# Banco Davivienda S.A.
# and its subsidiaries

*Consolidated Financial Statements for the year ended December 31, 2016 with comparative figures from December 31, 2015*

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**STATUTORY AUDITOR'S REPORT**

**To the Shareholders**
**Banco Davivienda S. A.:**

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

**Management's responsibility regarding the consolidated financial statements**

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

An audit involves performing procedures to obtain evidence about 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 audit evidence I obtained 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, 2016, the consolidated results of its 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, 2015 are presented exclusively for the purpose of comparison and they were audited by another public accountant member of KPMG Ltda. (today KPMG S.A.S.) in accordance with the auditing standards generally accepted in Colombia, and in her report of February 17, 2016 she expressed her opinion with no reservations about the statements.

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

February 17th, 2017

**CERTIFICATION OF CONSOLIDATED FINANCIAL STATEMENTS**

**RESPONSIBILITY OF FINANCIAL INFORMATION**

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

The Consolidated Financial Statements for the period between January 1 and December 31, 2016 do not contain any defects, inaccuracies or errors that prevent anyone from knowing the true financial situation or the operations of Davivienda and Subordinates, in accordance with what is established in article 46 of Law 964 of 2005.

In accordance with the terms set forth in 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 obtained 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

**Ricardo León Otero**
**Legal Representative**

**Carmen Anilsa Cifuentes**
**Financial Director T.P. 35089-T**

## Banco Davivienda S. A. and its subsidiaries
## Statements of Financial Position
## As of December 31, 2016 with comparative figures as of December 31, 2015
## (Millions of Colombian Pesos (COP))

| | Note | 2016 | 2015 |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and equivalent to cash | 11.1 | 8.106.246 | 7.432.562 |
| Interbank and overnight funds | 11.2 | 282.199 | 506.847 |
| Investments measured at fair value | 11.3 | 7.348.829 | 7.249.603 |
| Derivatives | 11.4 | 241.088 | 441.708 |
| Loans Portfolio and financial leases operations, net | 11.5 | 71.251.314 | 62.368.759 |
| Accounts receivable, net | 11.6 | 1.371.993 | 616.250 |
| Foreclosed assets, net | 11.7 | 92.348 | 92.741 |
| Investments measured at amortized cost, net | 11.3 | 1.345.018 | 1.241.268 |
| Investments in associates | 11.8 | 82.630 | 96.257 |
| Investments in other companies | 11.9 | 328.576 | 177.231 |
| Property and equipment, net | 11.10 | 833.629 | 1.268.403 |
| Investment properties | 11.11 | 51.704 | 65.698 |
| Goodwill | 11.12 | 1.634.882 | 1.634.882 |
| Intangibles | 11.13 | 135.908 | 127.895 |
| Other non-financial assets, net | 11.14 | 441.654 | 398.195 |
| **Total Assets** | | **93.548.017** | **83.718.300** |
| **LIABILITIES** | | | |
| Deposits | 11.16 | 59.644.563 | 52.848.941 |
| Saving account | | 25.378.095 | 23.127.663 |
| Checking account | | 7.801.395 | 8.186.223 |
| Term deposit certificates | | 25.664.691 | 20.717.046 |
| Other deposits | | 800.382 | 818.009 |
| Interbank and overnight funds | 11.17 | 2.175.957 | 1.147.302 |
| Derivatives | 11.4 | 241.083 | 365.118 |
| Credits from banks or other obligations | 11.18 | 8.913.954 | 8.769.168 |
| Debt instruments issued | 11.19 | 9.586.702 | 9.252.730 |
| Accounts payable | 11.20 | 1.094.310 | 989.758 |
| Taxes to pay | | 75.244 | 59.537 |
| Deferred payable taxes | 11.21 | 1.163.087 | 1.062.915 |
| Technical reserves | 11.22 | 169.462 | 170.930 |
| Other non-financial liabilities and estimated liabilities | 11.23 | 438.610 | 335.911 |
| **Total Liabilities** | | **83.502.970** | **75.002.309** |
| **EQUITY** | 11.24 | | |
| Capital and reserves (1) | | 6.520.493 | 5.699.722 |
| Unrealized gains or losses (OCI) | | 1.637.363 | 1.387.115 |
| Adjustments in the first time adoption | | 77.518 | 306.662 |
| Net income | | 1.717.968 | 1.233.122 |
| **Total equity attributable to the holders of instruments Of the Bank's equity** | | **9.953.342** | **8.626.621** |
| **Non-controlling interest** | 11.25 | **91.705** | **89.371** |
| **Total Equity** | | **10.045.047** | **8.715.992** |
| **TOTAL LIABILITY AND EQUITY** | | **93.548.017** | **83.718.300** |

The accompanying notes form an integral part of these Consolidated Financial Statements.
(1) Includes share placement premium

**RICARDO LEÓN OTERO**
**Legal Representative**

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

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

**Banco Davivienda S.A. and its subsidiaries**
**Statement of Income**
**As of December 31, 2016 with comparative figures as of December 31, 2015**
**(Millions of Colombian pesos (COP), except for net income per share)**

| | Note | 2016 | 2015 |
|---|---|---|---|
| Interest income | | 8.674.997 | 6.530.875 |
| Portfolio | | 7.869.538 | 6.066.429 |
| Investments and valuation, net | 12.1 | 752.407 | 431.627 |
| Interbank and overnight funds | | 53.052 | 32.820 |
| Interest expenses | | 3.704.838 | 2.258.576 |
| Deposits and deposits payable on demand | | 2.516.333 | 1.434.990 |
| Credits from banks or other financial obligations | | 334.114 | 228.569 |
| Debt Instruments issued | | 749.605 | 525.503 |
| Other Interests | | 104.786 | 69.515 |
| **Net interest income** | | **4.970.159** | **4.272.299** |
| Impairment of portfolio and accounts receivable, net | | 1.234.705 | 1.154.874 |
| Impaired portfolio and accounts receivable | | 1.479.683 | 1.352.577 |
| Refund of impaired portfolio and accounts receivable | | 244.978 | 197.703 |
| **Net Financial Margin** | | **3.735.454** | **3.117.425** |
| Insurance operation revenues, net | | 85.763 | 66.188 |
| Comissions and service revenues,net | 12.2 | 1.038.794 | 910.509 |
| Result from investments in Associates and Joint Operations, net | | 3.228 | 6.623 |
| Operational Expenditures | | 2.935.001 | 2.524.553 |
| Staff expenditures | 12.3 | 1.281.743 | 1.110.406 |
| Administrative and operational | 12.4 | 1.551.915 | 1.340.052 |
| Amortizations and depreciations | | 101.342 | 74.095 |
| Profit (Loss) on exchanges, net | | (36.707) | 227.656 |
| Derivatives, net | | 214.917 | (84.076) |
| Dividends Received | | 5.426 | 5.076 |
| Other Revenue and Expenses, net | 12.5 | 232.184 | (8.177) |
| **Operational Margin** | | **2.344.059** | **1.716.671** |
| Income Tax and Related taxes | 11.21 | 509.762 | 424.428 |
| Income tax and deferred complements | 11.21 | 109.568 | 55.526 |
| **Profit attributable to the owners of the controlling company** | | **1.717.968** | **1.233.122** |
| Profit attributable to non-controlling companies | | 6.762 | 3.595 |
| **Profit for the year** | | **1.724.730** | **1.236.717** |
| Profit per share in pesos | | 3.819 | 2.784 |

The accompanying notes form an integral part of these Consolidated Financial Statements.
Profits per share in pesos (1)
(1) Calculated as: results / Number of average shares

**RICARDO LEÓN OTERO**
**Legal Representative**

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

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

## Banco Davivienda S. A. and its subsidiaries
## Statements of Other Comprehensive Income
## As of December 31, 2016 with comparative figures as of December 31, 2015
## (Millions of Colombian pesos (COP))

| | 2016 | 2015 |
|---|---|---|
| **Profit attributable to the owners of the controlling interests** | **1.717.968** | **1.233.122** |
| **Profit attributable to non-controlling interests** | **6.762** | **3.595** |
| Components of other comprehensive income that will not be reclassified to the Profit for the period, net of taxes: | | |
| Long-term employee benefits | (31.078) | - |
| **Total other comprehensive income that will not be reclassified to income of the period, net of taxes** | **(31.078)** | **-** |
| **Components of other comprehensive income that will be reclassified to the result of the period, net of taxes:** | | |
| Financial instruments with changes in other comprehensive income | 27.046 | 70.038 |
| Surplus associated equity method | (8.160) | 2.394 |
| Impairment of loan portfolio for consolidated financial statement purposes | 450.223 | 95.657 |
| Exchange difference on translation | (187.783) | 279.757 |
| **Total other comprehensive income that will be reclassified to income period, net of taxes** | **281.326** | **447.846** |
| **Total other comprehensive income, net of taxes** | **250.248** | **447.846** |
| **Comprehensive income attributable to the holders of controlling interests** | **1.974.978** | **1.684.563** |

| | | |
|---|---|---|
| Comprehensive income attributable to the holders of controlling interests | 1.973.607 | 1.678.363 |
| Comprehensive income attributable to holders of non-controlling interests | 1.371 | 6.199 |
| **Total results and other comprehensive income** | **1.974.978** | **1.684.563** |

The accompanying notes form an integral part of these Consolidated Financial Statements.

**RICARDO LEÓN OTERO**
**Legal Representative**

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

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

# Banco Davivienda S.A. and its subsidiaries
## Statement of changes in equity
## As of December 31, 2016 with comparative figures as of December 31, 2015
## (Millions of Colombian pesos (COP))

| | Capital | Issue Premium | Legal Reserve | Occasional Reserves | Adoption for the First time | Unrealized Gain (ORI) | Previous years profit | Results of Operations | Total equity controlling holders | Non-controlling participations | Total Share holders equity |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Balance as of December 31, 2014** | **62.190** | **3.389.608** | **783.379** | **939.178** | **321.942** | **939.270** | **-** | **958.774** | **7.394.341** | **57.564** | **7.451.905** |
| Tax on Wealth | - | - | - | (60.563) | - | - | - | - | (60.563) | - | (60.563) |
| Convergence adjustment year 2014 | - | - | - | - | - | - | (38.084) | - | (38.084) | - | (38.084) |
| Dividend Distribtions: | - | - | - | - | - | - | - | - | - | - | - |
| Dividends declared in cash at a ratio of $788 pesos per share over 444.214.234 subscribed and paid. March 26 2015 | - | - | - | - | - | - | - | (350.041) | (350.041) | - | (350.041) |
| Reserve transactions: | - | - | - | - | - | - | - | - | - | - | - |
| Legal Reserve | - | - | 247.177 | - | - | - | - | (247.177) | - | 1.129 | 1.129 |
| Occasional Reserve for future capitalizations | - | - | - | 338.753 | - | - | 38.084 | (376.837) | - | (2.182) | (2.182) |
| Liberation of occasional reserve for a valuation of investments at market value - decree 2336/95, to increase legal reserve | - | - | 10.459 | (10.459) | - | - | - | - | - | - | - |
| Share emission: | - | - | - | - | - | - | - | - | - | - | - |
| Payment of dividends in shares at a ratio of $1,695 pesos per share. April 8 2015, over 444.214.234 shares subscribed and paid | 8.884 | 744.059 | - | (752.943) | - | - | - | - | - | - | - |
| Other comprehensive resul, net from profit tax: | - | - | - | - | - | - | - | - | - | - | - |
| First time NIIF applications | - | - | - | - | (15.280) | - | - | 15.280 | - | - | - |
| Difference between the impairment model incurred losses and expected losses | - | - | - | - | - | 95.657 | - | - | 95.657 | - | 95.657 |
| Equity participation method associates | - | - | - | - | - | 2.394 | - | - | 2.394 | - | 2.394 |
| Conversion of financial statements | - | - | - | - | - | 279.757 | - | - | 279.757 | 10.085 | 289.844 |
| Financial instruments with changes in other comprehensive results | - | - | - | - | - | 70.037 | - | - | 70.037 | (347) | 69.689 |
| Increase in non-controlling participation | - | - | - | - | - | - | - | - | - | 19.527 | 19.527 |
| Yearly earnings | - | - | - | - | - | - | - | 1.233.122 | 1.233.122 | 3.595 | 1.236.717 |
| **Balance as of 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** |
| **Balance as of 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) |
| Tax on Wealth | - | - | - | (54.704) | - | - | - | - | (54.704) | - | (54.704) |
| Dividend distribution | - | - | - | - | - | - | - | - | - | - | - |
| Dividends declared in cash at a ratio of $864 per share over 451.670.413 subscribed and paid, March 29 and Sep 21 , 2016 | - | - | - | - | - | - | (390.244) | - | (390.244) | - | (390.244) |
| Reserve transactions: | - | - | - | - | - | - | - | - | - | - | - |
| Legal Reserve | - | - | 131.190 | - | - | - | (131.190) | - | - | (270) | (270) |
| Occasional Reserve for future capitalizations or legal reserve increase | - | - | - | 475.000 | - | - | (475.000) | - | - | - | - |
| Occasional Reserve increase legal reserve | - | - | - | 74.126 | - | - | (74.126) | - | - | (2.224) | (2.224) |
| Liberation of occasional reserve for a valuation of investments at market value - decree 2336/95, to increase legal reserve | - | - | 4.475 | (4.475) | - | - | - | - | - | - | - |
| To have profits of exercises of previous years realized in the period 2015, to increase Legal Reserve | - | - | 70.215 | - | - | - | (70.215) | - | - | - | - |
| Share emissions | - | - | - | - | - | - | - | - | - | - | - |
| Payment of dividends per share at a rate of $940 pesos per share over. 451.670.413 suscribed and paid. April 29, 2016. | 4.517 | 420.053 | - | (424.570) | - | - | - | - | - | 3.282 | 3.282 |
| Comprehensive equity Leasing: | 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 NIIF (Note 11.24) | - | - | - | - | (240.306) | - | 240.306 | - | - | (63) | (63) |
| Equity participation method associates | - | - | - | - | - | (8.160) | - | - | (8.160) | - | (8.160) |
| Financial instruments with changes in other comprehensive results | - | - | - | - | - | 27.046 | - | - | 27.046 | - | 27.046 |
| Conversion of Financial Statements net of taxes | - | - | - | - | - | (187.783) | - | - | (187.783) | - | (187.783) |
| Long-Term Employee Benefits | - | - | - | - | - | (31.078) | - | - | (31.078) | - | (31.078) |
| Difference between model impairment losses incurred and expected losses | - | - | - | - | - | 450.223 | (336.565) | - | 113.658 | (102) | 113.556 |
| Yearly earnings | - | - | - | - | - | - | - | 1.717.968 | 1.717.968 | 6.762 | 1.724.730 |
| **Balance as of December 31, 2016** | **76.784** | **4.676.804** | **1.246.894** | **520.010** | **77.518** | **1.637.363** | **-** | **1.717.968** | **9.953.342** | **91.705** | **10.045.047** |

The accompanying notes form an integral part of these Consolidated Financial Statements.



