	201,238	-
Total Non-interest bearing liabilities	5,843,826	-	4,769,518	-
	63,310,594	1,909,558	59,644,563	2,397,766

(*) Others: Banks and Correspondent banks - Special Deposits - Collection Services - Affiliated Establishments – canceled accounts

(Millions of Colombian pesos (COP))

The following are deposits by currency

Local Currency	December 31, 2017		December 31, 2016	
Deposits and demand accounts	Capital	% Implied Rate	Capital	% Implied Rate
Checking accounts	4,505,512	1.75%	4,227,773	3.35%
Savings Account	20,068,095	3.61%	21,895,158	3.34%
Term deposits (CDT)	21,077,323	6.68%	17,483,712	6.69%
Demand accounts for services	439,159		431,189	
Electronic deposits	86,330		60,866	
Others (*)	216,840		176,991	
	46,393,259		44,275,689	
Foreign Currency				
Deposits and demand accounts				
Checking accounts	4,578,538	0.63%	3,573,623	0.41%
Savings Account	3,893,028	0.72%	3,482,936	0.59%
Term deposits (CDT)	8,250,740	1.34%	8,180,978	0.72%
Demand accounts for services	150,306		107,089	
Others (*)	44,723		24,247	
	16,917,335		15,368,873	
	63,310,594		59,644,563	

(*) Other: Banks and correspondents - Special deposits - Collection services - Card affiliate establishments - canceled accounts

The following are deposits by maturity

December 31, 2017

	Up to1 year	1 - 5 years	5-10 years	Over 10 years	Total
Checking accounts	9,084,050	-	-	-	9,084,050
Savings accounts	23,949,267	11,856	-	-	23,961,123
Term deposits	20,120,641	9,141,179	62,856	3,387	29,328,063
Demand accounts for services	589,465	-	-	-	589,465
Electronic deposits	86,330	-	-	-	86,330
Other	255,817	5,746	-	-	261,563
	54,085,570	9,158,781	62,856	3,387	63,310,594

December 31, 2016

	Up to 1 year	1-5 years	5-10 years	Over 10 years	Total
Checking accounts	7,801,395	-	-	-	7,801,395
Savings accounts	25,376,074	2,021	-	-	25,378,095
Term deposits	18,723,018	6,852,374	85,398	3,899	25,664,689
Demand accounts for services	538,278	-	-	-	538,278
Electronic deposits	60,866	-	-	-	60,866
Other	197,743	3,497	-	-	201,240
	52,697,374	6,857,892	85,398	3,899	59,644,563

(Millions of Colombian pesos (COP))

12.18 Money market and related operations

The money-market liability operations are as follows

December 31, 2017		Date (*)		
	Rate	Initial	Final	Amount
Foreign Currency				
Interbank Liabilities				
Banks	0,50% - 5,75%	27/12/2017	02/01/2018	161,791
Real Sector	0.16%	22/12/2017	02/01/2018	15,102
Simultaneous	0.60%	29/12/2017	02/01/2018	1,194
Local Currency				
Interbank Liabilities				
Banks	4.54%	27/12/2017	02/01/2018	5,003
Simultaneous operations				
Securities Brokers	4,75% - 5,50%	26/12/2017	04/01/2018	25,422
Financial Corporations	4,75%	27/12/2017	02/01/2018	6,869
Banks	4,55% - 5,50%	26/12/2017	04/01/2018	45,076
Other	4,00% - 7,00%	15/11/2017	20/02/2018	1,040,079
Commitments derived from short positions	4,00% - 4,75%	26/12/2017	02/01/2018	49,359
				1,349,895

December 31, 2016		Date (*)		
	Rate	Initial	Final	Amount
Foreign Currency				
Interbank Liabilities				
Banks	1,54% - 1,79%	22/12/2016	20/01/2017	220,595
Real Sector	0.18%	22/12/2016	20/01/2017	20,460
Simultaneous operations	1.08%	30/12/2016	02/01/2017	5,218
Local Currency				
Interbank Liabilities				
Banks	7,14% - 7,33%	16/12/2016	06/01/2017	177,115
Simultaneous operations				
Securities Brokers	8,30% - 8,45%	29/12/2016	03/01/2017	2,128
Financial Corporations	7,35% -8,40%	26/12/2016	03/01/2017	38,776
Banks	7,50% - 8,60%	26/12/2016	04/01/2017	50,910
Other	7,50% - 8,40%	21/12/2016	10/01/2017	845,292
Liability repos	7.50%	29/12/2016	02/01/2017	750,297
Commitments derived from short positions	6,62% - 7,65%	20/12/2016	11/01/2017	65,166
				2,175,957

(*)Date format: dd/mm/yy

(Millions of Colombian pesos (COP))

12.19 Bank borrowings and other debt

The following is the detail of movement of bank borrowings and other financial debt:

December 31, 2017	Currency	Range of Interest Rate	Range Expiry Year	Balance
				8,913,954
New Loans	Pesos	1,70% - 7,96%	2022 - 2025	683,230
	Dollars	0,5% - 6,34%	2016 - 2030	5,938,074
	Lempiras	6,64% - 12,5%	2016 - 2046	42,011
Payments in the period	Pesos	1,70% - 9,34%	2017 - 2030	(540,557)
	Dollars	0.35% - 11%	2014 - 2029	(5,476,777)
	Colons	0% - 6,50%	2016 - 2021	(2,054)
	Lempiras	6.64% - 12.5%	2016 - 2046	(81)
Other movements				
Interest payable				134,175
Reexpression				(65,407)
Other				59,764
				9,686,332

December 31, 2016	Currency	Range of Interest Rate	Range Expiry Year	Balance
				8,769,168
New Loans	Pesos	1.72% - 12.64%	2016 - 2032	675,830
	Dólares	0% - 6.34%	2015 - 2034	4,697,674
	Colones	0% - 6.5%	2016 - 2021	147,964
	Lempiras	6.64% - 12.5%	2016 - 2046	12,208
Payments in the period	Pesos	1.72% - 12.64%	2016 - 2032	(589,507)
	Pesos	1.72% - 12.64%	2016	(123,524)
	Dólares	0% - 11%	2014 - 2030	(4,460,922)
	Colones	0% - 3.5%	2016	(17,896)
	Lempiras	6.64%-12.5	2016 - 2046	(219,810)
Other movements				
Leasing Bolívar merger				272,677
Interest payable				155,880
Reexpression				(464,205)
Other				58,417
				8,913,954

At December 31, 2017, the Bank complied with covenants signed in acquiring long-term debt.

In October 2017, Banco Davivienda renewed financial obligations designated as hedging, consisting of four loans for USD146,000,000 to hedge net investment in Subsidiaries abroad, and in order to eliminate the accounting asymmetry between results (profit and loss) and equity, as the result of exchange difference in re-expression of investments and loans.

(Millions of Colombian pesos (COP))

The following is a detail of Bank's borrowings and other debt:

Entities in Colombia	December 31, 2017	December 31, 2016
Local Currency :		
Financial debt	1,991,274	1,729,836
Foreign Currency:		
Banks outside Colombia	3,311,947	3,030,375
Other financial debt	360,283	532,680
Entities outside Colombia	4,022,828	3,621,063
	9,686,332	8,913,954

The folllowing is the maturity schedule of the financial debt:

December 31, 2017

	Up to1 year	1-5 years	5-10 years	Over 10 years	Total
Local Currency					
Bancoldex	34,569	283,658	46,820	-	365,047
Finagro	12,056	93,944	78,317	8,177	192,494
Findeter	14,217	199,570	895,604	324,343	1,433,734
Foreign Currency					
Bancoldex	4,682	25,757	132,658	-	163,097
Findeter	59,071	-	137,731	383	197,185
Banks and Entities outside Colombia	4,395,368	1,500,767	997,197	441,443	7,334,775
	4,519,963	2,103,696	2,288,327	774,346	9,686,332

December 31, 2016

	Up to1 year	1-5 years	5-10 years	Over 10 years	Total
Local Currency					
Bancoldex	22,548	160,458	88,062	-	271,068
Finagro	8,981	80,418	72,491	9,577	171,467
Findeter	7,690	202,465	666,385	410,754	1,287,294
Other banks and financial entities	8	-	-	-	8
Foreign Currency					
Bancoldex	3,502	59,364	124,160	124,857	311,883
Findeter	816	-	100,123	119,858	220,797
Banks and Entities outside Colombia	3,611,553	1,586,230	1,094,910	358,744	6,651,437
	3,655,098	2,088,935	2,146,131	1,023,790	8,913,954

(Millions of Colombian pesos (COP))

12.20 Debt instruments issued

The following debt or capital issues have been made:

December 31, 2017

	Date	Issue value	Term (Months)	Yield	Expiry	Balance
Opening Balance						9,586,702
Bonds issued in Colombia						
New Issues						
CPI	07/06/2017 - 29/03/2017	542,732	84 - 120	IPC + 3,13 - IPC + 3,83	07/06/2024 - 07/06/2027	542,732
IBR	25/04/2017	433,000	120	IBR + 2,13	25/04/2027	433,000
Fixed Rate	29/03/2017 - 24/10/2017	2,024,111	36 - 84	TF 6,48% - TF 7,5%	07/06/2020 - 29/03/2024	2,024,111
Redemptions						(857,889)
Other movements						
Exchange rate variation						(15,281)
UVR Variatiion						5,925
Interest						(1,861)
Cost to be amortized						(14,628)
Bonds issued in International Subsidiaries						
New Issues						
Colons	24/03/2017 - 30/11/2017	215,016	72 - 105	0.00%	24/03/2020 - 22/03/2021	215,016
USD	2017/07/20	8,955	12	0.00%	20/07/2018	8,955
USD	2017-2017	60	30	5,10% - 5,15%	2019 - 2019	179,040
Redemptions						(96,845)
Other movements						
Cost to be amortized						12,405
Interest payable						108
Reexpression						(10,239)
Other						(2,281)
Closing balance						12,008,969

(Millions of Colombian pesos (COP))

December 31, 2016

	Date	Issue value	Term (Months)	Yield	Expiry	Balance
Opening Balance						9,252,730
Bonds issued in Colombia						
New Issues						
CPI	27/07/2016	131,864	84	IPC + 3,67	27/07/2023	131,864
CPI	27/07/2016	245,751	144	IPC+4	27/07/2028	245,751
CPI	28/09/2016	358,589	120	IPC + 4,16	28/09/2026	358,589
Fixed Rate	27/07/2016	222,385	36	TF 8,64	27/07/2019	222,385
Redemptions						(505,744)
Other movements						
Exchange rate variation						(147,996)
UVR Variatiion						8,467
Interest						6,845
Cost to be amortized						15,751
Bonds issued in International Subsidiaries						
New Issues						
Colons	23/02/2016 04/07/2016	USD 12.000	12 y 24	6.17%	23/02/2018 05/07/2017	65,640
USD	2016/11/29	USD 30	72	6.00%	29/11/2022	90,021
Redemptions						(132,052)
Other movements						
Cost to be amortized						191
Interest payable						9,136
Reexpression						(34,876)
Closing balance						9,586,702

(Millions of Colombian pesos (COP))

The following is the detail of bonds for each of the current issues:

	Date	Issue value	Term (Months)	Yield	Expiry	December 31, 2017 Book value	December 31, 2016 Book value
Unsecured subordinated bonds							
CPI	25/04/2012 - 29/03/2017	3,521,953	96 - 180	IPC+3.83 - IPC+4.56	25/04/2022 - 25/04/2027	1,358,655	1,297,086
Fixed Rate	29/03/2017	433,000	84	TF 7,40%	29/03/2024	198,947	-
UVR						150,669	144,743
Interest						11,624	16,715
In Dollars							
International Bonds						1,492,000	1,500,355
Interest						41,684	42,849
					Total Bonds Subordinados	3,253,579	3,001,748
Ordinary bonds (unsecured)							
CPI	10/03/2011 - 07/06/2017	3,521,953	60-180	IPC+2,84 - IPC+4,50	10/03/2018 - 27/07/2028	3,521,953	3,375,337
IBR	25/04/2017	433,000	120	IBR + 2,13	25/04/2027	433,000	523,342
Fixed Rate	12/02/2015 - 24/10/2017	2,426,305	36 - 60	TF 5,94% - TF 8,64%	12/02/2018 - 24/10/2022	2,426,305	601,141
Interest						61,993	55,652
In Dollars							
International Bonds	29/01/2013	889,920	60	TF 2,95%	29/01/2018	1,492,000	1,500,355
Interest						18,539	19,057
					Total Ordinary Bonds	7,953,790	6,074,884
					Amortized cost	(28,000)	(13,372)
					Total Bonds	11,179,369	9,063,260

International Subsidiaries
Ordinary bonds (unsecured)

	Date	Issue value	Term (Months)	Yield	Expiry	December 31, 2017 Book value	December 31, 2016 Book value
Colones							
International Bonds	20/07/2015 - 30/11/2017	1,247,840	60 - 91	0,07 - 8,53	23/02/2018 - 22/03/2021	294,066	120,340
Interest		29,954				4,311	3,617
Amortized cost		467				41	113
In Dollars							
International Bonds	20/05/2013 - 20/07/2017	679,519	24 - 91	4,00% - 6,00%	30/05/2018 - 29/12/2022	605,765	393,675
Interest		1,990				(73,006)	2,643
Amortized cost		61				21	78
						(2,281)	-
Lempiras							
International Bonds	01/01/2002	3,059	180	0.00%	31/12/2017	683	2,976
						829,600	523,442
						12,008,969	9,586,702

(Millions of Colombian pesos (COP))

Designated hedging liabilities

For hedging accounting, as of January 1, 2015, the Bank opted to designate liabilities for USD500 million as a hedging instrument of net investment abroad of Subsidiaries in Central America ("hedged ítem"), considering Management's intention of hedging the exchange risk assoated with those investments. At December 31, 2017, Managemen t tests found this hedging to be effective.

The following is the detail of bonds by monetary unit:

	December 31, 2017	December 31, 2016
Local		
Local Currency	7,993,580	5,868,959
Foreign Currency	3,035,388	3,048,671
UVR	150,400	145,630
	11,179,368	9,063,260
International		
Foreign Currency		
USD	530,499	396,396
Colones	298,419	124,070
Lempiras	683	2,976
	829,601	523,442
	12,008,969	9,586,702

The following is the detail of bonds by maturity:

	December 31, 2017	December 31, 2016
Up to1 year	2,138,804	966,265
Between 1 and 5 years	5,989,380	3,918,282
Between 5 and 10 years	3,447,057	3,807,994
Over 10 years	433,728	894,161
	12,008,969	9,586,702

The following is the redemption of debt instruments issued by Banco Davivienda:

December 31, 2017

Date	Issue type	Term	Rate	Maturity	Amount
24/02/2010	Subordinated Bond	84	CPI+5,25	24/02/2017	138,497
15/05/2014	Ordinary Bond	36	IBR+1,29	15/05/2017	255,686
07/10/2010	Ordinary Bond	36	CPI+3,63	07/10/2017	196,050
09/10/2014	Ordinary Bond	36	IBR+1,25	09/10/2017	90,235
10/11/2015	Ordinary Bond	36	IBR + 2,05	10/11/2017	177,421
					857,889

(Millions of Colombian pesos (COP))

December 31, 2016

Date	Issue type	Term	Rate	Maturity	Amount
09/10/2016	Ordinary Fixed Rate	24	TF 5,89%	09/10/2014	276,609
05/02/2009	First tranche - G Series	84	CPI + 5,50	05/02/2016	126,886
13/02/2013	Fourth Ordinary Bonds Fixed Rate - 1st tranche - F S	36	TF 5,14%	13/02/2016	102,249
					505,744

The following are the redemptions of Subsidiaries abroad:

Redemptions Banco Costa Rica

At December 2017, the following redemptions were effected:

December 31, 2017

Date	Issue type	Term	Rate	Date Expiry	value
20/07/2015	Standardized Bond	60	7.99%	20/07/2017	27,318
04/07/2016	Standardized Bond	30	5.71%	04/07/2017	10,836
20/07/2015	Standardized Bond	60	4.02%	20/07/2017	30,406
					68,560

December 31, 2016

Date	Issue type	Term	Rate	Date Expiry	value
16/12/2014	Standardized	720	3.86%	16/12/2016	71,965
					71,965

Bank redemptions, El Salvador

December 31, 2017

Date	Issue type	Term	Rate	Date Expiry	value
21/03/2012	International Bonds	1826	4%	21/03/2017	12,443
05/07/2012	International Bonds	1720	4%	21/03/2017	149
24/04/2013	International Bonds	1427	4%	21/03/2017	597
30/04/2013	International Bonds	1421	4%	21/03/2017	2,984
30/11/2012	International Bonds	1572	4%	21/03/2017	895
28/03/2012	International Bonds	1819	4%	21/03/2017	8,952
					26,020

December 31, 2016

Date	Issue type	Term	Rate	Date Expiry	value
29/08/2014	International Bonds	731	4.75%	29/08/2016	30,007
29/08/2014	International Bonds	823	4.75%	29/11/2016	30,007
					60,014

(Millions of Colombian pesos (COP))

Bank redemptions, Honduras

December 31, 2017

Date	Issue type	Term	Rate	Date Expiry	value
03/03/2002	Mortgage certificates	15 years	15%	03/03/2017	13
01/04/2002	Mortgage certificates	15 years	15%	01/04/2017	63
11/04/2002	Mortgage certificates	15 years	15%	11/04/2017	15
23/04/2002	Mortgage certificates	15 years	15%	23/04/2017	5
30/04/2002	Mortgage certificates	15 years	15%	30/04/2017	8
02/05/2002	Mortgage certificates	15 years	15%	02/05/2017	13
18/05/2002	Mortgage certificates	15 years	15%	18/05/2017	6
21/05/2002	Mortgage certificates	15 years	15%	21/05/2017	9
22/05/2002	Mortgage certificates	15 years	15%	22/05/2017	5
23/05/2002	Mortgage certificates	15 years	15%	23/05/2017	6
24/05/2002	Mortgage certificates	15 years	15%	24/05/2017	22
01/06/2002	Mortgage certificates	15 years	15%	01/06/2017	13
03/06/2002	Mortgage certificates	15 years	15%	03/06/2017	86
04/06/2002	Mortgage certificates	15 years	15%	04/06/2017	63
05/06/2002	Mortgage certificates	15 years	15%	05/06/2017	19
10/06/2002	Mortgage certificates	15 years	15%	10/06/2017	114
15/06/2002	Mortgage certificates	15 years	15%	15/06/2017	48
25/06/2002	Mortgage certificates	15 years	15%	25/06/2017	126
01/07/2002	Mortgage certificates	15 years	15%	01/07/2017	65
04/07/2002	Mortgage certificates	15 years	15%	04/07/2017	6
09/07/2002	Mortgage certificates	15 years	15%	09/07/2017	1
19/07/2002	Mortgage certificates	15 years	15%	19/07/2017	16
20/07/2002	Mortgage certificates	15 years	15%	20/07/2017	51
23/07/2002	Mortgage certificates	15 years	15%	23/07/2017	5
24/07/2002	Mortgage certificates	15 years	6%	24/07/2017	4
25/07/2002	Mortgage certificates	15 years	15%	25/07/2017	19
27/07/2002	Mortgage certificates	15 years	15%	27/07/2017	13
31/07/2002	Mortgage certificates	15 years	15%	31/07/2017	14
05/08/2002	Mortgage certificates	15 years	15%	05/08/2017	712
06/08/2002	Mortgage certificates	15 years	15%	06/08/2017	13
10/08/2002	Mortgage certificates	15 years	15%	10/08/2017	1
12/08/2002	Mortgage certificates	15 years	6%	12/08/2017	25
14/08/2002	Mortgage certificates	15 years	15%	14/08/2017	3
20/08/2002	Mortgage certificates	15 years	15%	20/08/2017	126
03/09/2002	Mortgage certificates	15 years	6%	03/09/2017	13
04/09/2002	Mortgage certificates	15 years	15%	04/09/2017	25
05/09/2002	Mortgage certificates	15 years	15%	05/09/2017	11
20/09/2002	Mortgage certificates	15 years	15%	20/09/2017	152
26/09/2002	Mortgage certificates	15 years	15%	26/09/2017	3
07/10/2002	Mortgage certificates	15 years	6%	07/10/2017	34
10/10/2002	Mortgage certificates	15 years	6%	10/10/2017	126
11/10/2002	Mortgage certificates	15 years	6%	11/10/2017	126
26/10/2002	Mortgage certificates	15 years	6%	26/10/2017	9
04/11/2002	Mortgage certificates	15 years	6%	04/11/2017	16
14/11/2002	Mortgage certificates	15 years	6%	14/11/2017	11
15/11/2002	Mortgage certificates	15 years	6%	15/11/2017	25
23/11/2002	Mortgage certificates	15 years	6%	23/11/2017	6
					2,265