**RICARDO LEÓN OTERO**
Legal Representative

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

**RAFAEL RODRÍGUEZ MARTÍN**
Statutory Auditor Banco Davivienda S.A.
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(See my report from 17 of February 2017)

**Banco Davivienda S. A. and its subsidiaries**
**Statements of Cash Flows**
**As of December 31, 2016 with comparative figures as of December 31, 2015**
**(Millions of Colombian pesos (COP))**

| | Note | 2016 | 2015 |
|---|---|---|---|
| Operation activities Cash flow: | | | |
| Profits | | **1.717.968** | **1.233.122** |
| Non-controlled participations | | **6.762** | **3.595** |
| Conciliation between the income for the year and the net cash provided | | | |
| Operating activities cash flow: | | | |
| Impairment of investments | | 17.708 | 472 |
| 'Impairment of credit portfolio and financial leasing, net | 11.5 | 1.212.410 | 1.123.570 |
| Impairment of accounts receivable, net | 11.6 | 6.437 | 11.506 |
| Impairment for assets held for sale, net | 11.7 | 6.555 | 3.046 |
| (Repayment) Impairment of property and equipment, net | | (55) | 88 |
| Impairment (Repayment) of other assets, net | 11.14 | 27.051 | (9.444) |
| Provisions for Severance | | 3.931 | 17.908 |
| Other impairments, net | | 3.897 | 3.435 |
| Depreciations | | 69.149 | 57.154 |
| Amortizations | | 32.193 | 16.941 |
| Difference in change | | (145.257) | 67.100 |
| Profit from sale of investments, net | | (54.887) | (26.477) |
| Equity participation method associates | | (3.590) | (6.623) |
| (Valuation) of investments, net | | (697.520) | (405.150) |
| (Valuation) Depreciation of Derivatives and cash operations, net | | (214.917) | 84.076 |
| Loss (Profit) of portfolio and leasing assets on sale, net' | 11.5 | - | (11.269) |
| Provision for income tax | | 619.329 | 479.954 |
| **Changes in operational assets and liabilities:** | | | |
| Decrease (Increase) in money market and related active operations | | 37.406 | (36.117) |
| Decrease (Increase) of acceptances, cash transactions and derivatives | | 415.538 | (107.757) |
| Decrease (Increase) in Investments measured at fair value | | 538.825 | (242.362) |
| (Increase) in loan portfolio and financial leasing operations | | (17.023.521) | (18.445.990) |
| (Increase) in accounts receivable | | (689.952) | (186.217) |
| (Additions) assets held for sale | 11.7 | (60.993) | (86.228) |
| Sale of Assets Held for Sale | | 67.984 | 14.827 |
| (Increase) other assets | | (91.789) | (59.370) |
| Increase deposits and payables on demand | | 9.676.027 | 10.294.397 |
| Increase (Decrease) Interbank funds ordinary buyer | | 17.069 | (100.010) |
| (Decrease)Increas Accounts payable | | (59.886) | 172.210 |
| Increase labor obligations | | 49.017 | 7.690 |
| (Decrease) Increase in insurance technical reserves | | (1.468) | 56.296 |
| Rich tax | | (54.704) | (60.563) |
| Capital Gains tax paid' | | (476.746) | (391.474) |
| (Decrease) Increase in estimated liabilities and provisions | | (7.729) | 58.063 |
| Increase (Decrease) in other liabilities | | 63.738 | (2.608) |
| Interests Received | | 7.610.716 | 5.748.976 |
| Interests Paid | | (2.541.463) | (1.486.972) |
| Severance payment | | 4.145 | 13.796 |
| Net cash provided for operating activities | | **197.159** | **12.177.585** |

## Banco Davivienda S. A. and its subsidiaries
## Consolidated Statements of Cash Flows
## As of December 31, 2016 with comparative figures as of December 31, 2015
## (Millions of Colombian pesos (COP))

| | Note | 2016 | 2015 |
|---|---|---|---|
| **Cash flows from investment activities:** | | | |
| Dividends received | | 18.658 | 3.769 |
| Decrease (Increase) in investments measured at amortized cost | | 23.992 | (94.076) |
| (Increase) in investments in associates and other companies | | (133.899) | (4.756) |
| Product sales of loan portfolio | 11.5.14/11.5.15 | 434.290 | 506.579 |
| (Additions) of properties and equipment | | (120.757) | (214.059) |
| Withdrawals from equipment properties | | 7.725 | 8.689 |
| Product from sales of property and equipment | | 500.608 | 43.359 |
| (Additions) of Investment Property | | (6.269) | (11.804) |
| Sale of investment properties | | 18.287 | 8.093 |
| Increase (decrease) Non-controlling interest | | (4.325) | 18.473 |
| Product from cash merger with Leasing Bolivar | | | |
| **Net cash used in investment activities** | | **738.308** | **264.266** |
| **Cash flows from financing activities:** | | | |
| Increase in financial obligations | 11.18 | 5.275.952 | 6.810.508 |
| Payment of financial obligations | 11.18 | (5.411.659) | (4.110.888) |
| Increase on debt instruments issuance | 11.19 | 1.013.274 | 2.382.763 |
| Redemptions of issued debt instruments | 11.19 | (637.796) | (1.286.618) |
| (Decrease) Increase in derived liabilities | | (124.035) | 64.373 |
| Payment of dividends in cash | | (390.243) | (350.041) |
| Net cash provided for financing activities | | **(274.507)** | **13.491.273** |
| Effect of exchange differences on cash and cash equivalents | | **(119.552)** | **547.266** |
| Net increase in cash and cash equivalents | | **605.995** | **1.577.954** |
| Cash and cash equivalents at the beginning of the period | | **7.687.680** | **5.562.460** |
| Cash and cash equivalents at the end of the period | | **8.293.498** | **7.687.680** |

(*) Note 11.2 Includes cash equivalents of less than 90 days in active money market operations and related for $187,252 for 2016 and $255,118 for 2015.

The accompanying notes form an integral part of these Consolidated Financial Statements.

**RICARDO LEÓN OTERO**
**Legal Representative**

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

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

(Millions of Colombian pesos (COP))

## 1. Reporting Entity

Banco Davivienda S.A, ("the Bank") is a private entity which has its main domicile in the city of Bogotá D.C. at Avenida El Dorado 68 C-61 and was constituted by notarized deed number 3892 on the 16th of October of 1972, in the Fourteenth Notary Public Office of Bogotá; it has its main domicile in the city of Bogotá D.C. under Resolution 562 of June 10, 1997 which authorizes its functioning. The established duration under notarized deed 5145 of October 2003 is valid until October 17, 2053, but can be ended or extended before this term. The Bank forms part of Bolivar Group and has as a social objective to sign or carry out all the transactions and contracts legally permitted to banking establishments of a commercial character with subjectability to the requisites and limitations of Colombian law. As of December 31, 2016 the Bank had 8,834,812 clients.

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

| | December 31, 2016 | | December 31, 2015 | |
|---|---|---|---|---|
| | No. of Employees | No. of Offices | No. of Employees | No. of Offices |
| **Banco Davivienda S.A.** | 12.587 | 592 | 12.010 | 590 |
| **Banco Davivienda Miami International Bank Branch** | 42 | 1 | 46 | 1 |
| **National Subsidiaries** | | | | |
| Fiduciaria Davivienda S.A. | 203 | 1 | 205 | 1 |
| Corredores Davivienda S.A. | 354 | 5 | 352 | 4 |
| Cobranzas Sigma S.A.S | 10 | - | - | - |
| | 567 | 6 | 557 | 5 |
| **Subsidiaries Abroad** | | | | |
| Grupo del Istmo S.A. (*) | 946 | 29 | 923 | 28 |
| Inversiones Financieras Davivienda S.A. (**) | 1,786 | 58 | 1,852 | 59 |
| Banco Davivienda Honduras S.A. | 1,126 | 56 | 1,128 | 55 |
| Seguros Bolívar Honduras S.A. | 162 | 4 | 162 | 4 |
| Corredores Davivienda Panamá S.A. | 4 | 1 | 4 | 1 |
| Banco Davivienda Panamá S.A. | 146 | 6 | 139 | 6 |
| Banco Davivienda Internacional S.A. | 1 | - | 1 | - |
| | 4.171 | 154 | 4,209 | 153 |
| | 17,367 | 753 | 16,822 | 749 |

(*) It is a holding company of: *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*., (before August 19, 2016 *called Davivienda Sociedad Agencia de Seguros S.A.) Davivienda Leasing Costa Rica S.A.,* and *Davivienda Seguros Costa Rica* (before the 14 of December 2016 *Seguros Bolívar Aseguradora Mixta S.A*.)

(**) It is a holding company of: *Banco Davivienda Salvadoreño S.A., Almacenadora Davivienda El Salvador S.A., de C.V, 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*.

(Millions of Colombian pesos (COP))

## 2. Significant Facts

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

### Leasing Bolívar Merger

On January 4, 2016, the merger with Leasing Bolívar S.A. took place; as of the 31 of December 2015 this company had $ 1.2 trillion of assets. A ratio of exchange in preferred shares of 0.31040 shares of the Bank was established for each share of Leasing Bolívar S.A. For a total of 7.456.179 preferred shares that were issued to the major shareholders. The transaction was accounted for in ledgers.

The assets, liabilities and equity of Leasing Bolívar SA are detailed below. (Audited figures):

| | Initial balance | Leasing Merger | Final balance |
|---|---|---|---|
| Assets | | | |
| Cash | 3.907.931 | 62.817 | 3.970.748 |
| Investments | 9.551.840 | 9.407 | 9.561.247 |
| Portfolio | 46.450.272 | 1.063.465 | 47.513.737 |
| Other Assets | 3.192.644 | 106.894 | 3.299.538 |
| Total Assets | 63.102.687 | 1.242.584 | 64.345.271 |
| Liabilities | | | |
| Deposits and payables on demand: | 38.514.504 | 768.547 | 39.283.051 |
| Bank credits and other obligations | 4.999.696 | 272.677 | 5.272.373 |
| Accounts payable | 819.603 | 44.310 | 863.913 |
| Other liabilities | 11.050.368 | 17.033 | 11.067.401 |
| Total Liabilities | 55.384.171 | 1.102.567 | 56.486.738 |
| Equity | | | |
| Capital and Reserves | 5.421.093 | 124.944 | 5.546.037 |
| Unrealized gains or losses (OCI) | 268.880 | - | 268.880 |
| Adjustments in the first time adoption | 734.409 | 14.100 | 748.509 |
| Retained earnings (losses) from Previous years | 79.871 | 974 | 80.845 |
| Net Income | 1.214.263 | - | 1.214.263 |
| Total Equity | 7.718.516 | 140.017 | 7.858.533 |
| Total Liabilities and Equity | 63.102.687 | 1.242.584 | 64.345.271 |

### Payment of dividends

On March 10, 2016, the General Shareholders' Meeting approved the payment of $ 864 pesos of dividends per share, for a total of $ 390.243, representing a distribution of 32.1% of individual profits. 50% of this dividend was paid on March 29, 2016 and the remaining 50% was paid on September 21, 2016.

### Capital improvements

During the general meeting of shareholders of the Bank in Colombia held on March 10, 2016, the increase of occasional reserves available to the meeting was approved for future capitalization of $ 475.000 and the legal reserve of $ 398.711.

In addition, the shareholders' meeting approved the payment of $ 424.570 in stock dividends, on April 20, at $ 940 pesos per share, through the increase in the nominal value of $10 pesos per share and the $ 930 pesos remaining; In this way, an increase in the subscribed capital was paid to the Mercantile Register on April 20 and paid to $76.784, represented by 451.670.413 shares, caused by an increase in the nominal value of $ 10. An increase in authorized capital was also recorded at $ 77.350, represented by 455.000.000 shares, with an increase of $ 10 pesos of the nominal value.

(Millions of Colombian pesos (COP))

Accounting Hedge

In April and October 2016, the accounting hedge in USD is renewed to cover the net investment in foreign subsidiaries, in order to eliminate the accounting asymmetry between results and equity resulting from the re-expression of exchange between investments and financial liabilities. This hedge is additional to the existing one.

| **Amount USD** | **Term (days)** | **Rate** |
|---|---|---|
| 50.000.000,00 | 180 | 2,16% |
| 45.000.000,00 | 180 | 2,16% |
| 41.000.000,00 | 360 | 2,57% |
| 10.000.000,00 | 360 | 2,08% |

Sale of Shares

During the first half of 2016, CIFIN shares were sold for $ 57.533, as follows: on February 8, 75% of the shares represented 68.735 shares for $ 43.273 and on May 31 represented 22.756 shares for $ 14.260. The impact on results was $ 56.983 of which $ 2.049 corresponds to equity realization and $ 54.934 for profit on the sale of equity securities. The Bank evaluates a business opportunity with a significant profitability for the realization of this Investment and the incidence of it in the composition of the Portfolio.

Davivienda Fiduciary Capitalization

According to the authorization of the Financial Superintendence of Colombia (SFC) received on June 30, 2016, the Bank contributed $ 33.145 to capitalize the Fiduciaria Davivienda SA, acquiring 33.145.415 shares for a total of 111.417.676, maintaining the participation of 94,7 %.

Grupo del Istmo Capitalization

Banco Panamá Internacional contributed US $ 30 million in July 2016 to capitalize the Grupo del Istmo of which US $ 6 million were capitalized, acquiring 279.724 shares equivalent to 2,7% of participation and USD $ 24 were recognized as a contribution to future capitalizations.

Later Grupo Istmo capitalized Corporación Costa Rica in USD $ 24 million, which in turn capitalized the Costa Rica Bank.

Issuance of Bank Bonds

In July 2016, the issuance of ordinary national bonds in pesos for $ 600.000 was made as follows:

| | Value | Average term | Rate |
|---|---|---|---|
| Ordinary FR | 222.385 | 3 years | TF 8,64% EAR |
| Ordinary CPI | 131.864 | 7 years | CPI + 3,67% EAR. |
| Ordinary CPI | 245.751 | 12 years | CPI + 4,00% EAR |

In September 2016 a new issuance of subordinated national bonds in pesos for $ 358.589 was made; the term is 10 years with a yield of CPI + 4,16% EAR and the periodicity of quarter overdue payments.

Issuance of Costa Rica Bonds

In February 2016, Banco Costa Rica issued a standardized bond in the local market, for ₡ 12 billion colones (USD19 million) for a term of 2 years and in July for USD $ 3.6 million for a term of 1 year.

El Salvador Bond Issuance

On November 29 the Salvadoran Bank issued a USD 30 million 6-year bond with a fixed rate of 6% and redemption of USD 10 million.

Mobilization of Assets

During the month of December 2016, the Bank sold 98 properties equivalent to 710 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 $ 637.249 with net taxable income of $200.286, of which $ 150.284 was income for the sale and $ 50.016 for taxes. The transaction represented a release of opening IFRS statement of financial position (ESFA) to retained earnings of $. 238.499 for the realization of valuations: Other Comprehensive Income $ 327.033 and Deferred Tax ($ 88.175).

Actions received

On December 30, 2016 the Bank received 1.404.627.860 shares from Credibanco S.A. for conversion to Public Limited Company, whose nominal value was $ 1 and the market value $ 84,18 per share, the Bank's share is 15,55%, this transaction generated net income of $ 106.805.

The Exchange rate effect

For December 31, 2016, the REER (Real Effective Exchange Rate) amounted to $ 3.000,71, which resulted in a revaluation of $ 148,76 pesos, compared to the closing REER of December of 2015 that was $ 3.149,47, which decreased the result by $ 36.707. The representative figures are: decrease in cash $ 119.552, loan portfolio $ 60.572 and increase in other assets $ 21.103; on the other hand, decrease in liabilities for deposits and liabilities $ 63.981 and ordinary bonds $ 73.429 offset by increase in financial obligations $ 7.816 and other liabilities $ 31.013.

The effect of the hedge for investments in foreign currency in Central America generated, at the end of 2016, a net decrease in equity of $ 159.874, consisting of: the reduction of the restatement of subordinated bonds $ 77.144, increase in the restatement of Financial Obligations $ 5.704 and decrease for restatement of investments in equity securities $ 231.313.

## 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 and 2131 Of 2016 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, 2013 for the financial statements of 2016 and as of December 31, 2012 for the financial statements of 2015., except in the cases of following exempted items.

(Millions of Colombian pesos (COP))

| Items | Normative | Exception |
|---|---|---|
| Treatment of the loan portfolio and its impairment | Decree 1851 of 2013 External Circular 036 of 2014, issued by the 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 the *Other Integral Result* rubric in the terms defined in the External Circular Letter 36 of December 2014 and the External Circular Letter 37 of October 2015. |
| Rich tax | Law 1739 of December 2014. | It allows the annual causation of Rich tax and the recognition option under equity reserves. |

In accordance with Colombian law, the Bank must prepare consolidated and separate financial statements, which are presented by the Board of Directors to the General Meeting of Shareholders to approve or revoke 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 highest body with the purpose of informing the management of the controlling company and its 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 Shareholders' Meeting so that, after approval or non-approval of said statements, the distribution of dividends and appropriations is determined.

Law 1819 of 2016 establishes that as of 2017, assets, liabilities, equity, revenues, costs and expenses must be recognized and measured in accordance with the normative accounting frameworks in force in Colombia, with some exceptions. Until 2016, tax declarations 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 main financial statements are the Separate financial statements.

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

**b. Business in progress**

The preparation of the consolidated financial statements was made on the basis of business in progress; 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 Statement were determined to be business in progress, relate to the evaluation of the current financial situation, its 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 determined that would make it impossible for the Bank to operate as a going concern.

**c. Accrual accounting basis**

The Bank elaborates its financial statements, except for cash flow information, using the accrual accounting basis. In this way, the Bank recognizes accounting items as assets, liabilities, equity, income and expenses, when they meet the definitions and criteria established by the conceptual framework of international financial reporting standards adopted in Colombia.

**d. Materiality**

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

**e. Uniformity of presentation**

The 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 in force.

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

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

**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 Bases of Measurement

The consolidated financial statements were prepared based on historical costs, 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 |
|---|---|
| Derivative financial instruments | Fair Value |
| Financial instruments at fair value with changes in the result and in other comprehensive income results | Fair Value |
| Long-term employee benefits. | Actuarial calculation |

i. Historical Cost

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

ii. Fair Value

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

### 4.2 Functional and presentation currency

The consolidated financial statements have been elaborated and presented in Colombian pesos to comply to the functional currency of the Bank and comply with the instructions of the SFC according to External Circular Letter 038 of 2013.

The items included in the consolidated financial statements of the Bank 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 the information is presented in millions of pesos and has been rounded off to the nearest unit.

### 4.3 Transactions in foreign currency

In preparing the financial statements of each individual entity that is part of 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 entries that are averages at historical cost, in foreign currency, are not reconverted.

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

- Exchange rate differences arising from transactions related to exchange rate risk hedges (see Note 4.8 related to the accounting policies for hedges)

For the purpose of presenting the consolidated financial statements, the Bank's foreign currency assets and liabilities are 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 other comprehensive income 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 the differences in accumulated exchange rate in capital related to that operation attributable to the Bank are reclassified to the results.

The conversion rates applied at the close of December 31, 2016 and 2015 are $ 3.000,71 and $ 3.149,47 per 1 US $ respectively.

### 4.4 Bases for consolidation of financial statements

The consolidated financial statements at year-end include the assets, liabilities, results and cash flows of the Bank and its subsidiaries, and are elaborated 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 share of the investment. 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 date when control ceases.

For each year, the Bank evaluates investments in which it has a less than 50% stake in establishing whether there is control and, therefore, an obligation to consolidate these entities, taking into account the following elements: a) Substantial changes in evaluated property of the Bank, purchases or sales of its shares in the period; b) contractual changes in the government; 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 the consolidation.

When the Bank loses control of a subsidiary, the gain or loss in the provision 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 value of the assets in the ledger (including goodwill) and liabilities of the subsidiary and any non-controlling interest.

Amounts previously recognized in other comprehensive income entries relating 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, 2016 and 2015, include the following subsidiaries.

**National 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, DC, 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 DC.

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 Panamá SA, 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.

Beginning January 4, 2016, with the merger approved by the Financial Superintendence of Colombia between Leasing Bolivar S.A. and Banco Davivienda S.A., by resolution 1667 of December 02, 2015, Sigma becomes a subsidiary of Banco Davivienda S.A.

**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: Almacenadora Davivienda El Salvador, S.A., 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 SA, by means of deed 198, and the company name was changed to "Banco DAVIVIENDA Honduras SA, 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. (antes Banco HSBC (Costa Rica), S.A.
- Davivienda Puesto de Bolsa (Costa Rica), S.A. (antes HSBC Puesto de Bolsa (Costa Rica), S.A.) (Valores)
- Davivienda Corredora de Seguros Costa Rica S.A. (antes 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 the 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 SA", and capitalizing it with 270 million colones (approximately US $ 0,5).

In October 2015 Grupo del Istmo (Costa Rica) S.A. made a capital contribution to Corporación Davivienda (Costa Rica), with the proceeds of a USD 6.1 million loan received from Banco Davivienda Panama Licencia General, so that it could in turn acquire Riesgos y 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 share capital to 3,468,000 shares.

In 2009, HSBC Seguros Panamá, 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 SA, with Banco Davivienda SA, 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, SA

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 Superintendency of Banks of Panama (the "Superintendency"), 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 Superintendency of Banks of Panama authorized the transfer and consolidation of the activities held under the

(Millions of Colombian pesos (COP))

International License, under the umbrella of the General License. Therefore, this resolution invalidates Resolution No. 34-88.

Banking operations in the Republic of Panama are regulated and supervised by the Superintendency 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.

International License

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 Superintendency 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:

On June 3, Banco Davivienda (Panama) SA 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

Assets were transferred for USD 109,117 compound for USD 84,054 of loan portfolio and USD 25,063 for investment in bonds and deposits for USD 109,117. The process of excision will culminate 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, 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 |
| | 95.710.119 | 83.954.882 | 11.755.237 | 1.802.579 |

(Millions of Colombian pesos (COP))

| | December 31, 2015 | | | |
|---|---|---|---|---|
| | Assets | Liabilities | Equity | Profit (Losses) |
| Banco Davivienda S.A. (Controlling Company) Excluded | 63.102.687 | 55.384.171 | 7.718.516 | 1.214.263 |
| Grupo del Istmo Costa Rica S.A. (*) | 6.980.396 | 6.314.917 | 772.688 | 51.535 |
| Inversiones Financiera Davivienda S.A. (*) | 7.301.081 | 6.434.805 | 941.040 | 64.770 |
| Banco Davivienda Honduras S.A. | 3.403.957 | 3.051.800 | 352.158 | 34.076 |
| Seguros Bolívar Honduras S.A. | 231.035 | 145.113 | 85.922 | 12.552 |
| Banco Davivienda Panamá S.A. | 4.275.121 | 3.826.209 | 448.912 | 41.043 |
| Davivienda Internacional Panamá S.A. | 379.421 | 343.588 | 35.833 | 323 |
| Corredores Asociados Colombia S.A. (*) | 102.958 | 35.859 | 69.433 | 3.730 |
| Fiduciaria Davivienda S.A. | 156.119 | 17.587 | 138.532 | 26.236 |
| Total | 85.932.775 | 75.554.049 | 10.563.034 | 1.448.528 |

(*)Sub-consolidated

To date, there are no contractual restrictions on the use of assets and liquidation of the Bank's liabilities except the legal banking reserve for 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, 2016

| Concept | Davivienda | National subsidiaries | Foreign subsidiaries | Total Consolidated |
|---|---|---|---|---|
| Separated Profit Origin | 1.538.686 | 46.222 | 217.671 | 1.802.579 |
| Homogenizations | 171.176 | (1.410) | (244.121) | (74.355) |
| Portfolio Impairment | 499.980 | - | (26.696) | 473.284 |
| Financial Income Portfolio | 52.126 | - | 12.094 | 64.220 |
| Investment Rating | 7.632 | - | 1.630 | 9.262 |
| Unawareness Dividends | (21.510) | - | - | (21.510) |
| Equity Participation Method Recognition | (52.259) | (1.410) | (208.529) | (262.198) |
| Deferred Tax | (245.421) | - | 2.796 | (242.625) |
| Other Recoveries | (69.372) | - | (25.415) | (94.787) |
| Homogenized Profit | 1.709.862 | 44.812 | (26.449) | 1.728.224 |
| Deletions | (231.927) | 19.820 | 208.612 | (3.494) |
| Consolidated Profit | 1.477.935 | 64.632 | 182.163 | 1.724.730 |

December 31, 2015

| Concept | Davivienda | National subsidiaries | Foreign subsidiaries | Total Consolidated |
|---|---|---|---|---|
| Separated Profit Origin | 1.214.263 | 29.966 | 204.299 | 1.448.528 |
| Homogenizations | 17.217 | (826) | (173.814) | (157.423) |
| Portfolio Impairment | 59.927 | - | (19.511) | 40,416 |
| Financial Income Portfolio | (7.920) | - | 7.442 | (478) |
| Investment Rating | (25.439) | - | 1.382 | (24,057) |
| Unawareness Dividends | (27.712) | - | - | (27,712) |
| Recognition Equity Participation Method | 18.353 | (826) | (175.291) | (157,764) |
| Deferred Tax | (5.095) | - | 5.362 | 267 |
| Other Recoveries | 5.104 | - | 6.802 | 11,906 |
| Homogenized Profit | 1.231.480 | 29.966 | 205.202 | 1.466.648 |
| Deletions | (254.271) | 19.548 | 180.335 | (54.388) |
| Consolidated  Profit | 977.208 | 48.688 | 210.820 | 1.236.717 |

### 4.6 Cash and Cash Equivalents

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

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

### 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 provisions 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 results.

#### 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.

Two business models for the administration of the investment portfolio were established by the Bank: 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 and eliminated based on the negotiation 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 has financial instruments measured at amortized cost when its goal 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 keep until maturity.

Financial assets are recognized at amortized net cost of impairment provisions. Interest income is recognized by the effective interest method and is recorded in income under the rubric 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 provisions are recognized in the income statement.

Reclassifications of financial instruments are made only upon occurrence of a change in the Bank’s business model.

<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 income statement.

<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 incurred the income statement, 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 accompany 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 itemized in other comprehensive income.

<u>Impairment of financial instruments at amortized cost – Investments</u>

The impairment for 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 loss events result 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, situations, subject to be reviewed individually or by sectors that impact the creditworthiness of the counterparties.

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 (to covenants) agreed in loan.

#### 4.8.1.2 Derecognition of financial assets

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

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

- Upon de-recognition of a financial asset in its totality, the difference between the carrying amount of the asset in the ledger and the sum of the consideration received and because of the receiving and the cumulative gain or losses that have been 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 provisions, 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 by 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 1143/1109, 1190/12, 0701/13, 2480/14 and 161/14 issued by the government, the "conditioned hedging" mechanism that facilitates the acquisition of housing is created. The Bank implements the procedures for the implementation of this mechanism in the disbursements of housing portfolio and housing leasing contracts for the purchase of new housing. 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, a provision 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.

Housing Leasing

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

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

Housing Leasing corresponds to the financed value of real property of housing 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.

Restructured Loans

It is understood by restructured credit any credit that by holding any legal business tends to change the conditions initially raised in order to allow the debtor proper care of the obligation. For these purposes, novations 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 established that the same will be recovered under the new conditions.

The restructured portfolio under the terms of Law 546 of 1999 for the housing portfolio is not considered 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 judicial insolvency regime seeks credit protection and the recovery and conservation of the company as a unit of economic exploitation and job source, by the means of reorganization and judicial liquidation, always using the criterion of value aggregation.

Provisions for impairment

In order to guarantee the funds raised to clients, the Bank prudently makes provisions that seek to cover losses arising from lending activity.

Loan or group of loans that are measured at amortized cost, are deemed 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 provisions should be consistent with the incurred losses in the portfolio; that the provisions are generated as a result of sustainable evidence of impairment; and that the calculation of the provisions 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 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 bank 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 historical payment behavior presented by the client to 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 keeps in mind the credit exposure and the recoveries that the impaired loans may present.

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 shall be measured using the original effective interest rate prior to the modification of the conditions.

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

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

Punishments

A loan is derecognized when there is no chance of recovery and extensive recovery efforts have been made or legal attempts have been tried. Consumer loans not backed up by mortgage and/or guarantee are derecognized 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. Housing loans that are past due more than 900 days are derecognized.

Particular punishments under the parameters defined by the Bank as authorized by the Board may also be applied.

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

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

#### 4.8.1.4 Guarantees

The guarantee is an instrument by which Inferred Loss (IP) 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 improvement of the same will be prior to the disbursement of resources.

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 housing 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.

#### 4.8.1.5 Portfolio Sales

It is the process by which 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 portfolio where through its applications it operatively controls a third party´s portfolio receiving in return for the service a defined percentage as commission for this work.

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

The Bank has management contracts where through its applications it operationally manages a third party’s portfolio receiving in return for the service an agreed-upon percentage as a fee for this work.

#### 4.8.1.6 Derivative financial instruments

Derivatives are financial instruments that derive their value from changes in interest rates, exchange rates, credit 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 financial position statement and changes in fair value are recognized in Profit along with changes in the fair value of the hedged item that are attributable to risk coverage, on the same line as the comprehensive income, as the hedge entry..

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

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

Derivatives that are held for the purpose of managing risks

The derivatives held for the purpose of managing risks correspond to derivatives in which the Bank enters with the purpose of covering market risks, interest rate or foreign currency within traditional banking business operations. If derivatives are held to manage risks and also meet 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.

### 4.9 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 offsetting the exposure to changes in fair value or changes in the cash flows of the hedged item.

- 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 value in the ledger of the hedged item arising from the hedged risk is amortized against income from that date.

- 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 rubric 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" rubric.