December 31, 2016

Date	Issue type	Term	Rate	Date Expiry	value
30/10/2016	Mortgage certificates	15 years	15%	25/02/2724	45
01/10/2016	Mortgage certificates	15 years	15%	27/02/1930	13
20/12/2016	Mortgage certificates	15 years	15%	02/10/2503	6
17/10/2016	Mortgage certificates	15 years	15%	27/03/2230	6
04/09/2016	Mortgage certificates	15 years	15%	08/01/2012	3
					73

Hedging evaluation of net investment abroad

The Bank has a currency (lempira, colon, US dollar) hedging instrument for its investments outside Colombia using only the dollar and starting from the economic relationship between the performance of currencies of the emerging economies in the region, which tend to move in parallel to the dollar in the medium and long term . This effect arises because the Central American and Colombian economies share the following characteristics, amongst others:

- Political and institutional democratic schemes
- Dependency on raw material generation
- Important participation of remittances in local economies
- Similar levels of GDP/per capita and economic development

Further, exchange policies prevailing in Costa Rican and Honduran economies are based on an exchange regime that limits fluctuations in the value of currencies againsg the dollar.

Based on the historical behavior of the exchange rates in question with respect to the Colombian peso, a strong correlation is observed between the three currencies, confirming the high level of coverage provided by the dollar for items denominated in Colombian pesos and lempiras, where correlations (in this case, of daily returns for a sample of three years) are greater than 70%, as discussed below.

Correlations

	USD	HNL	CRC
USD	100%	100%	97%
HNL	100%	100%	96%
CRC	97%	96%	100%

Likewise, it is evident that correlations are maintained over time.

The following are the amounts of hedged items, denominated in Costa Rican lempiras and US Dollars:

Investments Subsidiaries	Investment value Source currency	value Investment USD	Amount Hedging USD	Revealed Amount USD
Costa Rican Colons	89,837	159	149	10
Lempiras	2,625	111	111	1
Dollars	241	241	241	-
Total		**511**	**501**	**11**

Figures in millions

Hedging effectiveness

The hedged items are denominated in Colons, Lempiras and Dollars, and the hedging instrument denominated In Dollars. When retrospectively evaluating the effectiveness of the hedge, relating the effect on changes of each currency versus the Colombian peso of the hedged items, with the effect on changes of the hedging instrument, the following result is obtained:

(Millions of Colombian pesos (COP))

Hedging Effectiveness Ratio 2017 and 2016	
Total	**100%**

The efficiency ratio reflects the perfect coverage for the COP / USD risk factor, since assets and liabilities are exposed to the same factor.

12.21 Accounts payable

The following is the detail of accounts payable

	December 31, 2017	December 31, 2016
Commissions and fees	8,599	9,587
Suppliers and services payable	515,258	381,732
Purchase commitments	10,056	4,318
Payroll withholdings and contributions	130,103	108,829
Checking account with reinsurers abroad	22,641	15,059
Parent, subsidiaries, related parties	17,038	16,582
Dividends and other capital yields	4,208	4,197
Bank transaction tax	20,618	21,549
Payroll obligations	190,613	216,543
Sundry	139,647	28,627
Taxes	65,510	75,244
Available balance, VISA prepayments	5,409	9,667
Payable to Government Law 546	12,111	11,521
Deposit insurance	62,369	59,580
Disbursements pending, creditors	27,006	17,498
Payable to Corredores Asociados	25,915	25,935
Payable Security Bonds	19,562	19,622
Checks pending presentation	19,030	12,699
Settlement of forwards, third parties	456	5,088
Insurance	16,542	11,682
Payable to FNG and FNA	2,855	10,081
Payable to franchises	10,733	15,558
Payable on cards	7,103	13,112
	1,333,382	1,094,310

(1) The detail of payroll obligations is as follows:

	December 31, 2017	December 31, 2016
Long-term severance	30,500	28,247
Interest on severance	2,939	2,651
Holidays accrued	45,562	43,763
Other employment benefits	111,612	141,882
	190,613	216,543

(*) Mainly the long-service bonus $35.930, other benefits $32.783, pensioner health insurance $12.946.

(Millions of Colombian pesos (COP))

Employee benefits

The Bank has the following benefits for employees

a. Employees with two years´ service or more are entitles to a home-purchase loan at preferential floating rates while still employed by the Bank. The benefit is immediately lost if the employee ceases to work for the Bank. Two funds have been set up, with an upper limit set by management and regularly updated. The estimated amount of the benefit is the difference between the present values of market-rate interest payments and preferential rate payments, recognized in the Statement of Financial Position.

b. Under the 2015-2018 collective bargaining agreement, employees were paid a discretionary bonus of 15 days´ service after 5 years service and 30 days´ service after 10 years service, and successively for each five-year period of service completed.

Post-employment benefits are as follows:

Defined contribution plan

The Bank makes a contribution equivalent to the amount set by the employees up to 5% of salary, applicable to employees within ten years of qualifiying for a pension, and granted only when the employee takes his pension, but with no commitment to make payments at that time. Contributions are recorded in Profit and Loss and no actuarial asumptions are required in support as the fund contains only predetermined contributions in which the Bank runs no actuarial or investment risk.

Defined-benefit plan

Health insurance for pensioners and their spouses, recognized in an actuarial calculation through OCI

The following is the detail of employee benefits

	December 31, 2017	December 31, 2016
Present value of employee benefit obligations:	12,946	47,266

Movement in the presenrt value of obligations for defined benefits

	December 31, 2017	December 31, 2016
Obligations for defined benefits at the beginning of the period	47,266	-
Cost of current services	4,050	-
Interest cost	3,237	-
Re-measurements	(41,337)	-
Adjustments related to experience	(31,190)	-
Actuarial (profit) loss due to changes in demographic assumptions	(7,204)	-
Actuarial (profit) loss due to changes in financial assumptions (OCI)	(2,943)	-
Benefits paid by the plan	(270)	-
Benefits defined at December 31	12,946	47,266

Actuarial assumptions

(Millions of Colombian pesos (COP))

The following are the principal actuarial assumptions at the closing date (expressed as weighted averages):

	December 31, 2017	December 31, 2016
Discount rate at December 31	7.25%	IPC 4,56%
Future salary increases	3.50%	7.57%
Inflation	3.50%	5.57%

After reaching pensionable age , the initial assumption is that those taking up their pensions will die as projected in the 2008 mortality table for rentiers in SFC Decree 1555 of 2010

Sensitivity analysis

Obligations for defined benefits and the cost of services in the current period are calculated using the projected credit unit method . The following is a sensitivity analysis of the defined benefit liability with different financial and actuarial variables:

Discount rate

	Current value of obligations for defined benefits	Weighted average duration of the defined benefit obligation (years)	Assumptions
Discount rate -50 bp	14,182	16.61	6.75%
Discount rate +50 bp	11,948	15.95	7.75%

Medical trends

	Medical service rates	Assumptions
Medical service rate - 50bp	11,908	3%
Medical service rate + 50bp	14,222	4%

Future benefit payments expected

Future beenfit payments expected reflect future services and it is estimated that they will be paid as follows

Year	Defined benefits
2018	405
2019	326
2020	355
2021	397
2022	435
2023 - 2027	3,092

12.22 Income tax

Components of the income tax expense

(Millions of Colombian pesos (COP))

The income tax expense includes the following for the periods ended on:

	December 31,2017	December 31,2016
Income tax	438,294	513,968
Tax discount	(27,942)	(6,234)
Exepnse (Recovery) for previous periods	1,491	2,028
Total current tax	411,843	509,762
Deferred tax	(6,848)	109,568
Total income tax	404,995	619,329

In 2017 and 2016 an adjustment to the income tax allowance was recognized as an upward or downward adjustment to the tax in filings for 2016 and 2015.

In Colombia, Law 1819 / 2016 sets the income tax rate at 34% for 2017 and 33% for 2018 and subsequent years; there is a 6% surcharge in 2017 and a 4% surcharge for 2018. The equity tax CREE and its surcharge are eliminated.

In Costa Rica, El Salvador and Honduras the income tax rate is 30%, in Panamá it is 25 %, limited to income generated within the country

Reconciliation of the effective tax rate

The following is the detail of the reconciliation between income tax calculated at the standard current rates and the effective rate of the tax expense shown in the accumulated Profit & Loss Statement:

	December 31,2017	Effective rate	December 31,2016	Effective rate
Profit before tax	**1,687,976**		**2,344,059**	
Income tax at the standard rate 2017 (40%) - 2016 (40%)	675,189	40%	937,624	40%
Tax discount	(27,942)		(6,234)	
Non-allowable expenses and taxable income	241,733		140,285	
Allowable deductions and untaxed income	(309,734)		(103,053)	
Exempted income	(186,134)		(173,481)	
Adjustment to rate on timing differences	44,270		(20,340)	
Gross special income	6,968		-	
Capital gains	5,480		(26,666)	
Adjustment for rates in Subsidiaries	(46,327)		-	
Expenses in prior periods	1,492		2,028	
Total income tax expense	404,995	24%	750,163	28%
Other	-	0%	(130,834)	-6%
	404,995		619,329	

(1) The adjustment for rates in Subsidiaries is the difference between the calculation of tax at 40% - the rate applicable to the Parent in Colombia - and average local rates in each other country.

(2) Other comprises: i) Recognition of deferred tax receivable on the balance of the general loan impairment (-$36.695,1); ii) Recovery of deferred tax payable on the sale of fixed assets ($18.042).

The Bank recognizes the amount of other national and local taxes and payroll taxes, as follows:

Effect of deferred tax on results

The following is the movement of deferred tax assets and liabilities with impact on the Income Statement due to timing differences

(Millions of Colombian pesos (COP))

	December 31,2017	December 31,2016
Wealth tax (1)	21,841	54,705
Sales tax	125,445	89,420
Payroll taxes	161,795	143,917
Turnover tax	71,134	67,914
Bank transaction tax	74,080	74,431
Other (2)	63,102	63,620
Total other taxes	517,397	494,007

(1)The Wealth Tax was created by Law 1739 / 2014 and the base for calculation is net assets at January 1, 2015, 2016 and 2017. The rate applicable to the Bank is 1% for 2016 and 0.4% for 2017. The law permits the tax to be charged to equity reserves .

(2) Other includes local taxes and surcharges

Itemized deferred taxes

The differences between asset and liability bases for IFRS purposes and the bases used for Colombian tax purposes produce timing differences that generate deferred taxes calculated and recorded at December 31 2017 and 2016 , taking account of the different tax rates in the years in which those differences will revert.

	December 31,2016	Effect on P&L	Effect on OCI	Effect of conversion	December 31,2017
Deferred tax assets					
Fixed-yield investments	505	208	-	(1)	712
Variable yield investments	264	-	-	-	264
Turnover tax	10,399	(89)	883	-	11,193
Deferred assets	400	490	-	(2,548)	(1,658)
Allowances	62,723	5,068	-	(3)	67,788
Property and equipment, Investment assets	74	28	87	-	189
Loans	(795)	13,043	-	92	12,340
Foreclosed assets	67	(1)	-	-	66
Other	14,106	(96,426)	970	(133)	(81,483)
Derivative operations	3,066	32	-	-	3,098
Total Assets	90,809	(77,647)	1,940	(2,593)	12,509

(Millions of Colombian pesos (COP))

Deferred tax liabilities					
Variable yield investments	40,188	(5,762)	-	-	34,426
Fixed-yield investments	1,202	334	(398)	28	1,166
Loans	477,991	(7,552)	-	(53)	470,386
Foreclosed assets	30,247	394	-	156	30,797
Derivative operations	-	(4,015)	-	-	(4,015)
Social benefit estimates	1,951	(152)	-	(19)	1,780
Deferred income	-	4,169	-	(17)	4,152
Property and Equipment, investment assets	79,170	(25,450)	-	(1,205)	52,515
Goodwill	449,763	14,997	-	-	464,760
Residual rights	55,857	2,362	-	-	58,219
Other	26,614	(7,969)	13,378	17	32,040
Allowances	103	(55,851)	(3,487)	(130)	(59,365)
Total Liabilities	1,163,086	(84,495)	9,493	(1,223)	1,086,861
Net deferred tax	1,072,277	(6,848)	7,553	1,370	1,074,352

	December 31,2015	Effect on P&L	Effect on OCI	Effect of conversion	December 31,2016
Deferred tax assets					
Fixed-yield investments	29,718	(29,096)	-	(117)	505
Variable yield investments	247	38	-	(21)	264
Turnover tax	7,800	2,599	-	-	10,399
Deferred assets	4,007	(3,397)	-	(210)	400
Allowances	23,413	24,858	15,307	(855)	62,723
Property and equipment, Investment assets	2	74	-	(2)	74
Loans	11,516	(11,904)	-	(407)	(795)
Foreclosed assets	12,664	(11,995)	-	(602)	67
Other	3,844	10,871	-	(609)	14,106
Derivative operations	-	3,066	-	-	3,066
Total Assets	93,211	(14,886)	15,307	(2,823)	90,809
Deferred tax liabilities					
Variable yield investments	16,973	28,148	(4,552)	(380)	40,189
Fixed-yield investments	-	1,202	-	-	1,202
Loans	290,403	189,032	-	(1,444)	477,991
Foreclosed assets	40,535	(8,498)	-	(1,790)	30,247
Derivative operations	28,533	(28,533)	-	-	-
Social benefit estimates	3,262	(1,070)	-	(242)	1,950
Deferred income	6,996	(6,712)	-	(283)	1
Property and Equipment, investment assets	165,994	(91,421)	4,764	(168)	79,169
Goodwill	428,576	21,188	-	-	449,764
Residual rights	57,068	(1,211)	-	-	55,857
Other	16,545	8,947	1,919	(797)	26,614
Allowances	8,030	(7,572)	-	(355)	103
Total Liabilities	1,062,915	103,500	2,131	(5,459)	1,163,087
Effect on Profit & Loss		(8,818)			
Net deferred tax	969,704	109,568	(13,176)	(2,636)	1,072,278

(Millions of Colombian pesos (COP))

Effect of current and deferred taxes on components of OCI in the equity section

	December 31,2016	Movement by OCI component	Current tax	Deferred tax	Reclassifications	December 31,2017
Loan impairment for purposes of consolidated financial statements	1,188,509	3,857	-	-	-	1,192,366
Conversion adjustments (1)	572,891	(321,062)	-	(1,370)	-	250,459
Exchange difference on hedging of investments outside Colombia (2)	(191,205)	308,834	-	-	-	117,629
Financial instruments at fair value	106,297	(3,146)	-	398	-	103,549
Adjustments for first-time adoption of IFRS	77,517	(54,270)	-	87	-	23,334
Other net equity items	(28,586)	33,823	-	(8,038)	-	(2,801)
Equity method surplus	(10,542)	262	-	-	-	(10,280)
	1,714,881	(31,702)	-	(8,923)	-	1,674,256

Deferred tax adjustments for first time adoption of IFRS correspond to the balance of Leasing Bolívar recorded as equity for the integration of the company and realization of deferred tax associated with the mobilization of fixed assets.

	December 31,2015	Movement by component of OCI	Current tax	Deferred tax	Reclassifications	December 31,2016
Loan impairment for purposes of consolidated financial statements	738,286	450,223	-	-	-	1,188,509
Conversion adjustments (1)	802,043	(231,788)	-	2,636	-	572,891
Rexchange difference in hedging of investments outside Colombia (2)	(232,574)	68,948	(27,579)	-	-	(191,205)
Financial instruments at fair value	77,891	31,311	-	2,633	(5,538)	106,297
Adjustments for first-time adoption of IFRS	306,662	(314,575)	-	(4,764)	90,194	77,517
Other net equity items	3,853	(47,746)	-	15,307	-	(28,586)
Equity method surplus	(2,383)	(8,159)	-	-	-	(10,542)
	1,693,778	(51,786)	(27,579)	15,812	84,656	1,714,881

(1) Regulations require that exchange adjustments for foreign currency investments may only have an impact in tax terms at the time of disposal or liquidation of the investment. Therefore, a difference arises in which no deferred tax is recognized by virtue of the exception in IAS 12, because the Bank controls the investment and does not expect the exchange difference to revert in the foreseeable future.

(2) Law 1819/2016 states that the re-expression of foreign currency assets and liabilities has no effects in tax terms until realized or liquidated , and therefore this difference is temporary and generates recogntion in deferred taxes.

Uncertainties in open tax positions

An analysis was made for the Statement of Financial Position at December 31, 2017 with repsect to tax positions adopted in filings open to inspection. No facts or situations were identified that might cause uncertainty associated with any difference between those positions and that of the tax authorities.

(Millions of Colombian pesos (COP))

Deferred tax in Subsidiaries, Associates and Joint Ventures

In application of Para 39 of IAS 12, the Bank recognizes deferred taxes from investments in Associates in accumulated distributable profits as having been taxed. For this purpose. for the years 2017 and 2016 trhere is no recognition of the deferred tax amount of the timing difference between the book value of the investment and equivalent fiscal cost of $1.022.058 and $ 1.477.822 respectively, to the extent that the Bank can control the timing of the reversion of these differences and does not expect that this will take place in the foreseeable future

12.23 Technical Reserves

The loss reserves are as follows:

	December 31, 2017	December 31, 2016
Reserve for losses pending settlement	20,441	18,130
Reserve for unreported claims	5,319	5,041
Technical and mathematical reserve	154,691	146,291
Deferred premium income	52,714	47,156
Contingent liabilities	40,420	28,405
Catastrophic loss	-	-
Other	61,557	70,730
	180,451	169,462

December 31, 2017

	Current risks reserve	Mathematical reserve	Reported claims reserve	Unreported claims reserve	Total
Owed to insurers	69,340	76,952	17,650	5,520	169,462
Re-expression	(615)	(687)	1,151	342	191
Reserve for account of reinsurers	-	-	-	-	-
Owed to insured	-	-	-	(211)	(211)
Settlement of losses, benefits and expenses	2,205	1,524	2,377	-	6,106
Release of contingency reserve for indemnity payments	5,964	9	(737)	(333)	4,903
Funding of reserve	58,216	128	13,511	865	72,720
Release of reserve	(52,252)	(119)	(14,248)	(1,198)	(67,817)
Closing balance	76,894	77,798	20,441	5,318	180,451