The amounts previously recognized in other comprehensive income and accumulated in equity, are reclassified to profit 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 investment changes in a foreign operation

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

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

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

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

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

### 4.10 Assets held for sale

Assets are classified as available for sale when their present conditions allow their sale and it is highly probable that their sale 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 that are 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 at the reach of everyone)", 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.
- Regarding difficult marketing goods, which are categorized in that manner when they have already served more than twelve months for property or more than 3 months for vehicles without receiving any offer from the beginning of their publication. Specific action plans are carried out for that sale, with greater emphasis on those that have served this time, analyzing each case and creating strategies to achieve their sale.
- Regarding the price, 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 shared control over its activities, established by contractual agreements and requiring unanimous consent for the determination of 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 that are directly attributable to the acquisition of the asset. Land is not depreciated and utilities 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 greater value of the asset if they meet the requirements for their registration 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 ledger of property and equipment will be derecognized because of its disposal; or when no future economic benefits are expected to be derived from their use or disposal.

**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. Such depreciation that is charged to income is 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 the probability exists 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 value in the ledger and fair value is recognized in income. According to the NCIF 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.

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

### 4.14 Investment in associates

Associates are those entities in which the Bank has significant influence, but does not have complete control or joint control over the financial and operating policies or it owns more than a 20% but less than a 50% stake. 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 you have 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 method of participation 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 the cost of acquisition 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 ledgers’ carrying amount 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 carrying amount in the ledger 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 (higher between value in use and fair value minus sale cost) against its value in ledger. Any recognized impairment loss forms part of the investment value in the carrying amounts in the ledgers. Any reversal of such an impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment increases later on.

The Bank discontinues the use of the equity method from the date the investment ends being an associate or a joint venture, or when the investment is classified as held for sale. When the Bank maintains interest in the associate or joint venture, retained investment is measured at the fair value at that date and is regarded as its fair value at the initial recognition in accordance with NIC 39 (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 the Bank continues using 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 assets or relative 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 by using 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 share percentage in consortia of structured Trust. These agreements are signed with other fiduciaries for the purpose of participating in public tenders to run and develop together a service delivery activity.

### 4.15 Business combinations

Business acquisitions are accounted for using the purchase method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the fair values of the assets transferred by the entity 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 that are measured in accordance with that standard.

The trade credit or capital gain 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 participations that are shareholdings and give their holders a proportionate share of the net assets of the entity in the event of liquidation may be initially measured either at fair value or at the value of the proportionate share of the non-controlling 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 transferred consideration by the entity in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at fair value at the acquisition date and is included as part of the consideration transferred in a combination of businesses. Changes in the fair value of the contingent consideration that qualify as adjustments of the measurement period are adjusted retrospectively with the corresponding adjustments against trade credit. The adjustments of the measurement period are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed 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 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 companies of technical services 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 the impairment that is 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 register an intangible asset once 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 shall be the fair value at the acquisition date. For internally generated intangible assets, all disbursements in the research phase are recognized in expenditures and the ones incurred in the development phase to create, produce and prepare the asset for it to operate as intended are capitalized.

The Bank will assess if the useful life of an intangible asset is finite or indefinite. An intangible asset with a finite useful life is amortized unlike one with an indefinite useful life. In the subsequent recognition, intangible assets with 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 lifespan between 1 and 11 years. The maintenance or support costs are registered against 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 carrying amount in ledgers, the carrying amount 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 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, goods received in lieu of payment with restrictions for sale, among others.

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

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

### 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 profit or loss.

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 7.

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 in the interest expenses.

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.

Derecognition of financial liabilities

The Bank derecognises 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 income.

### 4.23 Insurance

Premiums for single premium businesses are recognized as income when they are 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 from calamities 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 premium deficiency 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 non-accrued premium 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 issuance 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 constituted, whose calculation corresponds to 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 calamities corresponds to the amount of resources that the entity must allocate to meet payments of claims incurred once they have been reported and the costs associated with them. 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.

The catastrophic reserves are not recognized in the consolidated financial statement because there is not an accurate fact that can predict its realization.

### 4.24 Capital income tax

Strategy and tax policy

Based on the analysis and interpretation of the applicable tax regulations, the Bank and its subsidiaries give adequate and timely compliance to different 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 laws enacted at the date of the statement of financial position. Management periodically evaluates the position assumed in tax returns, regarding situations in which the tax laws are subject to interpretation and, if necessary, constitute provisions on the amounts that it expects will have to be paid to the tax authorities.

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

Deferred taxes

The deferred tax is recognized in the income statement for the period, except for items that are recognized in 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 occasional profit rate if the asset has been owned for more than two years.

Recognition of taxable temporary differences

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

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;

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 temporary differences

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

They correspond to temporary differences associated with investments in subsidiaries, associates and joint ventures to the extent that the temporary differences will reverse 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.

Rich tax

Law 1739 of 23 December 2014 in its first article creates from January 1, 2015 an extraordinary tax called Rich tax, one which will be temporary for the taxable years 2015, 2016 and 2017. The tax will be incurred annually on January 1 of each year.

The Bank recorded the Rich tax charged to equity reserves without affecting the yearly profit, according to 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 into account the risks and uncertainties surrounding the obligation. When a provision is valued using cash flows estimated to settle the present obligation, its carrying amount represents the present value of those cash flows.

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

Litigation

Disputes analyzed are those with a probability of failure against the Bank, which should be recognized at fair value, recognizing the likely value of the fault and the estimated resolution date. The estimated cash flows are discounted at the bank 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 11.23.

### 4.26 Bank Guarantees

They correspond to documents issued by the Bank to ensure compliance with one or more obligations in whole or in part, contracted by the 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 canceled, within a period agreed upon with the customer, initially recognized at the guaranteed value and subsequently evaluated in accordance with IAS 37.

### 4.27 Compensation of financial instruments in the financial position statement

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, 2016 and 2015, the Bank was not subject to compensation.

### 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 shows 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.

Common shares

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

Shares with minimum preferential dividend

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

Paid-in shares

The share placement premium corresponds to the difference between the nominal value and the value paid for the share,

Reserves

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

ii) Statutory and voluntary reserves – It includes the following reservations that must be approved by the General Shareholders Assembly
- Reserve for valuation of investments at market prices. Decree 2336 of 1995
- Reserve for the Rich tax
- Reserve available to the General Shareholders Assembly for future distributions of profits
- Others

To meet solvency standards the Bank can make commitments of capitalization of reserves available to the assembly.

Other Comprehensive Income

It 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 the External Circular Letter 036 of 2014, issued by the SFC, the difference between the models of loss incurred of loan portfolio under NCRF (NCIF) and the models of expected loss recognized in the individual or separate financial statements of domestic subsidiaries and those abroad according to regulations of the SFC, shall be recognized in other comprehensive income.

Earnings per share

Basic earnings per common share are calculated by dividing the controlling interest between the weighted average numbers of ordinary shares outstanding during the year. See note 11.24.

### 4.29 Income and expenditure recognition

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

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

Interest income, interest expenses and similar items

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

Commissions from banking services are recognized when they are earned.

Commissions or credit card income, including commissions from credit or debit card interchange and quarterly or annual handling fees are recognized when earned, except quarterly fees that are recognized monthly. Interchange commissions are recorded net of the estimated points that are paid when purchases are made.

The credit commissions whether by availability of credit quotas, restructuring and 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 in income when the right to receive them is established and in the case of dividends of the subsidiaries they are recorded as lower value of the investment, and for non-controlled entities and associates they are recognized in results on the date when they are entitled to their collection.

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 carries out business activities 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 supreme decision-making individual), 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 Financial Superintendence of Colombia. In the application of accounting policies, different types of estimates and assumptions were used. The administration made these value judgments, on the analysis of assumptions that were based 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 could differ from these estimates.

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

### 5.1 Critical judgments in applying accounting policies

Critical judgments are presented below, apart from those involving estimates, made by the administration during the process of implementation of the Bank's accounting policies, 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 11.8 and represents its investment by the equity participation method.

**Fundamental sources of uncertainty in estimates**

Here 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 resulting in noteworthy adjustments to the carrying amounts of assets and liabilities in ledgers within the next year:

<u>Fair value measurements and evaluation processes</u>

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

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

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

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

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

<u>Impairment of goodwill</u>

To determine whether goodwill is impaired involves calculating the value of the use of the cash-generating units to which it is assigned. The calculation of the use value requires the Bank to determine the future cash flows that the cash generating units are expected to obtain and deem an appropriate discount rate to calculate the present value.

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

<u>Useful life spans, residual values and depreciation methods of long-term assets</u>

As described in Note 4.11., the Bank periodically reviews the useful life spans, residual values and depreciation methods of long-term assets, including property and equipment and intangible assets.
Valuations are carried out by technical experts. In addition, for intangibles it is determined whether their life spans are definite or indefinite. During the periods presented, there were no modifications of these estimates.

Income tax

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

Provisions and contingencies

A contingency 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 Expenses in settlement is remote, the Bank shall disclose, for each class of contingent liabilities, at the end of the reporting period, a brief description of the nature of the contingent liability. When there is a probability of an inflow of economic benefits, the Bank shall disclose a brief description of the nature of the contingent assets at the end of the reporting period and, where feasible, an estimate of their financial effect. Estimates regarding contingencies are based on the criteria adopted pursuant NCIF, as follows:

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

| **Probability of the 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 indicating 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 worker completes his or her employment period,

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

In the defined benefit plans, the Bank grants 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. New standards and interpretations issued but not yet effective

In accordance with Decree 2496 of December 2015, the rules issued applicable from 2017 (with the exception of IFRS 15 and IFRS 9, applicable from January 1, 2018, although their early application is permitted). The impact of these standards is being evaluated by the Bank's management,

**IAS 1** – Presentation of financial statements: Disclosure Initiative - In connection with the presentation of financial statements, the amendment clarifies disclosure requirements.

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

Materiality requirements IAS 1:

- Indication of the specific lines on the income statement, comprehensive income and changes in financial position that can be disaggregated.
- Flexibility in the order in which the notes to the financial statements are presented.
- An entity does not need to disclose specific information required by an IFRS if the resulting information is not material.

The implementation of the amendments need not be disclosed.

**IFRS 9 -** Financial instruments: (as revised in 2014),

The replacement project refers to the following phases:

Phase 1: Classification and measurement of financial assets and liabilities,

Phase 2: Methodology of impairment,

Phase 3: Hedge Accounting

In July 2014, the IASB completed the accounting reform for financial instruments and issued IFRS 9 - Accounting for Financial Instruments (in its revised version of 2014), which will replace IAS 39

- Financial instruments: recognition and measurement after the expiration date of the previous one.

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

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

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

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

**Application of the consolidation exception.**

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

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

**Sale or contribution of assets between an investor and its associate or joint venture.**

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

**IFRS 15 -** Income from contracts with customers

**Revenue from contracts with customers**

It establishes a five-step model that applies to revenue from customer contracts.

It will replace the following income standards and interpretations after the effective date.

• IAS 18 – Income.
• IAS 11 – Construction.

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

**IAS 16** – Properties, plant and equipment

**Clarification of acceptable depreciation methods**

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

**IAS 27 -** Separate financial statements

**Participation method in separate financial statements**

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

**IAS 38** – Intangible assets

**Clarification of acceptable amortization methods**

Establishes conditions related to the amortization of intangible assets:
a) when the intangible asset is expressed as a measure of income.
b) when it can be shown that the income and consumption of the economic benefits of intangible assets are closely related.

**Other Norms issued**

**IAS 7 -** Statement of Cash Flows

**Disclosure Initiative**

It requires entities to provide disclosures to enable users of financial statements to assess changes in liabilities arising from financing activities.

**IAS 12**- Income tax

**Recognition of Deferred Tax Assets for Unrealized Losses**

It clarifies the requirements for recognition of deferred tax assets for unrealized losses on debt instruments measured at fair value.

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

**Clarifications**

The purpose of these amendments is to clarify the IASB's intentions in developing the requirements of IFRS 15 without changing the underlying principles of IFRS 15.
Although the new IFRS 16 - Leases was issued in January 2016, it has not been adopted to be applicable in Colombia.

## 7.Fair Value Measurement

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 carried out 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 Colombian Financial Superintendence, 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 that participate in the markets,

Measurements of fair value on a recurring basis

Recurring measurements are those that require or permit IFRS accounting standards in the statement of financial position at the end of each reporting period. If required in a circumstantial manner, they are classified as non-recurring.

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, 2016.

(Millions of Colombian pesos (COP))

| | Fair Value | Heriarchy | | |
|---|---|---|---|---|
| | **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 Colombian 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 |
| Entities of the Real Sector | 18.523 | 3.858 | 14.666 | - |
| Others | 817.901 | 101.216 | 1.362 | 715.324 |
| Foreign currency | 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 | - |
| Entities of the Real Sector | 176.791 | 61.556 | 115.235 | - |
| Other | 14.487 | 14.487 | - | - |
| Investments in equity instruments | 32.130 | 32.130 | - | - |
| With change of results | 32.130 | 32.130 | - | - |
| Trading Derivatives | 241.022 | - | 241.022 | - |
| Currency Forward | 93.389 | - | 93.389 | - |
| Forward Securities | 635 | - | 635 | - |
| Swap interest rate | 123.059 | - | 123.059 | - |
| Currency Swap | 1.377 | - | 1.377 | - |
| Others | 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 | - |
| Currency Forward | 92.422 | - | 92.422 | - |
| Forward Securities | 1.003 | - | 1.003 | - |
| Swap interest rate | 122.707 | - | 122.707 | - |
| Swap currency | 2.492 | - | 2.492 | - |
| Others | 22.395 | - | 22.395 | - |
| ***Total liabilities*** | **241.019** | **-** | **241.019** | **-** |

(Millions of Colombian pesos (COP))

| | Fair Value | Heriarchy | | |
|---|---|---|---|---|
| | **December 31, 2015** | **1** | **2** | **3** |
| **Assets** | | | | |
| Investments in debt securities issued and guaranteed | 7.237.913 | 4.231.228 | 1.349.630 | 1.657.056 |
| In Colombian pesos | 5.026.176 | 3.792.233 | 321.536 | 912.408 |
| Colombian Government | 3.675.967 | 3.668.741 | 7.225 | - |
| Foreign Governments | 7.593 | - | 7.593 | - |
| Financial institutions | 414.357 | 81.419 | 272.424 | 60.513 |
| Entities of the Real Sector | 17.648 | 4.715 | 12.933 | - |
| Others | 910.612 | 37.357 | 21.360 | 851.894 |
| Foreign currency | 2.211.737 | 438.995 | 1.028.094 | 744.648 |
| Colombian Government | 59.794 | 59.794 | - | - |
| Foreign Governments | 1.592.495 | 17.934 | 829.912 | 744.648 |
| Financial institutions | 315.153 | 250.943 | 64.211 | - |
| Entities of the Real Sector | 219.686 | 87.084 | 132.602 | - |
| Other | 24.610 | 23.240 | 1.370 | - |
| Investments in equity instruments | 8.575 | 8.575 | - | - |
| With change of results | 8.575 | 8.575 | - | - |
| Trading Derivatives | 441.317 | - | 441.317 | - |
| Currency Forward | 314.337 | - | 314.337 | - |
| Forward Securities | 76 | - | 76 | - |
| Swap interest rate | 113.110 | - | 113.110 | - |
| Currency Swap | 1.524 | - | 1.524 | - |
| Others | 12.269 | - | 12.269 | - |
| ***Total assets*** | **7.687.804** | **4.239.802** | **1.790.946** | **1.657.056** |
| **Liabilities** | | | | |
| Trading Derivatives | 364.825 | - | 364.825 | - |
| Currency Forward | 257.328 | - | 257.328 | - |
| Forward Securities | 1.350 | - | 1.350 | - |
| Swap interest rate | 88.497 | - | 88.497 | - |
| Swap currency | 1.456 | - | 1.456 | - |
| Others | 16.194 | - | 16.194 | - |
| ***Total liabilities*** | **364.825** | **-** | **364.825** | **-** |

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: methodology 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 2.7% 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 0.9 % of book value,

  For those equity instruments that are 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) derivative financial instruments: 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, 2016 to December 31, 2015, there were no transfers between fair value levels.