(Millions of Colombian pesos (COP))

December 31, 2016

	Mathematical reserve	Current risk reserve	Loss deviation reserve	Reported claims reserve	Unreported claims reserve	Total
Opening balance	78,875	66,412	1,575	18,489	5,580	170,931
Exchange difference on catastrophic loss reserve	-	(601)	-	(27)	266	(362)
Re-expression	(459)	(1,595)	(1,575)	(1,553)	241	(4,941)
Owed to insured	(1,638)	(13,647)	-	-	-	(15,285)
Settlement of losses, benefits and expen	-	-	-	2,382	(595)	1,787
Release of reserves for unreported claim	-	-	-	(10,152)	(328)	(10,480)
Losses and benefits paid	-	16,756	-	8,503	542	25,801
Funding of reserve	317	4,587	-	4,828	469	10,201
Releases from reserve	(143)	(2,572)	-	(4,820)	(655)	(8,190)
Closing balance	76,952	69,340	-	17,650	5,520	169,462

The following is the movement of the reserve:

	December 31, 2017	December 31, 2016
Opening balance	169,462	170,930
Plus:		
Acquisitions		
Reserve - funding	56,825	94,816
Reexpression	(1,027)	(10,322)
Less:		
Derecognized	-	(1,887)
Recoveries - releases	(44,809)	(84,075)
Closing balance	180,451	169,462

12.24 Other liabilities and accruals

The following in the detail of other liabilities and accruals:

Item	December 31, 2017	December 31, 2016
Other allowance (1)	153,320	120,515
Litigation, indemnities, claims	25,329	26,718
Joint ventures	542	542
Subtotal	179,191	147,775
Income received in advance	122,182	95,908
Deferred payment letters of credit	35,451	42,918
Part-payments to be applied	98,389	80,316
Deferred credits	4,199	9,554
Maintenance and repairs	2,701	2,873
Overages	42,665	34,689
Sundry	23,916	24,578
Total other non-financial liabilities and accruals	508,694	438,610

1) The most significant allowance are those for Banco de la República due to the difference in the mortgage lending rate covered by the Bank for eight additional years, with a value of $46.575, and the provision for employment liabilities for $19.885, totaling $66.460.

(Millions of Colombian pesos (COP))

The following is the movement of the allowance

	December 31, 2017	December 31, 2016
Opening balance	120,515	117,463
Plus:		
Allowance	465,452	551,100
Re-expression	(1,469)	(5,327)
Less:		
Derecognition	(44,208)	(3,907)
Recoveries	(386,970)	(538,814)
Closing balance	153,320	120,515

The following is the detail of cash outflows in other allowance:

December 31, 2017	1 year	1 - 3 years	3 - 5 years	5 - 10 years	Total
French premium allowance (*)	11,163	8,669	11,325	15,419	46,576
Tax	22,094	18,232	-	-	40,326
Accruals	30,803	-	-	-	30,803
Overhead	12,262	55	-	-	12,317
Loan provisions	7,221	-	-	-	7,221
Other	2,466	-	-	4,002	6,468
Supplier accounts payable	2,753	60	19	708	3,540
Human resources	2,036	-	-	-	2,036
Cards	1,721	158	-	-	1,879
Creditors and services	1,603	-	-	-	1,603
Points program	551	-	-	-	551
	94,673	27,174	11,344	20,129	153,320

December 31, 2016	1 year	1 - 3 years	3 - 5 years	Total
Tax provision	41,788	-	-	41,788
French premium allowance (*)	3,445	9,718	13,159	26,322
Accruals	12,409	-	-	12,409
Other	5,453	3,264	4,153	12,870
Overhead	8,528	728	-	9,256
Supplier accounts payable	2,898	2,418	-	5,316
Points program	4,420	-	-	4,420
Loan provisions	2,430	-	1,123	3,553
Human resources	1,562	14	-	1,576
Cards	1,478	-	-	1,478
Creditors and services	1,424	102	-	1,526
	85,835	16,245	18,435	120,515

(*) Liability estimated by rate benefit to a specific group of housing portfolio loans.

(Millions of Colombian pesos (COP))

2) Litigation indemnities and claims

The following is the movement of the allowance for litigation, indemnities and claims:

	December 31, 2017	December 31, 2016
Opening balance	26,718	26,198
Plus:		
Allowance	13,988	9,461
Reexpression	411	(15)
Less:		
Derecognition	(3,283)	(12)
Recoveries	(12,505)	(8,915)
Closing balance	25,329	26,718

The following is a summary of cases:

	December 31, 2017			December 31, 2016		
	No. of cases	Value allowance	Amount of claims	No. of cases	Value allowance	Amount of claims
Covered by Fogafín guarantees contract (2)	37	10,905	10,832	52	16,041	12,262
Tax cases	1	200	200	37	814	7,594
Labor claims	29	5,799	5,721	27	3,282	12,496
Civil claims	160	7,713	6,885	357	6,581	129,825
Cases involving Consorcio Fidufosyga 2005	11	712	11,576	-	-	-
	238	25,329	35,214	473	26,718	162,177

Cash outflows from outcomes of litigation are as follows:

December 31, 2017					
	1 year	1 - 3 years	3-5 years	over 10 years	Total
Covered by Fogafín guarantee contract(2)	-	10,906	-	-	10,906
Tax cases	200	-	-	-	200
Labor claims	1,916	3,876	7	-	5,799
Civil cases	2,341	4,262	344	765	7,712
	5,169	19,044	351	765	25,329

December 31, 2016					
	1 year	1 - 3 years	3 - 5 years	over 10 years	Total
Covered by Fogafín guarantee contract(2)	-	16,042	-	-	16,042
Tax cases	752	96	-	-	849
Labor claims	210	2,968	69	-	3,247
Civil cases	1,830	3,172	880	699	6,581
	2,792	22,279	949	699	26,718

(2) These are cases involving Granbanco S.A. Fiduciaria Cafetera S.A, Bancafé Panamá S.A. (now Davivienda Panamá) and Bancafé International Corporation now (Davivienda Internacional) which existed at January 31, 2007 and reported after February 16, 2007 and up to February 16, 2010, which are effective

and are expressly guaranteed by Fogafin

For civil, administrative and special cases covered by the Fogafin guarantee there are provisions of 15%; this takes account of the coverage of the guarantee in relation to the value of the related contingency as classified and only for ordinary and special cases. In labor cases, it is 10%.

Criminal

The Banco has been implicated as a Liable Third Party (as known in Colombian law) and must respond for damages caused by the conduct of a convicted person. After an anlysis of the relevant legislation , the conclusion is that an assignation may or may not be made.

Ordinary civil, special, administrative and labor.

These types of case generate contingent liabilities for the Bank regardless of the procedural step put in effect, in general terms due to eventual civil, contractual or non-contractual liability, and similarly in case or fines or sanctions imposed by the competent entities. Each one of these proceedings has its own assessment, and allowances are made where necessary.

The cases that could have a significant economic impact on the Bank are as follows:

The Bank

Class and group actions are court cases brought for the protection of rights belonging to a plural number of people. While class actions have the purpose of preventing ceasing and restoring collective rights, group actions seek the compensation of damages generated by the infringement of individual homogenous rights. The risk of these forms of litigations has been considered remote, however, the nature of the rights being discussed and the plurality of the claimants, turns these matters into legal proceedings important to the Bank, and therefore it has been decided to disclose them

Cases related to other Bank activities

In the Bogotá Chamber of Commerce there is an ongoing arbitration case in which Lotes y Proyectos S.A.S. and other individuals and corporate entities have against Davivienda. They aim to declare that Davivienda's conduct in negotiations and in completing a property conveyance caused them damages for $6.000. The Bank is contesting the claim. The contingency has been considered “possible”

Fiduciaria Davivienda S.A.

At December 31, 2017, Fiduciaria Davivienda S.A. had 10 ongoing lawsuits as co-defendant with the Ministry of Social Protection and Fidufosyga 2005, together with Fidudavivienda S.A. (9.86%) and one with Banco Davivienda S.A. Seven of the 11 lawsuits were for immaterialntangible amounts, and therefore we only mention plaintiff and amount; EPS Salud Total S.A.; 8 M; EPS Coomeva S.A.; 15 M; EPS Sanitas S.A.; 113 M. The following are 4 lawsuits that could have a greater economic impact on Fiduciaria Davivienda S.A.

Class of process: Direct claim for damages.
Plaintiff: EPS Coomeva S.A.
Defendants: Ministry of Social Protection and Consorcio Fidufosyga 2005, together with by Fidudavivienda S.A. (9.86%), Fiducolombia, Fiduprevisora, Fiduagraria, Fidubogotá, Fidupopular, Fiducoldex and Fiduoccidente.

Value of the claim : Penalty interest in the amount of $ 4,025 on the occasion of the late payment of the recovery invoices due. However, in case of adverse judgment, the trust company would be liable according to its percentage interest (9.86%).
Value of the claim according to a study performed by Consorcio Fidufosyga 2005: $ 1,154
Current status: Evidence-taking and proceedings in competent jurisdiction
Counsel´s opinion: According to the report of the Consortium, there were delays in the payment of the recovery invoices due; however, it is possible that a judgment will be handed down in solidarity with the Ministry of Social Protection for the late payment of recovery invoices.
Provision: Consorcio Fidufosyga 2005 en liquidación has made a provision of $ 57, taking into account that it conducted an exhaustive and detailed study of late payment of the recovery invoices paid late, and obtained a reduction in the amount attributable to the COnsortiumies, . Further, Fidudavivienda S.A. made an provision for $ 83 to match its percentage share in the Consortium
Approximate date of completion of the process: 12-30-2018

Class of process: Direct Claim for damages.
Plaintiff: EPS Cafesalud, Cruz Blanca and Saludcoop.
Defendants: The Nation - Ministry of Social Protection and Consorcio Fidufosyga 2005, integrated by Fidudavivienda S.A. (9.86%), Fiducolombia, Fiduprevisora, Fiduagraria, Fidubogotá, Fidupopular, Fiducoldex and Fiduoccidente.
Value of the claim Penalty interest in the amount of $ 12,000 on the occasion of the late payment of the recoveries. However, in case of conviction, the Fiduciaria would be liable for its percentage share (9.86%).
Value of the claim according to a study performed by Consorcio Fidufosyga: $ 6,000
Current status: Pending definition of competency.
Counsel´s opinion: According to the report of the Consortium, there were delays in the payment of the recoveries attributable to it, however, it is possible that a judgment might be handed down in solidarity with the Ministry of Social Protection for the recovery invoices paid late.
Provision: Consorcio Fidufosyga 2005 en Liquidation has made a provision of $ 296, taking into account that it conducted an exhaustive and detailed study of late paid recoveries, resulting in a decrease in the value of the same attributable to the consortium. Further, Fidudavivienda S.A. made an allowance for $ 394 according to the share percentage in the Consortium
Approximate date of completion of the process: 30-12-2018

Class of process: Direct Claim for Damages.
Plaintiff: EPS Sanitas S.A.
Defendants: Ministry of Social Protection and Consorcio Fidufosyga 2005, formed by Fidudavivienda S.A. (9.86%), Fiducolombia, Fiduprevisora, Fiduagraria, Fidubogotá, Fidupopular, Fiducoldex and Fiduoccidente.
Value of the claim: Payment of penalty interest in the amount of $ 3,054 on the occasion of the late payment of the recovery invoices. However, in case of adverse judgment, the The Fiduciaria would be liable according to its percentage share (9.86%).
Value of the claim according to a study performed by Consorcio Fidufosyga: $ 1,527
Current status: First instance decisión of May 14, 2014 contesting the claims; plaintiff appealed the decision and the case is pending second instance judgment since October 30, 2014. Counsel's opinión on contingency: Despite the favorable decisión, a judgment might be handed down in solidarity with the Ministry of social Protection for 100% of recovery invoices in arrears.
Provision: Consorcio Fidufosyga 2005 en Liquidation has made a provision of $ 75, taking into account that it conducted an exhaustive and detailed study of late paid recoveries, resulting in a decrease in the value of the same attributable to the consortium. Further, Fidudavivienda S.A. made an allowance for $ 127 according to the share percentage in the Consortium
Approximate date of completion of the process: 30-12-2018

Plaintiff: Carlos A. Gómez
Defendant: Fiduciaria Davivienda S.A. and Banco Davivienda S.A
Amount claimed: Plaintiff seeks a declaration of unity of enterprise and re-liquidarion of indemnity for unfair dismissal for $465

Current status: Pending a decision in cassation
Opinion of the attorney on the contingency. There is a decision against the defendants but it was for a value lower than that initially claimed. The amount is now $50 indexed with the results of the first instance which declared unity of enterprise of the defendants.

Amount of provision: $97
Approximate date of completion: 30-12-2018

In terms of IFRS , the case is disclosed as being classified "possible".

Cases of Central American Subsidiaries

As a result of the negotiations between the Bank HSBC Holdings plc, for the acquisition of “HSBC Costa Rica” Grupo del Istmo (Costa Rica) S.A., “HSBC El Salvador” Inversiones Financieras HSBC, S.A., “HSBC Honduras” Banco HSBC Honduras, S.A and Seguros HSBC Honduras, Sociedad Anónima, and Honduras Seguros Holdco, purchases made between November 23 and December 7 2012, this report includes an account of proceedings that may generate contingent liabilities for the Bank, as follows: According to the sale agreement signed with HSBC some cases were identified and classed as “Excluded Litigation”. If those cases are lost, HSBC will assume said contingency, namely:

Honduras

Type of proceeding: compensation for damages. Claimant: Green Development Corporation S.A. (GDC)
Defendant: Banco HSBC Honduras S. A. and Banco Lafise, S. A. Value of claim: US$ 159.810.071,39

Current status: proceeding with unfavorable judgment in first and second instances against Banco Davivienda and another local bank. On August 4, 2014 each bank presented an appeal in cassation to the Supreme Court of Justice which was admitted on August 25 2016. In January 2017 the Supreme Court was changed and formed the entire Court and the Civil Bench took the case over, pending final decision. According to DAVIVIENDA´S lawyer, there are serious reasons to consider that rulings of the first and second instance have vices that should be taken to the Supreme Court, to have them annulled and request a new judgment. In the event that both banks are found liable, Davivienda considers that, given the guarantees, the impact would not be material

El Salvador

Type of case: Summary civil judgment on claims and compensation for damages
Plaintiff: Soc. Ing. José Antonio Salaverria Y Co.
Defendant: Banco HSBC Salvadoreño, S.A. Value of claim: US$ 22.727.764,32

Current status: (Reference 34-SM-09, Civil Court 5° (now Civil Court 1). To date 29-11-2017 Pleadings presented declaring the suit as inept or otherwise, the Bank should be acquitted.

Type of case: summary civil judgment on claims and compensation for damages
Claimant: Soc. Ing. José Antonio Salaverria Y Co.

Defendant: Banco HSBC Salvadoreño, S.A. Value of claim: US$ 22.727.764,32

Current status: (Reference 35-SM-09 Civil Court 1°). On 05/04/2017 the Court admitted the Bank´s request for revocation, and suspended the order for collection of evidence, appointed for 9:30 am of date 6 /04/2017, the Court summoned the plaintiff to a hearing.

Type of case: Administrative, for alleged breaches of regulations: 1. Non-compliance with Paragraph 5 of Art. 66 of the Banking Law. 2. Art. 11 of the guidelines for the remittal of financial accounting information, due to the late dispatch of accounting information for December 2010.

Plaintiff: Superintendent of the Financial System Defendant: Banco Davivienda Salvadoreño S.A. Value of claims: US$23.000.

Current status: Appeal for correction, pending admission.

Amount of provision: US$ 23.000.

Type of case: Claim by the attorney for Miss Paxely Leticia Márquez Tamayo and Melissa Danae Márquez Tamayo pleading for restoration to them, as Beneficiaries of Mr. Vicente Armando Jose Tamayo, of funds improperly delivered to his heirs.

Plaintiff: Jonathan Aaron Menjivar Herrera
Defendant: Banco Davivienda Salvadoreño S. A.

Current status: Management decided to record the amount to be returned to customers as probable, <50%.
Provision: USD 209.804,37

Type of case: Recognition of returns for commissions requested by the Consumer Defense Office
Plaintiff: Consumer Defense Office
Defendant: Banco Davivienda Salvadoreño, S.A.

Current status:Management decided to record the amount of commissions to be returned to customers for this item, where the balance shown is the amount pending return to customers.
Amount of provision: USD 23.673,08

Costa Rica

Type of case: Ordinary labor, Yasser Succar Mora

Plaintiff: Yasser Succar Mora
Defendant. BANCO DAVIVIENDA (Costa Rica) S. A. Value of claim: US$10.292, 87

Current status: in a Resolution of 21/08/15, served on 01/09/15 it is stated out the judgment is in firm and the claimant is therefore called upon to execution it. In a Resolution of 06/10/15, served on 14/10/15 the execution of the judgment presented by the plaintiff is considered. On 22/10/15 the Bank proceeded to contest the execution and offer evidence. In a Resolution of 02/11/15, served on 10/12/15 the Bank is stated to have contested the execution and the exceptions of the lack of right and payment are stated to have been opposed. Davivienda's HR department is ordered to certify whether the claimant met targets in the BSC On 07/01/2017 the HR Department presented the certification required by the courthouse. In a Resolution of 18/07/16, served22/07/16 the HR department is again ordered to issue certification regarding

(Millions of Colombian pesos (COP))

Balance Score Card targets (BSC). On 28/10/16 required certification is presented. No changes up to 31/12/2017.
Amount of provision US$10,292, 87

Type of case: Ordinary, labor
Palintiff: Michael Enrique Méndez Soto
Defendant: Banco Davivienda (Costa Rica) S.A.
Value of claim: USD 9,339,34

Current status: Former employee says he is owed differences in payment at all points of his termiantion liquidation, and payment of overtime: also, he was not told the reasons for his dismissal "without employer responsibility". In a Resoluction of October 11, 2017 , served on October 24, 2017, the claim is referred to the defendant and the Bank is instructed to reply to it. On November 7, 2017 the Bank contested the claims. No change at December 31, 2017.
Amount of provision: USD 3.302,37

12.25 Equity

Comprises all items and amounts representing contributions or rights of shareholders in subscribed capital, reserves appropriated from profits of previous years by mandate of the Annual General Meeting in order to comply with the law, the Bank´s Articles or specific purposes , the surplus and dividends declared in shares and the related share premium.

Capital

At December 31, 2017 and 2016, the Bank´s authorized capital was $77.350 represented by 455,000,000 shares of $170 (peso) par value each.

Subscribed and paid capital at December 31, 2017 and 2016 is $76.784.

Authorized, subscribed and paid capital is respresented by shares as follows, with other details of equity at the annual closes:

	December 31, 2017	December 31, 2016
Subscribed and paid ordinary shares	343,676,929	343,676,929
Subscribed and paid preference shares	107,993,484	107,993,484
Total outstanding shares	451,670,413	451,670,413
Par value at date	170	170
Equity value	9,544,715	8,859,472
Intrinsic value (pesos)	21,132.03	19,614.91

The Bank´s shares are nominative, representing capital and may be a) ordinary, b) privileged, c) non-voting, with preferential dividends; the non-voting shares may not represent more than 50% of total subscribed capital.

The shares with preferential dividends give their owners the right to receive a minimum preferential dividend corresponding to 0.5% six-monthly over the price of subscription for the first issue of the program, that is, $80,65, to be paid by decision of the General Meeting preferentially over ordinary shares. Minimum preferential dividends are non-cumulative and not guaranteed.