(Millions of Colombian pesos (COP))

Measurements of fair value of instruments measured at amortized cost

The Bank's assets and liabilities at fair value and their carrying amount in ledgers are as follows:

| | December 31, 2016 | | | | |
|---|---|---|---|---|---|
| | Fair Value | Hierarchy 1 | 2 | 3 | Value in ledger |
| **Assets** | | | | | |
| Loan Portfolio (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** | | | | | |
| Certificates of Term Deposit | 25.797.921 | - | 25.797.921 | - | 25.664.691 |
| Debt instruments issued | 9.827.617 | 9.297.062 | - | 530.554 | 9.586.702 |
| Bank loans and other liabilities | 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** |

| | December 31, 2015 | | | | | |
|---|---|---|---|---|---|---|
| | Fair Value | Hierarchy 1 | 2 | | 3 | Value in ledger |
| **Assets** | | | | | | |
| Loan portfolio (gross) | 62.578.752 | - | - | | 62.578.752 | 64.097.380 |
| Investments at amortized cost | 1.319.161 | 249.746 | 669.998 | | 399.417 | 1.241.268 |
| **Total financial assets** | **63.897.914** | 249.746 | 669.998 | | 62.978.170 | **65.338.647** |
| **Liabilities** | | | | | | |
| Certificates of Deposit | 20.728.018 | - | 20.728.018 | (*) | - | 20.717.046 |
| Debt instruments issued | 9.233.205 | 8.625.683 | - | | 607.523 | 9.252.730 |
| Bank loans and other liabilities | 9.046.054 | - | - | | 9.046.054 | 8.769.168 |
| **Total liabilities** | **39.007.278** | 8.625.683 | 20.728.018 | | 9.653.577 | **38.738.944** |

(*) The presentation of CDs are updated with a cut to December 31, 2015; those which were in level 3 correspond to level 2, for comparative purposes, when the fair value is estimated with valuation model inputs commonly used by market participants other than observable prices.

## 8. 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 Making), for the 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. **People**

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

2. **Companies**

   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 clients in different sectors of the economy.

3. **Differentiated Financial Information ALM**

   The Differentiated Financial Information segment ALM, Asset and Liability Management corresponds to segments of assets, liabilities, income and treasury expenses equal to or greater than 10% of the assets, which are presented in an aggregate manner, as well as to the management of the mismatch and liability, and any effect of re-expression by change, either by position of the treasury or the bankbook. This is why the result of this segment does not only reflect the result of a line of business but reflects corporate decisions about the management of issuances 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 foreign subsidiaries, which are 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 clients, 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.

**Results by segment**
**January – December 2016**
**(Figures in billions of Colombian pesos (COP)**

| Income Statement | People | Companies | Differentiated financial information ALM (1) | **International | Eliminations and Homogenizations | Consolidated Bank Total |
|---|---|---|---|---|---|---|
| Interest income | 3.680.180 | 2.779.464 | 627.560 | 1.489.793 | 98.000 | 8.674.997 |
| Interest expenses | (327.025) | (1.792.686) | (1.027.368) | (566.509) | 8.750 | (3.704.838) |
| Net FTP (*) | (1.114.605) | 357.142 | 757.463 | - | - | - |
| Portfolio provisions and net account receivable | (976.762) | (494.944) | 516 | (211.737) | 448.222 | (1.234.705) |
| **Net financial Margin** | **1.261.788** | **848.976** | **358.171** | **711.547** | **554.972** | **3.735.454** |
| Income from investments in associates, net | 530.049 | 215.543 | 167.284 | 236.714 | (25.033) | 1.124.557 |
| Income from investments in associates, net | - | - | 3.228 | - | - | 3.228 |
| Dividends | - | - | 5.426 | - | - | 5.426 |
| Operating expenses | (1.342.389) | (506.989) | (388.740) | (746.135) | 49.252 | (2.935.001) |
| Changes and Derivatives, net | - | - | 132.582 | 37.104 | 8.524 | 178.210 |
| Other Income and Expenses, Net | 3.049 | 928 | 270.340 | 31.567 | (73.700) | 232.184 |
| **Operational Margin** | **452.498** | **558.458** | **548.291** | **270.797** | **514.015** | **2.344.059** |
| Income tax and complementary | (31.805) | (210.277) | (75.866) | (57.423) | (243.958) | (619.329) |
| **Net profit** | **420.693** | **348.181** | **472.425** | **213.374** | **270.057** | **1.724.730** |

| | | | | | | |
|---|---|---|---|---|---|---|
| Assets | 27.908.208 | 28.742.437 | 14.635.373 | 22.574.344 | (312.346) | 93.548.016 |
| Liabilities | 12.541.506 | 32.401.062 | 17.733.800 | 19.941.207 | 885.394 | 83.502.969 |

**Results by segment**
**January – December 2015**
**(Figures in billions of Colombian pesos (COP))**

| Income Statement | People | Companies | Differentiated financial information ALM (1) | **International | Eliminations and Homogenizations | Consolidated Bank Total |
|---|---|---|---|---|---|---|
| Interest income | 3.087.615 | 1.843.997 | 362.430 | 1.241.419 | (4.586) | 6.530.875 |
| Interest expenses | (166.547) | (940.877) | (733.690) | (445.590) | 28.127 | (2.258.576) |
| Net FTP (*) | (796.171) | 454.647 | 341.524 | - | - | - |
| Portfolio provisions and net account receivable | (626.300) | (342.902) | (49.931) | (146.846) | 11.105 | (1.154.874) |
| **Net financial Margin** | **1.498.597** | **1.014.865** | **(79.668)** | **648.983** | **34.646** | **3.117.425** |
| Income from commissions and services net | 662.824 | 242.391 | 141.028 | 423.312 | (492.858) | 976.697 |
| Income from investments in associates, net | - | - | 5.076 | - | - | 5.076 |
| Dividends | - | - | 6.623 | - | - | 6.623 |
| Operating expenses | (1.485.576) | (576.912) | (318.281) | (832.469) | 688.685 | (2.524.553) |
| Changes and Derivatives, net | - | - | 142.390 | 30.179 | (28.988) | 143.580 |
| Other Income and Expenses, Net | 21.075 | 30.028 | - | 3.960 | (63.240) | (8.177) |
| **Operating Margin** | **696.920** | **710.372** | **(102.832)** | **273.965** | **138.245** | **1.716.671** |
| Income tax and complementary | (123.000) | (263.062) | (18.276) | (71.149) | (4.467) | (479.954) |
| **Net profit** | **573.920** | **447.310** | **(121.108)** | **202.816** | **133.777** | **1.236.717** |

| | | | | | | |
|---|---|---|---|---|---|---|
| Assets | 23.691.624 | 24.827.972 | 14.746.434 | 22.568.779 | (2.116.509) | 83.718.300 |
| Liabilities | 11.244.043 | 26.671.179 | 17.586.665 | 20.147.565 | (647.143) | 75.002.309 |

**(*) Net FTP:** Refers to the costs of transferring resources between segments, which are allocated systematically and consistently and managed within the entity.

****International:** Results of the international subsidiaries without eliminations and homogenizations.

(1) Assets and liabilities management.

**Personal Banking**

Accumulated profit at December 2016 in the personal banking segment totaled $ 420.693 million, down 26,7% from the accumulated results at December 2015, reducing its share of the Bank's total profit from 46.4% to 24,4% 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 2016 was 15,8% lower than in 2015, totaling $ 1.261.788 million due to the increase in portfolio provisions and accounts receivable of 56,0%, and of the financial costs of 96,4%; however, financial income increased 19,2%, explained by the good performance of the housing and loan portfolios, which showed a growth in annual revenues of 19.4% and 11,7% respectively.

In addition, we highlight the revenues of the means of payment line, which showed growth of 21,5% and fixed consumption loans, which grew 45,2%, an increase of $ 110.074 million compared to December 2015.

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

Net provisioning expense in the personal banking segment increased by $ 350.461 million when closing at $ 976.762 million, mainly explained by the increase in provisions for fixed consumption lines, means of payment and bookings in 71,2%, 52,5% and 27,6% respectively.

Income from net commissions and services decreased by 20,0% to $ 530.049 million, as fund capture products, its largest source of income with a 49,2% share, showed a decrease of 11,8% % in this line, followed by a decrease in the income of the line of means of payment of 40,4% and of the line of rotary consumption of 29,9%.

Finally, bank operating expenses decreased 9,6% in the period analyzed, mainly explained by the 28,1% decrease in the operational expenses of the means of payment lines, 11,0% in the consumption lines and 6,0% in the areas related to the recruitment of the personal segment.

**Business Banking**

The results for December 2016 for the Business Banking segment totaled $ 348.181 million, representing 20,2% of the Bank's income,

The net financial margin for this segment to December 2016 showed a 16,3% decrease compared to the accumulated in 2015 as a result of a 50,7% growth in financial income, which was offset by higher growth in financial costs of 90,5% for the same periods, explained mainly by the higher financial cost of corporate banking, whose expenses increased by 93,0%.

Portfolio revenues in the banking segment reached $ 2.779.464 million, an additional 50,7% compared to 2015, mainly due to the increase in revenues from the corporate portfolio, which totaled $ 1.623.039 million with a 49,8% increase and the SME portfolio with an increase of 68,9%

Net provisioning expense increased by $ 152.042 million when closing at $ 494.944 million, mainly explained by the increase of $ 184.414 million in provisioning expenses of the corporate portfolio, which has a 79,2% share in banking provisions, This Portfolio was affected in its risk levels as a result of the economic slowdown, exchange rate, in addition to the conjuncture generated by the fall in oil prices.

Fee and commission income amounted to $ 215.543 million, 11,1% less than the accumulated results at December 2015, mainly explained by the decrease in the income of the SME banking in 29,9% and of the corporate banking in one 20.0%; however, net commission and services revenues from corporate banking and construction grew by 18,1% and 16,9%, respectively.

Finally, operating expenses in the corporate segment decreased by 12.1% at the close of December 2016, mainly explained by the decrease in corporate and SME banking expenses of 19,7% and 5,7%, respectively.

**Differentiated Financial Information ALM**

The net financial margin for this segment to December 2016 shows an increase of $ 437.839 million compared to December in 2015. This is due to the fact that the results of the investment portfolio grew 73,2%.

Service and commission income for the ALM segment increased by $ 26.256 million, up 18,6% from December 2015,

Finally, this segment closed with a profit of $ 472.425 million during the year, explained by the asset mobilization and the receipt of extraordinary income by Credibanco and by a contribution of $ 36.965 million of the Fiduciaria Davivienda S.A., and $ 7.764 million of Brokers Davivienda for the period from January to December 2016.

**International Operation**

Results for December 2016 for the International segment totaled $ 213.374 million and represented 12,4% of the bank's profit.

The net financial margin for this segment to December 2016 showed a growth of 9,6% compared to December 2015, given the good performance of the portfolio which represents a growth in financial income of 20,0%, interest expenses increased in $ 120.919 million, closing at $ 566.509 million, an increase of 27,1% despite the fact that the Representative Market Rate reached a value of $ 3.000,71, resulting in a revaluation of 4,7%, equivalent to $ 148,76, compared to $ 3.149,47 at the close of December 2015, which was reflected in the increase of financial income.

Revenues from commissions and services decreased 44,1%, $ 186.598 million less than those recorded from January to December 2015, totaling $ 236.714 million.

Finally, operating expenses decreased by 10.4% compared to December 2015, closing at $ 746.135 million, representing 25.4% of the total expenses of the bank,

## 9. 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**

- Companies will maintain sufficient liquidity levels on an ongoing basis.
- 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.

- Risk management must be in line with the nature and activity of the business. We only act in business that we understand and that does not affect economic stability or reputation.

- The fulfillment of the growth objectives can not lead the Bolivar Business Group 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 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 the Bolivar Business Group. Boldness in decisions will depend on that understanding.

- Strengthen the risk and compliance culture at the Bank level.

- The Bolivar Business Group has sector-basedl and / or regional specialization in its business. Any investment in different sectors or regions will be done with the approval of the Holding Board and / or subsidiary companies, after analyzing their particular features.

- 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.

- 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.

- The structure of companies must recognize key areas for which special supervision should be carried out.

Affiliates in accordance with the rules of corporate governance, should adopt policies, standards and procedures and internal control structures to ensure the integrity and efficiency of management processes. In addition they have manuals that establish the way in which their process of integral management of the risks and of the strategy is governed.

**General Frame**

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

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

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

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

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 the Grupo Empresarial Bolivar.

**Government Structure**

A set of principles have 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 highest management organ and control of the risk management, which in turn is supported on a Corporate Risk Committee that incorporates in its assessment and control of 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 Boards of Directors, as main managers of corporate governance deeply assess the risks associated with the business and they support the work done by the oversight and control bodies.

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

The Board is the body responsible for risk issues, like to:

- Evaluate, approve and oversee the management of corporate risks in the Bank
- Approve the appetite and risk tolerance of the institution and the general corporate risk scheme.
- Ensure that the risk management mechanisms of the entity will provide an appreciation of most of the risks related to the strategy and objectives.

<u>Audit Committee</u>

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

<u>Internal Audit</u>

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

Corporate Risk Commitee

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

**Management Risk Model**

Banco Davivienda's risk management is done according to operations management: Banco Davivienda Colombia and Banco Davivienda International, 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 and 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, from the Executive Vice-Presidency of Risk, the granting policies are administered, the risk assessment of the portfolios is made, SMEs, business and corporate, and a risk-return balance is maintained, the Vice-Presidency of Investment Risk assess the financial risks to which the Bank is exposed..
For the Retail Banking segment, the Retail Banking Credit Vice Presidency is responsible for the assessment, management and collection of all credit lines. The approval is based on a pyramidal structure with defined power limits. Similarly, there are credit committees with collegiate decision. For these credit products, it has bestowal scores, which have been built based on their own historical information and evaluating customer variables, his behavior and indebtedness in the financial sector, the product and the warranty. There are also methods developed to segment the homogeneous groups the universe of credits and in this way be able to individually assign the risk levels.