(Millions of Colombian pesos (COP))

The payment of minimum preferential dividends will be made as and when the General Meeting decides, in Colombian Pesos, To date Davivienda´s accounting period is annual.

The payment of minimum preferential dividends will be made as and when the General Meeting decides, in Colombian Pesos, To date Davivienda´s accounting period is annual. If distributable earnings are sufficient to pay both ordinary and preferential shareholders a dividend equal to or higher then the minimum preferential dividend, earnings shall be distributed, in proportion, between ordinary and preferential shareholders in accordance with decisions of the General Meeting.

Share placement premium

Premiums for share placements have been recorded in reserves as the excess over par obtained in share placement and the capitalization of voluntary reserves formed by the distribution of previous earnings with an increase in par value, as determined by the General Meeting.

The following is the detail of share premium in equity:

	December 31, 2017	December 31, 2016
Share placement premium		
Ordinary share placement premium	2,902,187	2,902,187
Preferential share placement premium	1,774,617	1,774,617
	4,676,804	4,676,804

Reserves

Premiums for share placements have been recorded in reserves as the excess over par obtained in share placement and the capitalization of voluntary reserves formed be the distribution of previous earnings with an increase in par value, as determined by the General Meeting.

The following is the detail of equity:

	December 31, 2017	December 31, 2016
Appropriations of profits	2,657,922	1,246,895
	2,657,922	1,246,895
At the disposal of the Board	54,354	12,631
At the disposal of the General Meeting	375,758	490,482
Requirements of tax law	137	16,897
	430,249	520,010

First time adoption of IFRS:

The following is the detail of action taken in the first-time adoption of IFRS

	December 31, 2017	December 31, 2016
Opening balance	77,518	306,662
Merger Leasing Bolívar	-	11,162
Valuation gains for use of fixed assets	(73,461)	(240,307)
Other	19,278	1
Closing balance	23,335	77,518

Profit per share

The profit per share at December 31, 2017 and 2016 was $2.841 and $3.819, respectively , calculated on the basis of profit at each close divided into the weighted average number of shares outstanding.

The Annual General Meeting (AGM) on March 22, 2017 approved the following decisions:

Distribution of profit

The AGM approved the distribution of results at the close of 2016 for $1.538.686, así:

a) Increase of $645.948 to Mandatory Reserve from taxed and untaxed profits for the period

b) Cash dividends declared for $429.087, at $950 (pesos) per share payable 50% ($ 475 per share) on April 5, 2017 and 50% ($ 475 per share) on September 21, 2017

c) Increase in voluntary reserves at the disposal of the Meeting for future capitalization or to increase the Mandatory Reserve by $192.896.

d) Increase to voluntary reserves of $270.755.

Other decisions

a) To release $10.802 from the voluntary reserve for valuation of investments at market prices - Decree 2336/95, to increase the Mandatory Reserve

b) To increase the Mandatory Reserve by $236.586 of previous years´ profits from 2016

c) To release $475.000 from the voluntary reserve with a commitment of 2015 profits to increase the Mandatory Reserve

Capital Management

Banco Davivienda defines its capital as the level of own funds that could be used to face a loss scenario created by the materialization of financial risks to which the Bank is currently exposed. The Bank has instituted a policy to maintain sufficient solvency levels to allow it to engage in its various activities with sufficient capital to match risks assumed, always with a view to the long-term sustainability of the Bank.

To this end. The Bank is governed by Colombian law and the laws of the other countries where it operates with regard to capital requirements of financial entities. According to Articles 2.1.1.2 and 2.1.1.1.3 of Decree 2555/2010, amended by Decree 1771/ 2012 and Decree 1648/ 2014, the minimum overall solvency ratio is 9% and the basic consolidated ratio must exceed 4.5%.

Technical equity corresponds to the sum of Ordinary Basic Equity, Additional Basic Equity and Additional Equity, subtracting Ordinary Basic Equity deductions listed in Decree 2555/2010. SFC percentages are then applied to calculate risk-weighed assets; and market risk is included, using the regulatory methodology

Thus, the Bank attends adequately to individual and consolidated capital requirements within the parameters of SFC at December 31, 2016 and December 31, 2017, as follows.

$ millions

Calculation of computable capital	December 31, 2017	December 31, 2016	Variation Dec 17 - Dec 16
Technical equity (Computable capital)	11,144,428	**9,355,871**	**1,788,557**
Ordinary basic capítal (Tier 1)	6,814,180	5,491,984	1,322,196
Deductions fro Tier 1	(924,070)	(845,283)	(78,787)
Additional capital (Tier 2)	4,330,248	3,863,887	466,361
Var Market risk	344,505	192,677	151,828
Risk-weighted assets	86,513,194	82,720,435	3,792,759
Total solvency ≥ 9%	**12.34%**	**11.02%**	**1.32%**
Basic solvency ≥ 4.5%	**7.54%**	**6.47%**	**1.07%**

Finally capital levels are monitored permanently in order to identify possible changes in the current solvency ratios and take prompt corrective action. Likewise for strategic planning effects, in the budget and business projection processes, the Bank relies on tools to measure future capital levels, and to establish action required to ensure compliance with solvency levels necessary to implement proposed strategies

12.26 Non-controlling interests

This item represents the portion of net assets (equity) and the results of the Subsidiaries attributable to shares owned by persons other than those in the consolidated group of entities.

December 31, 2017

	Equity	% minority interest	Minority interest
Fiduciaria Davivienda S.A.	205,550	5.30%	10,892
Corredores Davivienda S.A	73,729	4.30%	3,174
Inversiones Financieras Davivienda S.A.	552,151	3.88%	21,412
Banco Davivienda Salvadoreño S.A.	872,952	1.76%	15,358
Banco Davivienda Honduras S.A.	400,758	3.19%	12,784
Seguros Bolívar Honduras S.A.	104,278	9.94%	10,367
Corporación Davivienda S.A.	493,579	0.03%	157
Aseguradora Mixta S. A.	37,634	49.00%	18,441
			92,585

December 31, 2016

	Equity	% minority interest	Minority interest
Fiduciaria Davivienda S.A.	192,564	5.30%	10,204
Corredores Davivienda S.A	65,293	4.30%	2,811
Inversiones Financieras Davivienda S.A.	626,294	3.88%	24,288
Banco Davivienda Salvadoreño S.A.	900,177	1.76%	15,837
Banco Davivienda Honduras S.A.	371,287	3.19%	11,844
Seguros Bolívar Honduras S.A.	89,834	9.94%	8,931
Corporación Davivienda S.A.	410,962	0.04%	162
Davivienda Seguros Costa Rica S.A.	35,977	49.00%	17,629
			91,705

(Millions of Colombian pesos (COP))

13. Specific items of the consolidated Income Statement

13.1 Investments and valuations, net

The following is the detail of investment income

	2017	2016
Debt interest		
Profit	457,238	836,458
Loss	154,137	335,525
Valuation of Investments at fair value	303,101	500,933
Profit	141,980	148,919
Loss	771	12,877
Valuation of Investments at amortized cost	141,209	136,042
	444,310	**636,976**
Equities		
Profit	160,683	69,147
Loss	44,130	8,603
Valuation of equities	**116,553**	**60,544**
Profit	49,600	80,151
Loss	17,620	25,264
Sale of investments, net	**31,980**	**54,887**
	592,843	752,407

13.2 Commissions and services income, net

The following is the detail of commissions and services:

	2017	2016
Income from commissions and services	1,401,744	1,300,362
Expenses for commissions and services	287,136	261,567
	1,114,608	1,038,794

Los principales conceptos de estas comisiones se originan por operaciones: Transaccionales.

13.3 Payroll

The following is the detail of the payroll expense

	2017	2016
Salaries and benefits	1,008,606	937,990
Incentives	150,490	130,955
Employee benefits	199,466	212,798
	1,358,562	1,281,743

(Millions of Colombian pesos (COP))

13.4 Overhead

The following is the detail of payroll, administration and operating expenses:

	2017	2016
Maintenance and remodeling	181,596	156,569
Cleaning and security	57,783	57,130
Advertising and Public Relations	131,188	121,086
Insurance	67,628	68,731
Contributions and other	94,889	91,049
Rent	184,767	117,061
EDP	64,981	54,836
Fees	248,077	218,611
Transport	111,220	105,767
Taxes	208,346	206,103
Deposit insurance	130,466	110,298
Other	240,462	244,675
Overhead and operations	1,721,403	1,551,915
Depreciation	(77,079)	(69,148)
Amortization	(33,306)	(32,193)
Operating expenses	1,831,788	1,653,257

13.5 Other income and expenses, net

The followng is the detail of other income and expenses, net:

	2017	2016
Other operating income		
Operating risk recoveries	21,641	12,663
Property sales	49,549	164,465
Reversion of impairment losses	36,960	52,145
Other income	77,351	188,231
	185,501	417,504
Other operating expenses		
Operating risk loss	38,384	40,585
Property sales	10,850	14,893
Reversion of imapirment loss	86,911	108,337
Other expenses	10,167	21,505
	146,312	185,320
	39,189	232,184

14. Related parties

The Bank may undertake operations, agreements or contracts with related parties on the understanding that any such operations will be conducted in reasonable amounts and observing the following criteria, amongst others:

- Prevailing market conditions and rates in the sector of the operation
- The activity of the companies involved
- Growth prospects of the business

Related parties are held to be:

1. Group companies

Controlling interest: Grupo Bolívar

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, Factoraje Davivienda El Salvador, Seguros Comerciales Bolívar El Salvador, Seguros Bolívar Seguros de Personas El Salvador, Valores Davivienda El Salvador.

Grupo Empresarial Bolivar companies: 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 businesses: Redeban, Titularizadora, Sersaprosa, Serfinsa, ACH El Salvador, Zip Amarateca, Bancajero Banet.