In the SME and Corporate segment, the credit assessment lies with the Corporate Credit Vice Presidency, which is responsible for analyzing credit applications, of tracking current obligations, of assigning risk categories and arrange the recovery in cases that it merits.

The Corporate Credit Vice-Presidency is also responsible for granting credit facilities to national and international companies whose economic activity is framed within the norms and conditions established by both the Superintendency of Corporations and by the Bank; to achieve this objective a thorough analysis of the creditworthiness of companies is done, 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 examined.

Finally, managing market and liquidity risk, as well as the Treasury is carried out from the Risk Investment Vice President. 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 of Banco Davivienda International, corresponds to the risk management of each country, evaluated and monitored from the parent company, according 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 in charge of the Corporate and Business Banking, and the Retail Banking of the foreign Subsidiaries as well as in the Parent Company it is responsible for the assessment, management and collection of credit lines. The approval is also based on a pyramidal structure of authority with defined limits and there are credit committees with collegial decision.

The Credit products for Personal Banking, have granting scores, which can be both generic as well as tailored with their own history which evaluates the client's variables, behavior and indebtedness in the financial sector, the product and the warranty.

Credit approval of the Corporate and Business Banking has a pyramidal structure of authority with local limits, from the Regional Unit and attributions that correspond to the defined Colombia Corporate Credit Committee.

The credit risk management is the Vice President of International Credit Risk who maintains the business perspective holistically and coordinates the efforts of all Subsidiaries of their Credit Risk areas localized in each country, seeking to recognize the peculiarities of the market.

Business management in Davivienda International is developed based on a different model to that developed in other companies of Grupo Empresarial Bolivar, since in this case a governance model has been defined that includes functions for subsidiaries, a group of instances and some different methodologies and different processes. The Board of Directors of each of the subsidiaries is the most senior body in the organization, responsible for the proper integrated management of financial risks in each balance sheet. In this order they are 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 at the business level and of monitoring the strategies.

Finally, in the operational risk management the Risk and Financial Control Vice President is responsible for ensuring the integrity of business processes and the ability to maintain services available to customers and partners, following the guidelines established by the Board, whose purpose is transparency in business management.

**Risk Management Systems**

<u>Credit Risk</u>

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

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

Banco Davivienda is exposed to credit risk in the development of its operations both in loan portfolio (funding Consumption, Housing needs as well as capital for companies) and its treasury operations (money market, management of the investment portfolio, derivative contracts, and buying and selling of foreign exchange). For the successful implementation of the general process of credit risk management, three sub general processes are established:

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

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

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

**Organizational Structure for Credit Risk Management**

The Bank manages credit risk for Colombia from the Risk and Financial Control Vice President, whose internal structure is aligned with the internal segmentation of the Bank. During 2015 the Small Business and Enterprise Credit Risk Management 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.

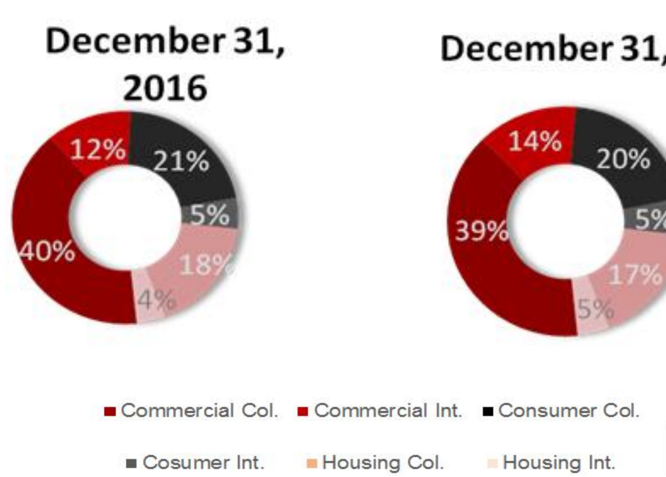
The Risk and Financial Control Vice President is responsible for evaluating the different managing financial risks alternatives to which the Bank is exposed, manage granting policies, risk analysis of massive portfolios, SMEs and business as well as maintain a risk-return balance in line with the guidelines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

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

**Credit risk exposure - Portfolio Composition**

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

As of December 31, 2016, the portfolio has a value of $72,929,641 million pesos; Davivienda Colombia contributes 79% and Davivienda Internacional 21%, distributed as follows:



At the end of 2016, Banco Davivienda's loan portfolio grew by 13.8% compared to the end of December 2015, driven by the portfolio of Davivienda Colombia, which grew by an average of 17%, with the highest growth rate in the consumer portfolio with a variation of 19.1%, followed by the housing and commercial portfolio which increased by 16.8% and 16.2% respectively, as shown in the following table:

Millions of Pesos COP

| | | | Variation | | |
|---|---|---|---|---|---|
| **Business Model** | **December 31, 2016** | **December 31, 2015** | **$** | **%** | **% Part** |
| **Davivienda Colombia** | **57.470.817** | **49.079.579** | **8.391.238** | **17,1%** | **79%** |
| Commercial | 29.289.740 | 25.203.950 | 4.085.790 | 16,2% | 40% |
| Consumption | 15.443.086 | 12.969.128 | 2.473.959 | 19,1% | 21% |
| Housing | 12.737.991 | 10.906.501 | 1.831.491 | 16,8% | 17% |
| **Davivienda International** | **15.458.824** | **15.017.801** | **441.023** | **2,9%** | **21%** |
| Commercial | 8.990.127 | 8.849.635 | 140.492 | 1,6% | 12% |
| Consumption | 3.418.567 | 3.352.817 | 65.750 | 2,0% | 5% |
| Housing | 3.050.130 | 2.815.349 | 234.782 | 8,3% | 4% |
| **TOTAL** | **72.929.641** | **64.097.380** | **8.832.261** | **13,8%** | **100%** |

The portfolio of Davivienda Internacional is distributed by country at the end of December 2016, as follows:

Millions of Pesos COP

| **Country** | **Commercial** | **Consumption** | **Housing** | **Total** |
|---|---|---|---|---|
| Costa Rica | 3.032.740 | 796.862 | 1.369.018 | 5.198.620 |
| Salvadoreño | 2.311.801 | 1.855.929 | 875.879 | 5.043.609 |
| Honduras | 997.952 | 655.047 | 636.862 | 2.289.862 |
| Panamá | 2.647.634 | 110.729 | 168.371 | 2.926.733 |
| **General Total** | **8.990.127** | **3.418.567** | **3.050.130** | **15.458.824** |

The investment portfolio is mainly concentrated in sovereign debt securities of nations where Davivienda operates, following the portfolio's main mandate to establish a liquidity reserve. In this order, the portfolio is concentrated in assets with low credit risk and high liquidity. There are also positions in corporate debt securities, most of which are recognized and recurring issuers, with high credit ratings, and mortgage portfolio securitizations. In terms of participation for December 2016, 45% corresponds to sovereign debt, mostly Colombian, followed by corporate debt with 46% and finally securitizations with 9% participation. The composition of the portfolio reflects conservative and adequate credit risk management, in accordance with the policies defined by the Bank's management bodies.

Consolidated credit risk exposure, includes Davivienda Colombia and its International Subsidiaries' credit portfolio and the treasury operations are subject to counterparty credit risk. The following table comparative exposure is observed separating the carrying amount of financial assets among which are secured by any collateral that depends on the nature of the product and / or the counterparty and those that are granted unsecured

(Millions of Colombian pesos (COP))

| Asset | December 31, 2016 | | December 31, 2015 | |
|---|---|---|---|---|
| | With Guarantee | With out Guarantee | With Guarantee | With out Guarantee |
| Deposit in different banks to the Banco de la Republica | - | - | - | - |
| Debt instruments at fair value | - | **7.586.555** | - | **7.679.621** |
| Colombian government | - | 2.352.874 | - | 3.735.760 |
| Foreign Governments | - | 1.540.653 | - | 1.600.088 |
| Financial Institutions | - | 2.395.019 | - | 729.510 |
| Real Sector Entities | - | 224.533 | - | 237.334 |
| Others | - | 832.388 | - | 935.222 |
| Derivative instruments | - | 241.088 | - | 441.708 |
| Debt instruments at amortized cost | - | 1.349.617 | - | **1.241.474** |
| Investments in debt securities | - | 1.349.617 | - | 1.241.474 |
| Credit portfolio | **36.271.558** | **36.658.083** | **25.523.477** | **38.573.901** |
| Commercial | 17.723.657 | 20.579.793 | 9.233.173 | 24.832.948 |
| Consumption | 2.759.779 | 16.078.290 | 2.568.455 | 13.740.953 |
| Housing | 15.788.122 | | 13.721.849 | - |
| Total Financial Assets with Credit Risk | **36.271.558** | **45.594.255** | **25.523.477** | **47.494.997** |
| Off-Balance Credit Risk | 11.595.316 | 7.719.847 | 8.062.289 | 6.356.722 |
| Credit quotas | 11.595.316 | 7.719.847 | 8.062.289 | 6.356.722 |
| Total maximum exposure to credit risk | **47.866.874** | **53.314.102** | **33.585.767** | **53.851.718** |

With respect to the loan portfolio, from the granting process, and as part of the Bank's internal policies, the security provision is required to mitigate exposure to credit risk based on criteria such as: The nature of the product, the period to which the credit is given, the financial and equity structure of the counterparty, the risks associated with the sector, the exposure of the debtor with the Bank among others.

To determine the collateral value and the timing of the valuation the Bank takes into account the particular characteristics of the goods covered by the operation, which determine whether if for its appraisal it has as its main input the market price, the valuation indexes calculated by government agencies and / or the criteria of experts when deemed necessary.

At year-end 2016, el 50% of the portfolio exposure is backed by a guarantee: The commercial portfolio has collaterals like mortgages, pledges, financial collaterals, trust deeds, guarantees granted by the National Guarantee Fund (FNG) and the Agricultural Guarantee Fund (FAG) among others, covering 46% of the exposure.

Consumer loans are mostly unsecured loans except for vehicle loans pledge, free investment loans with mortgage guarantees (12% of consumer exposure). It is worth noting that in unsecured consumer loans are the loans which have promissory notes which guarantee collection. The balance of promissory note credits constitutes approximately 36% of unsecured consumer loans.

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

**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 with the objective of covering the risks arising from the intermediation activity. Also, it is important for the Bank to guarantee the stability and consistency of the reserves with the losses incurred in the portfolio, which is why models with international standards (IFRS 9) to efficiently manage and mitigate the risks arising from its activity were developed.

The Bank has identified two large lines of credit business (massive and corporate) that due to their differences in the way they manage, the size of their portfolios and the levels of customer concentration in their portfolio, merit the application of different methodologies.

(Millions of Colombian pesos (COP))

| PORTFOLIO | GUARANTEES | COLOMBIA | CENTRAL AMERICA |
|---|---|---|---|
| **MASSIVE** (People -SME) | Guaranteed | HC | HLR |
| | Not guaranteed | PI - C | PI - C |
| **BUSINESS** (Business - Corporate - Builder) | Total | HLR | HLR |

HC: Hair Cuts
PI-C: Loss incurred in Penalties
HLR: Historical Loss Rates

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

- **Hair Cuts to Significant Impairment (HC):** Methodology by means of which levels of impairment are estimated statistically, based on the historical behavior and default range of the portfolio. The model is based on the construction of matrixes of transition by ranges of days of arrears and the subsequent analysis of the relation between the percentages of impairment with respect to the non-impairment of the loan portfolio.

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

- **Historical 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:

Milllons of Pesos COP

| Business Models | December 31, 2016 | | | December 31, 2015 | | |
|---|---|---|---|---|---|---|
| | Balance | Impairment | % Det. | Balance | Impairment | % Det. |
| **DAVIVIENDA COLOMBIA** | **57.470.817** | **1.369.146,5** | **2,4%** | **49.079.579** | **1.491.246** | **3,0%** |
| Commercial | 29.289.740 | 593.469,7 | 2,0% | 25.203.950 | 803.554 | 3,2% |
| Consumption | 15.443.086 | 727.929,6 | 4,7% | 12.969.128 | 612.330 | 4,7% |
| Housing | 12.737.991 | 47.747,2 | 0,4% | 10.906.501 | 75.362 | 0,7% |
| **DAVIVIENDA INTERNACIONAL** | **15.458.824** | **309.180,8** | **2,0%** | **15.017.801** | **237.374** | **1,6%** |
| Commercial | 8.990.127 | 122.513,5 | 1,4% | 8.849.635 | 92.517 | 1,0% |
| Consumption | 3.418.567 | 163.022,7 | 4,8% | 3.352.817 | 124.485 | 3,7% |
| Housing | 3.050.130 | 23.644,6 | 0,8% | 2.815.349 | 20.372 | 0,7% |
| **TOTAL** | **72.929.641** | **1.678.327** | **2,3%** | **64.097.380** | **1.728.621** | **2,7%** |

As of December 31, 2016, the total impairment of the Bank's portfolio reached $1.678 billion pesos, equivalent to 2.3% of the total portfolio, which implies a decrease of 40 basis points over that observed at the end of the immediately previous year. This is mainly due to the adjustment in the impairment model in which the guaranteed portfolios are measured under the Historical Loss Rate model in order to have a better recognition of the value of the guarantees.

For international subsidiaries, at the end of 2016, the deterioration reached a level of $309 billion pesos, which correspond to 18.4% 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 38 thousand million, of which 31 thousand million are mainly due to the updating of reserve estimation factors for unsecured bulk portfolios. On the other hand, the commercial portfolio closes with an increase in the value of the impairment of 30 thousand million pesos concentrated in the subsidiary of Panama, explained in a client of the oil sector affected by the fall of the prices and a client of Free Zone affected by the devaluation in Colombia; both clients are in the process of renegotiating payment of the debt.

**Risk Management for Derivative Financial Instruments**

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

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

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

**Market Risk and Liquidity Risk**

**Risk Management of the Market and Liquidity**

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

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

For this purpose it has been established that the Financial Risk Committee (FRC) of Grupo Empresarial Bolivar, the Assets and Liabilities Management Committee (C-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.

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

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

The Board delegates to 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 whoever replaces him, the definition, monitoring and control of general policies for the managing of assets and liabilities (market risk of the Balance structure), as well as the management policies for liquidity risk.

Market Risk

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

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

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

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

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

**Business Model and Portfolio Structure**

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

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

The gross investment portfolio, till December 2016 stood at 8.698.447 million pesos, according to the business models exposed:

| **Millions of Pesos** | | | **Variation** | |
|---|---|---|---|---|
| **Business model** | **December 31, 2016** | **December 31, 2015** | **$** | **%** |
| Trading | 1.003.465 | 822.579 | 180.886 | 21,99 |
| Estructural | 7.694.982 | 7.688.499 | 6.483 | 0,08 |
| Liquidity Reserve | 6.287.452 | 6.077.944 | 209.508 | 3,45 |
| Balance management | 1.407.530 | 1.590.555 | (183.025) | (11,51) |
| **Total** | **8.698.447** | **8.491.078** | **207.369** | **2,44** |

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, and finally the trading portfolio.