3. Key management personnel: Directors, Strategic Committee (President and Executive Vice-Presidents)

4. Other: Shareholders holding 5-10%:Inversiones Cusezar and Inversiones Meggido; ACH, Finagro and Credibanco, businesses in which the Bank holds more than 10%.

The Bank has collaboration and office network agreements with Leasing Bolívar, Fiduciaria Davivienda and Corredores Davivienda; property leases with Promociones y Cobranzas Beta, Ediciones Gamma Seguros Comerciales Bolívar; commercial agreements with Asistencia Bolívar; collection management contracts with Cobranzas Beta y Cobranzas Sigma; portal management and support agreement with Davivienda Empresarial Multilatina between Banco Davivienda El Salvador and Banco Davivienda Colombia, , Banco Davivienda Panama and Banco Davivienda Honduras; programming services agreement between Banco Daviviencda El Salvador and Banco Davivienda Panama; leases between Banco Davivienda EL Salvador and Seguros Comerciales El Salvadfor and Banco Davivienda Honduras and Seguros Honduras , MasterCard Licence extension contract between Banco Davivienda Hondurass and Banco Davivienda Costa Rica; vehiocle leasing contract between Banco Costa Rica and Seguros Costa Rica; loan discounting operation between Banco Davivienda Costa Rica and Leasing Coista Rica; services and acivities outsourcing agreement between Banco Davivienda Panama and Banco Davivienda Internacional Panamá.

There are also agreements to place and collect insurance policies and contracts to sell banking-insurance plans with Compañía de Seguros Bolívar and Compañía de Seguros Comerciales Bolívar.

All operations are conducted at market prices; deposit rates are at 0.1%-9% and placement rates between 0,01% and 31,07% including home mortgage loans for key management staff at rates of UVR and

(Millions of Colombian pesos (COP))

UVR+2%; agreed as employee benefits.

At the close of December 2017 there were no loans at interest, term, guarantees or other conditions other than those agreed with third parties for loans to companies classed as related parties to the Bank.

At December 31, 2017 there were no loan operations with shareholders holding less than 10% of the Bank´s capital but represent more than 5% of computable capital

Regulations require the Bank to take and hold mandatory investments in issues of Fondo para el Financiamiento del Sector Agropecuario como TDA – Títulos de Desarrollo Agropecuario for $851,274; in Class A issued at 2,06% nominal quarterly in arrears and Class B, 4,02% nominal quarterly in arrears; these not being market rates

The Bank also undertook rediscount operations with Finagro, as follows:

Rediscount operations	December 31, 2017	December 31, 2016
Small guarantees	153,585	150,811
Rediscount interest payable	1,690	2,301
Rediscount interest expense	9,629	8,680

These operations correspond to a loan fund addressed to the agricultural sector at preferential rates

The following are operations with Related Parties

December 31, 2017

	Group companies						
	Controlling interest	Subsidiaries	Other	Associates	Key personnel (1)	Other	Total
Assets (2)	**-**	**277,084**	**178,104**	**5,593**	**5,521**	**23,609**	**489,911**
Cash	-	272,994	-	-	-	-	272,994
Investments	-	-	-	-	-	-	-
Loans and financial leasing operations	-	-	140,762	64	5,502	-	146,328
Accounts receivable	-	4,090	25,709	5,332	19	23,609	58,759
Other assets	-	-	11,633	197	-	-	11,830
Liabilities (3)	**198,198**	**56,792**	**172,521**	**45,202**	**2,499**	**291,297**	**766,509**
Financial liabilities	198,198	55,136	155,540	15,923	2,457	264,380	691,634
Derivatives	-	1,185	-	-	-	-	1,185
Accounts payable	-	471	16,968	29,279	42	26,917	73,677
Other	-	-	13	-	-	-	13

(Millions of Colombian pesos (COP))

Income	**11**	**54,218**	**149,571**	**96,547**	**489**	**85,079**	**385,915**
Commissions	**7**	19	135,300	90,621	6	80,205	306,158
Interest	-	-	9,816	78	400	-	10,294
Dividends	-	12,799	-	4,335	-	4,701	21,835
Other	4	41,400	4,455	1,513	83	173	47,628
Expenses	**5,342**	**9,931**	**55,475**	**64,951**	**291**	**84,145**	**220,135**
Commissions	-	1,416	-	60,685	-	67,477	129,578
Other	5,342	8,515	55,475	4,266	291	16,668	90,557

(1) Under IAS 24 key management personnel are those who have authority and responsiblity to plan, direct

and control, directly or indirectly; Members of the Strategic Committee and Directors of the Bank.

Includes all operations with key management personnel except employee benefits detailed below

(2) Assets: the most significant operations with related parties in assets include home mortgage loans with employment benefit, placed at UVR or UVR+2% approcved by the Board at 15 years with admissible collateral and consumer loans at market rates up to 31.07%.

Working capital loans. Construction loans, corporate loans and credit cards for Group companies at rates of between 0.01% and 31.06%.

(3) Liabilities: the most important liability operations are: Group companies: Checking accounts at 0% - 4.5%, Savings accounts at interest 0.0% - 4.6% and TDs at interest of 0.1% and 7.3%. With other shareholders, savings accounts at interest 6.0% for shareholders holding less than 10% and 5% or more of the Bank´s capital and Checking accounts at interest 0% and savings at interest of 4.3% and shareholders holding 10% or more of the Bank´s capital.

December 2016 - December 2017

	Group companies						
	Controlling interest	Subsidiaries	Other	Associates	Key personnel (1)	Other	Total
Income	**1**	**3,539**	**10,209**	**(19,796)**	**44**	**(148,026)**	**(154,029)**
Commissions	5	(11)	11,973	(17,780)	(19)	7,764	1,932
Interest	(1)	-	(1,329)	66	(13)	-	(1,278)
Dividends	-	12,799	-	(996)	-	(7,116)	4,686
Other	(3)	(9,249)	(434)	(1,086)	76	(148,674)	(159,369)
Expenses	**617**	**(17,551)**	**(1,225)**	**(10,665)**	**(953)**	**2,759**	**(27,019)**
Commissions	-	131	-	(1,737)	-	(4,405)	(6,011)
Other	617	(17,682)	(1,225)	(8,928)	(953)	7,164	(21,008)

(Millions of Colombian pesos (COP))

December 31, 2016

	Group companies						
	Controlling interest	Subsidiaries	Other	Associates	Key personnel (1)	Other	Total
Assets	**5**	**271,606**	**125,520**	**2,281**	**5,973**	**17,937**	**423,322**
Cash	-	267,971	-	-	-	-	267,971
Loans and financial leasing operations	5	348	112,359	114	5,886	-	118,712
Accounts receivable	-	3,227	2,173	1,970	86	17,836	25,293
Other assets	-	61	10,987	197	-	101	11,346
Liabilities	**31,719**	**193,981**	**135,579**	**41,798**	**4,903**	**130,918**	**538,898**
Financial liabilities	31,719	187,904	118,951	11,589	4,408	107,989	462,559
Derivatives	-	5,393	-	-	-	-	5,393
Accounts payable	-	267	16,554	30,209	42	18,877	65,949
Other	-	417	74	-	453	4,052	4,996
Income	**10**	**50,679**	**139,361**	**116,343**	**445**	**233,105**	**539,944**
Commissions	2	30	123,327	108,401	25	72,441	304,226
Interest	1	-	11,145	12	413	-	11,572
Dividends	-	-	-	5,331	-	11,817	17,149
Other	7	50,649	4,889	2,599	7	148,847	206,997
Expenses	**4,725**	**27,482**	**56,700**	**75,616**	**1,244**	**81,386**	**247,154**
Commissions	-	1,285	-	62,422	-	71,882	135,589
Other	4,725	26,197	56,700	13,194	1,244	9,504	111,565

(1) Under IAS 24 key management personnel are those who have authority and responsiblity to plan, direct

and control, directly or indirectly; Members of the Strategic Committee and Directors of the Bank.

Includes all operations with key management personnel except employee benefits detailed below

(2) Assets: the most significant operations with related parties in assets include home mortgage loans with employment benefit, placed at UVR or UVR+2% approcved by the Board at 15 years with admissible collateral and consumer loans at market rates up to 32.92%.
Working capital loans. Construction loans, corporate loans and credit cards for Group companies at rates of between 0.01% and 31.06%.

(3) Liabilities: the most important liability operations are: Group companies: Checking accounts at 0% - 4.5%, Savings accounts at interest 0.0% - 8.5% and TDs at interest of 0.5% and 7.3%. With other shareholders, savings accounts at interest 6.0% for shareholders holding less than 10% and 5% or more of the Bank´s capital and Checking accounts at interest 0% and savings at interest of 7.5% and shareholders holding 10% or more of the Bank´s capital.

(Millions of Colombian pesos (COP))

The following are the transactions with management key personnel:

	December 31, 2017		December 31, 2016	
	Max balance	Closing balance	Max balance	Closing balance
Home mortgages and other collateralized loans	744	3,050	797	3,373
Credit cards	60	251	29	198
Other loans	240	706	1,518	2,315
	1,044	4,007	2,344	5,886

Compensation of key management personnel

The remuneration of key management personnel is composed of:

	December 31, 2017	December 31, 2016
Items		
Short-term benefits		
Salary	5,118	4,304
Other short-term benefits	1,579	1,176
	6,697	5,480

No decisions of importance were taken, or were not taken, due to the influence or interests of Grupo Bolívar S.A., and no decision were taken or not taken by Grupo Bolívar S.A. in the interests of Davivienda.

15. Subsequent events

There were no post-closing events to be disclosed

16. Approval of the Consolidated Financial Statements

The Consolidated Financial Statements and accompanying notes were approved by the Board and the Legal Representative as recorded in Minute No. 956 of January 30, 2018 , to be presented to the Annual General Meeting for approval; the Meeting may approve or reject them.