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

| **Millions of Pesos** | | | **Variation** | |
|---|---|---|---|---|
| **Accounting Classification** | **December 31, 2016** | **December 31, 2015** | **$** | **%** |
| Fair Value | 7.348.829 | 7.249.603 | 99.226 | 1,37 |
| Amortized cost | 1.349.617 | 1.241.475 | 108.142 | 8,71 |
| **Total** | **8.698.447** | **8.491.078** | **207.369** | **2,44** |

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

In relation to December 2015, there was a growth of the investment portfolio of 2.40%, explained by the restructuring of the liquidity reserve portfolio in a significant way. In particular, it is important to mention that the liquidity reserve, most of the investment portfolio, is in line with the growth structure of the liability, so as to preserve the risk profile tolerated by the Bank and its Subsidiaries. On the other hand, the trading portfolio varies, in terms of magnitudes, depending on the market conditions and expectations that prevail on the date of analysis.

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.

| **Millions of Pesos** | | | **Variation** | |
|---|---|---|---|---|
| **Country** | **December 31, 2016** | **December 31, 2015** | **$** | **%** |
| Colombia | 6.024.567 | 5.711.977 | 312.590 | 5,47 |
| Costa Rica | 1.191.893 | 907.351 | 284.542 | 31,36 |
| El Salvador | 474.515 | 711.680 | (237.165) | (33,32) |
| Panamá | 585.659 | 558.999 | 26.660 | 4,77 |
| Honduras | 272.198 | 431.906 | (159.708) | (36,98) |
| United States | 149.615 | 169.165 | (19.550) | (11,56) |
| **Total** | **8.698.447** | **8.491.078** | **207.369** | **2,44** |

### Measuring Market Risk

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

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

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

### Interest rate and exchange rate risk

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 at a portfolio level are done, as well as asset class and product on a weekly and monthly tests are performed.

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

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

| | **December 31, 2016** | | | |
|---|---|---|---|---|
| | **Minimum** | **Average** | **Maximum** | **Last** |
| Interest Rates | 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 |
| Collective portfolios | 8.927 | 9.239 | 9.461 | 9.461 |
| VeR | 192.677 | 248.624 | 324.431 | 192.677 |

| | **December 31, 2015** | | | |
|---|---|---|---|---|
| | **Minimum** | **Average** | **Maximum** | **Last** |
| Interest Rates | 232.994 | 253.572 | 280.157 | 232.994 |
| Exchange Rate | 47.745 | 57.712 | 68.316 | 68.316 |
| Shares | 262 | 385 | 552 | 552 |
| Collective portfolios | 8.703 | 9.274 | 9.860 | 8.703 |
| VeR | 304.376 | 320.943 | 337.032 | 310.565 |

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

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

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

**Risk of changes in exchange rates**

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

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

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

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

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

Figures in millions

| | December 31, 2016 | | December 31, 2015 | |
|---|---|---|---|---|
| | **Balance currency** | **Balance pesos** | **Balance currency** | **Balance pesos** |
| American dollar | (221) | (663.128) | (281) | (883.651) |
| Lempira | 2.295 | 293.147 | 1.501 | 211.397 |
| Colón | 46.247 | 249.524 | 85.390 | 505.595 |
| Other* | (4) | (12.821) | (1) | (4.209) |
| Total | - | (133.278) | - | (170.868) |

Figures stated in USD in the "Balance Currency" column

The estimated effect by the 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, 2016, would be +/- 1.204, 57 million pesos. On the other hand, the same accounting year for 31 December 2015 generated an impact of 1,667 million pesos.

**Interest rate risk in the balance sheet structure**

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

The sensitivity of interest-bearing assets and liabilities at financial cost is presented below. Thus, by December 31, 2016, an increase or decrease of 50 basis points in interest rates could have caused a decrease or increase, respectively, of 22,121 million in the Bank's margin throughout the year. By 2015 this sensitivity would have been 30.789 million.

(Millions of Colombian pesos (COP))

| | December 31, 2016 | | | | |
|---|---|---|---|---|---|
| | Monthly average | Income/ Expense | Average rate | Impact Δ50 bp Increase | Impact Δ50 bp Decrease |
| **Interest-bearing financial assets** | | | | | |
| Money market operations | 670.829 | 53.052 | 7,9% | 3.354 | (3.354) |
| Legal Currency | 418.517 | 30.603 | 7,3% | 2.093 | (2.093) |
| Foreign currency | 252.311 | 22.449 | 8,9% | 1.262 | (1.262) |
| Investments in negotiable and available-for-sale debt secu | 7.166.754 | 500.933 | 7,0% | (24.218) | 24.218 |
| Legal 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 in negotiable debt securities | 7.166.754 | 500.933 | | (24.218) | 24.218 |
| Legal Currency | 5.009.193 | 420.269 | | (15.587) | 15.587 |
| Foreign currency | 2.157.561 | 80.665 | | (8.630) | 8.630 |
| Investments in available-for-sale debt securities | - | - | | | |
| Legal Currency | - | - | | | |
| Foreign currency | - | - | | | |
| Investments in debt securities until maturity | 1.406.531 | 136.042 | 9,7% | 7.033 | (7.033) |
| Legal Currency | 867.058 | 84.907 | 9,8% | 4.335 | (4.335) |
| Foreign currency | 539.473 | 51.135 | 9,5% | 2.697 | (2.697) |
| Loan Portfolio | 69.612.488 | 7.872.582 | 11,3% | 256.961 | (256.961) |
| Legal 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 legal currency** | **56.337.686** | **6.833.737** | **12,1%** | **153.513** | **(153.513)** |
| **Total Foreign currency assets** | **22.518.915** | **1.728.872** | **7,7%** | **89.617** | **(89.617)** |
| **Total interest-bearing assets** | **78.856.600** | **8.562.609** | **10,9%** | **243.130** | **(243.130)** |
| **Financial liabilities with financial cost** | | | | | |
| Public Collections | 56.942.812 | 2.509.012 | 4,4% | 188.028 | (188.028) |
| Legal 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) |
| Legal 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) |
| Legal currency | 1.647.717 | 100.268 | 6,1% | 8.239 | (8.239) |
| Foreign currency | 228.744 | 3.277 | 1,4% | 1.144 | (1.144) |
| Loans Entities | 8.543.374 | 334.114 | 3,9% | 42.717 | (42.717) |
| Legal 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) |
| **Liabilities in legal currency** | **50.863.484** | **2.912.393** | **5,7%** | **183.475** | **(183.475)** |
| **Liabilities in foreign currency** | **25.751.140** | **792.351** | **3,1%** | **81.776** | **(81.776)** |
| **Total Liabilities with financial cost** | **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** |
| Legal Currency | 5.474.202 | 3.921.344 | | (29.962) | 29.962 |
| Foreign currency | (3.232.225) | 936.521 | | 7.841 | (7.841) |

(Millions of Colombian pesos (COP))

| | December 31, 2015 | | | | |
|---|---|---|---|---|---|
| | Monthly average | Income/ Expense | Average rate | Impact Δ50 bp | |
| | | | | Increase | Decrease |
| **Interest-bearing financial assets** | | | | | |
| Money market operations | 465.873 | 32.820 | 7,0% | 2.329 | (2.329) |
| Legal Currency | 289.938 | 19.279 | 6,6% | 1.450 | (1.450) |
| Foreign currency | 175.935 | 13.541 | 7,7% | 880 | (880) |
| Investments in negotiable and available-for-sale debt securities | 6.988.086 | 274.297 | 3,9% | (34.591) | 34.591 |
| Legal currency | 5.002.203 | 204.544 | 4,1% | (24.761) | 24.761 |
| Foreign currency | 1.985.883 | 69.753 | 3,5% | (9.830) | 9.830 |
| Investments in negotiable debt securities | 6.988.086 | 274.297 | | (34.591) | 34.591 |
| Legal Currency | 5.002.203 | 204.544 | | (24.761) | 24.761 |
| Foreign currency | 1.985.883 | 69.753 | | (9.830) | 9.830 |
| Investments in available-for-sale debt securities | - | - | | | |
| Legal Currency | - | - | | | |
| Foreign currency | - | - | | | |
| Investments in debt securities until maturity | 1.441.906 | 119.442 | 8,3% | 7.210 | (7.210) |
| Legal Currency | 948.426 | 80.404 | 8,5% | 4.742 | (4.742) |
| Foreign currency | 493.480 | 39.038 | 7,9% | 2.467 | (2.467) |
| Loan Portfolio | 58.852.495 | 6.066.429 | 10,3% | 209.630 | (209.630) |
| Legal Currency | 41.776.046 | 4.937.057 | 11,8% | 127.051 | (127.051) |
| Foreign currency | 17.076.449 | 1.129.372 | 6,6% | 82.579 | (82.579) |
| **Total Assets in legal currency** | **48.016.613** | **5.241.284** | **10,9%** | **108.482** | **(108.482)** |
| **Total Foreign currency assets** | **19.731.747** | **1.251.703** | **6,3%** | **76.096** | **(76.096)** |
| **Total interest-bearing assets** | **67.748.360** | **6.492.987** | **9,6%** | **184.578** | **(184.578)** |
| **Financial liabilities with financial cost** | | | | | |
| Public Collections | 48.692.793 | 1.432.718 | 2,9% | 146.291 | (146.291) |
| Legal Currency | 35.027.696 | 1.096.712 | 3,1% | 105.542 | (105.542) |
| Foreign currency | 13.665.097 | 336.006 | 2,5% | 40.749 | (40.749) |
| Bonds | 8.665.708 | 534.219 | 6,2% | 23.122 | (23.122) |
| Legal Currency | 5.305.900 | 413.164 | 7,8% | 23.122 | (23.122) |
| Foreign currency | 3.359.807 | 121.055 | 3,6% | - | - |
| Money market operations | 2.027.327 | 69.515 | 3,4% | 10.137 | (10.137) |
| Legal currency | 1.939.979 | 67.572 | 3,5% | 9.700 | (9.700) |
| Foreign currency | 87.348 | 1.943 | 2,2% | 437 | (437) |
| Loans Entities | 7.163.518 | 228.569 | 3,2% | 35.818 | (35.818) |
| Legal Currency | 1.508.447 | 87.579 | 5,8% | 7.542 | (7.542) |
| Foreign currency | 5.655.072 | 140.990 | 2,5% | 28.275 | (28.275) |
| **Liabilities in legal currency** | **43.782.022** | **1.665.027** | **3,8%** | **145.906** | **(145.906)** |
| **Liabilities in foreign currency** | **22.767.324** | **599.994** | **2,6%** | **69.461** | **(69.461)** |
| **Total Liabilities with financial cost** | **66.549.346** | **2.265.020** | **3,4%** | **215.367** | **(215.367)** |
| **Total Net financial assets subject to interest rate risk** | **1.199.015** | **4.227.967** | | **(30.789)** | **30.789** |
| Legal Currency | 4.234.591 | 3.576.257 | | (37.424) | 37.424 |
| Foreign currency | (3.035.576) | 651.710 | | 6.635 | (6.635) |

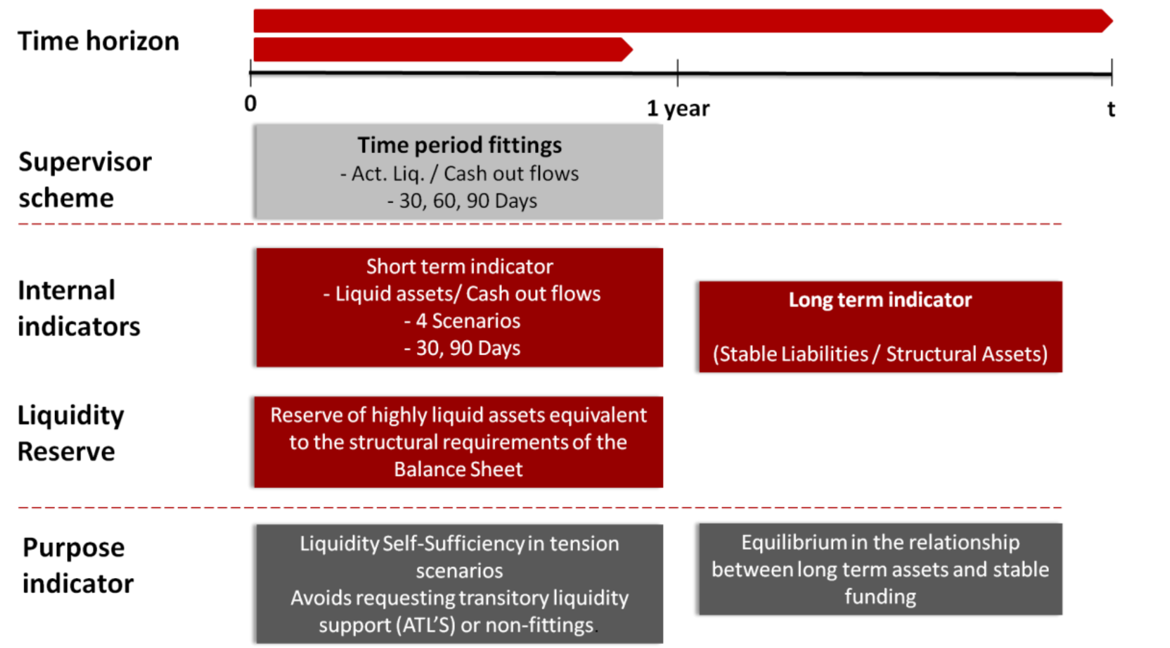
Liquidity Risk

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

The strategic principles under which liquid risk management is governed consists of:

- ✓ Permanent availability of high quality liquid assets, according to the balance sheet structure and risk appetite.
- ✓ Self-reliance should prevail in Davivienda's balance and each of its subsidiaries in a liquidity crisis.
- ✓ Do not overestimate the availability of liquid assets; that is, we must constantly assess the level of liquidity of the assets that are part of the reserves and anticipate changes.
- ✓ Mitigate reputational risk, so that with its own resources the ability to address adverse situations without compromising the compliance with current regulations and reduce the likelihood of requiring temporary support from state entities.

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




The methodologies used to estimate liquidity risk consists, for short-term effects in calculating the cash flows of the assets, liabilities and off balance sheet positions in different time bands, allowing to permanently monitor the liquidity ALM. 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 have not defined permanence conditions.

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

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

(Millions of Colombian pesos (COP))

The notes 11.16, 11.18 and 11.19 present the contractual maturity of the liabilities of the balance sheet as of December 31, 2016 and December 31, 2015.

The contractual capital and interest flows of financial liabilities are shown below, as of December 31, 2016 and December 31, 2015, in the consolidated balance sheet.

| Flows of financial liabilities as of December 31, 2016 | Up to one month | More than one month and no more than three months | More than three months and not more than one year | More than one year and no more than five years | More than five years | Total |
|---|---|---|---|---|---|---|
| **Certificates of Term Deposit** | 3.158.230 | 5.650.176 | 10.462.704 | 7.014.143 | 99.657 | 26.384.910 |
| **Savings and current accounts (*)** | 33.231.839 | | | | | 33.231.839 |
| **Bonds** | 104.850 | 246.608 | 1.239.855 | 5.670.634 | 5.786.707 | 13.048.655 |
| **Loans Entities** | 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 |

| Flows of financial liabilities as of December 31, 2015 | Up to one month | More than one month and no more than three months | More than three months and not more than one year | More than one year and no more than five years | More than five years | Total |
|---|---|---|---|---|---|---|
| **Certificates of Term Deposit** | 3.098.804 | 4.556.718 | 10.719.495 | 2.967.774 | 525.629 | 21.868.421 |
| **Savings and current accounts (*)** | 31.675.095 | | | | | 31.675.095 |
| **Bonds** | 94.375 | 321.765 | 829.395 | 6.237.246 | 5.482.657 | 12.965.439 |
| **Loans Entities** | 150.439 | 1.011.849 | 3.687.680 | 2.348.851 | 2.483.777 | 9.682.597 |
| **Total Financial Liabilities** | 35.018.713 | 5.890.332 | 15.236.571 | 11.553.871 | 8.492.063 | 76.191.551 |

(*) 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 (ICS) (SCI)**

The Bank permanently carries out the revision and updating of the 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 and action plans that minimize the exposure of Risks.

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

During 2016, the Organizational Culture, which is part of the Control Environment, continued to be strengthened; awareness-raising and virtual training strategies were developed for the Code of Ethics, Corporate Governance Code, Disciplinary Code and the importance 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.

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

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

**Financial Costumer Service System (SAC)**

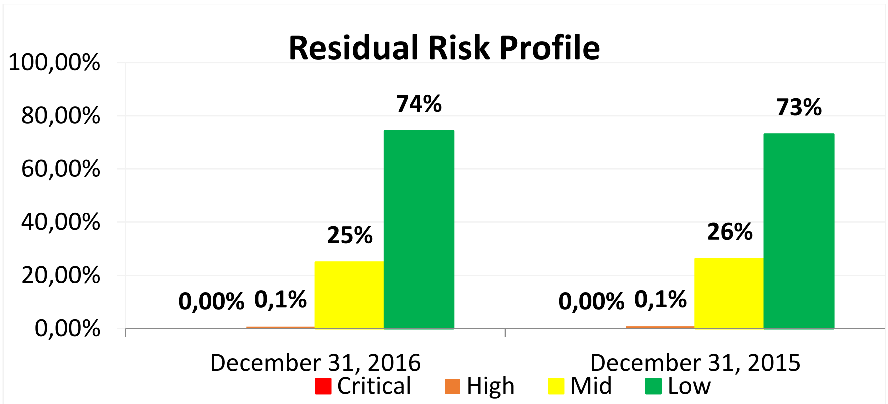
Having clients and other financial consumers in mind as the main purpose of the bank and its national and international subsidiaries led us to develop an inter-institutional strategy to secure that the integration of our higher purpose, “enrich life with integrity”, is assimilated within them via trust worthy, amicable and simple relationships, by anticipating their needs and expectations and solving opportunely and effectively both inquiries and disagreements that present themselves.

(Millions of Colombian pesos (COP))

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

1. Know the client's satisfaction levels and take required action.
2. Ensure that all staff members have sufficient knowledge via constant training regarding the service model
3. Strengthening multiple communication channels to reach financial consumers more opportunely and 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 2016 and up to December 2015:




| SAC | December 31, 2016 | | | | | | December 31, 2015 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Risks | | | | | | Risks | | | |
| **Entities** | **Low** | **Mid** | **High** | **Critical** | **Total** | **Controls** | **Low** | **Mid** | **High** | **Critical** | **Total** | **Controls** |
| Bank Davivienda | 456 | 163 | 6 | - | 625 | 1182 | 429 | 155 | 6 | - | 590 | 1021 |
| **National Subsidiaries** (Fidudavivienda, Davivienda brokers) | 113 | 28 | - | - | 141 | 328 | 97 | 34 | - | - | 131 | 335 |
| **Total** | **569** | **191** | **6** | **-** | **766** | **1510** | **526** | **189** | **6** | **-** | **721** | **1356** |

This model allows the bank and its national subsidiaries to comply with regal requirements regarding financial costumer service stated by la 1328 of 2009 and external notice 015 de 2010 of the Colombian Financial Superintendence.

## Operative risk management system (SARO)

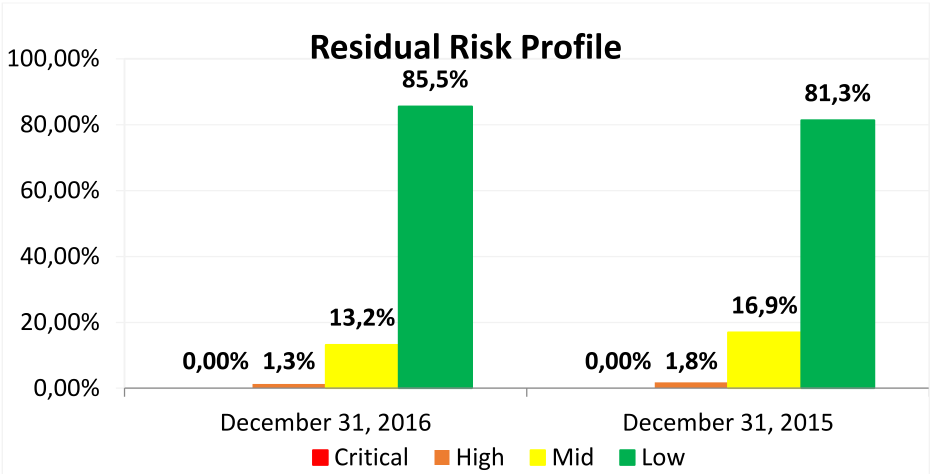
During 2016 the bank and its subsidiaries both national and international have developed a process of alignment and synergy regarding the operative risk management model and the various activities that compose it with the aim of ensuring that relevant risk of the different business lines are duly controlled and monitored especially in regard to the following kinds of risk :

- Operative risk that affect the bank's revenue and expenses
- Operative risks in both operative and financial processes
- Fraud risk, information security and business continuity.

(Millions of Colombian pesos (COP))

Accordingly and as part of the operative risk management strategy we have been integrating our technological structure as fundamental basis for ensuring the information, documentation and application of models that allow for orientation of a risk management and control strategy.

According to the operative risk policies established by the board of directors and according to the regulatory laws established in each country we have succeeded in the adequate administration of operative risks as can be seen in the consolidated risk profile, comparative up to December 31 2016 and December 31 2015:




| SARO | December 31, 2016 | | | | | | | December 31, 2015 | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Risks | | | | | | | Risks | | | | | |
| Entities | Processes | Low | Mid | High | Critical | Total | Controls | Processes | Low | Mid | High | Critical | Total | Controls |
| Bank Davivienda Colombia | 208 | 1407 | 421 | 21 | - | 1849 | 4679 | 221 | 1213 | 475 | 18 | - | 1706 | 4808 |
| Bank Davivienda International | 161 | 1561 | 37 | 25 | - | 1623 | 3392 | 161 | 1618 | 115 | 44 | - | 1777 | 4185 |
| **Total** | **369** | **2968** | **458** | **46** | **-** | **3472** | **8071** | **382** | **2831** | **590** | **62** | **-** | **3483** | **8993** |

## Asset Laundering and Terrorism Financing Risk Management System (SARLAFT)

The bank has adopted and implemented an anti- money laundering and terrorism financing control compliance program (ALD-CFT), based on the premise of managing risk events, consolidating information, implementing a robust technological platform, data mining technology usage, client and financial operation awareness, risk profiling regarding different risk factors, design and implementation of mitigating controls, defining and managing risk segments and risk characteristics of clients, products, distribution channels and jurisdictions, generation of alert signals, analysis and follow-up pf unusual transactions and report forwarding of any suspicious operations to the competent authorities; with the aim of avoiding being used to give appearance of legality to assets product of illicit activities and/or to finance terrorist activities in compliance with the sated by the basic legal circular letter (C.E.) 029 of 2014, expedited by the Colombian financial super intendance, and its posterior updates, the compliance ALD-CFT is periodically evaluated by internal control entities such as fiscal audits and revisions.

The application of the compliance program in the year 2016 allows determining that the evolution of consolidated risk of risk factors has kept stable during the year 2016, and also within the exposition thresholds categorized as low.

The compliance program ALD-CFT is supported in an organizational culture and structure, policies, controls and procedures that are well known and applied throughout the entire organization and that encompass the Colombian regulatory framework, as well as the recommendations and international best practices of 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 integrated within code of conduct and compliance manual which is known and accessible to all staff of the entities belonging to Grupo Empresarial Bolivar. The bank periodically carries out training programs for its staff, third parties, allies, suppliers, among others, with the purpose of creating conscience and compromise in all of them regarding the mitigation of crimes related to money laundering and/or terrorism financing via the group's entities.

Complying with the established norms, the board of directors designated a compliance officer and substitute, who are part of the Colombian financial super intendance.

The bank has adopted an organizational culture, policies, controls and procedures to comply with the guidelines established foreign account fiscal law (FATCA), to that effect our entities are duly registered by the IRS and have obtained their respective Global Intermediary Identification Number (GIIN), with which they certify their participation with said law.

The bank's overseas affiliates must comply with the legal guidelines issued by the local regulatory entities and the guidelines issued by the parent company; guarantying the adequate functioning of the compliance program. The principles that sustain the compliance program are the inclusion of internal policies, procedures, system audit programs and training to all staff members belonging to the organization supported on the following pillars:

I. Client knowledge, II. Knowledge of Shareholders, employees, and suppliers, III. Operation monitoring, IV. Suspicious operations, V. Disclosure to regulatory entities, VI. Correspondent transactional banking – *Money Remitters,* VII. Registry and documentation, VIII. Control organisms, IX. Risk evaluation of the compliance program for new factors and X. sanctions for failing to comply with obligations.

**Fraud Risk Management System (SARFRA)**

Fraud risk cataloged as any illegal act whose characteristics can be deceit, occultation, violation of trust and which aim is 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 compliance to the regulatory framework of the Operative Risk management System (SARO).

Actions carried out through SARFRA encompass each step of the fraud management cycle (prevention, detection, mitigation, analysis, governing, investigation, judicial processing and dissuasion) creating controls, policies and reports of the management itself as well as the materialized expenses per fraud, evaluated against the budgeting projection defined by the bank; these expenses reports are implicit in the management of operative risk and presented to the fraud risk committee for decision making that protects the organization, it's clients, shareholders and others interested in the search for equilibrium between the level of fraud to be prevented and impact over the client and business.

For the year 2017 Davivienda Bank is working on the implementation of digital strategy that allows to counteract fraud efficiently and opportunely in the interest of client and investor security.

*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 and its in Central American affiliates to identify, classify, evaluate and control environmental and social risks associated to the individual projects and activities financed through loans granted to clients of the segments of corporative, construction and company credit, and additionally carries out an evaluation of the strategic suppliers of the bank in Colombia. In the Central America affiliates applies in the company banking segment.

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.

According to the policies established regarding amounts, deadlines and sensible sectors for the bank in Colombia, in 2016 269 credit operations from the corporative, construction, and company segments were evaluated through SARAS, for a total amount of 6 billion pesos. Similarly, with this system we have given guidance and opportunity during the structuring and approval of loans for the fourth generation national infrastructure projects (4G).

Commercial, operative and risks staff involved in the SARAS process go through sensitization and training regarding the policies of the system with the aim of guarantying its adequate application.

Davivienda in Colombia continues to participate in the green protocol committee, serving during 2016 the role of this committee's presidency. The green protocol initiative of the financial sector, Asobancaria and the national government allows to promote the sustainable development of the country and works towards environmental preservation and sustainable use of natural resources, via the execution of strategies and tools of common benefit and socialization of good practices regarding environmental topics inside related financial entities.

**Information security**

During the year 2016 the bank, through the department of information security management, 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 cybernetic attacks, threats and vulnerabilities opportunely. Among the most highlighted projects is the implementation of the correlation and monitoring tool SIEM to generate alerts and treatment of possible incidents and/or violations of information security, it improves the management process of users and identities for access control on applications and sensible information, information asset handling via discovery and assurance of assets, protection controls on the clients end via automatic tools for malware control and specialized intrusion testing to evaluate security placements and opportune response in case of attacks or incidents. At a processing and guideline level, we have updated and adjusted procedures policies and norms in accordance to the need of the business, in function of mitigating threats and identified risks for the protection of information assets. On the other hand the bank has developed periodic training programs aimed at the staff, third parties, allies and suppliers among others, seeking to create consciousness and compromise in each one of them regarding the identification and mitigation of the associated risks.

In matters of regulatory and normative compliance the bank abides the security requirements demandable in the external notice 042 of October 17 2012 of the Colombian financial superintendence and includes these requirements in the development of each project starting from its planning phase. Likewise it has been working in defining government, the program and implementation plan of the management program to comply by law 1581 protection of personal data. Through the area of information security, the bank carries out internal monitoring and follow up to identify compliance level and possible risks.

The bank continues with the investigation of market tendencies, new threats, tools and control mechanisms that allow it to mitigate risks and to maintain acceptable levels of risks for the business in this way it guarantees the delivery of products and services with high levels of quality and security to our clients.

## 10. Compensation of Financial Assets and Liabilities – Consolidated

A financial asset and liability will be subject to compensation, so that in this way the status of financial situation is revealed when had at present time, legal demandable right, of compensating recognized imports, and as long as the intention is kept, to liquidate that net import.

In this context, presented bellow in detail are the financial instruments subject to compensation up to December 31 2016 and December 31 2015, as well as the impact of the compensation of instruments subject to agreements associated to credit risk mitigation (Master Netting Agreements and transfer of collaterals)

(Millions of Colombian pesos (COP))

**Assets**

December 31, 2016

| | Gross imports of recognized financial assets | Gross imports of recognized financial liabilities compensated in financial situation | Net import of financial assets presented in the financial situation statement | Non-compensated imports in the financial situation statement: Impact of Master Netting Agreements | Collaterals in cash | Collaterals In debt titles | Net import |
|---|---|---|---|---|---|---|---|
| Monetary market operations | 197.209 | - | 197.209 | - | - | 47.283 | 149.926 |
| Derivate financial instruments | 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**

December 31, 2016

| | Gross imports of recognized financial liabilities | Gross imports of recognized financial assets compensated in financial situation | Net import of financial liabilities presented in the financial situation statement | Non- compensated imports in the financial situation statement: Impact of Master Netting Agreements | Collaterals in cash | Collaterals In debt titles | Net import |
|---|---|---|---|---|---|---|---|
| Monetary market operations | 1.998.841 | - | 1.998.841 | - | - | 1.778.135 | 220.707 |
| Derivate financial instruments | 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** |

(Millions of Colombian pesos (COP))

**Assets**

December 31, 2015

| | | | | Non compensated imports in the financial situation statement | | | |
|---|---|---|---|---|---|---|---|
| | Gross imports of recognized financial assets | Gross imports of recognized financial liabilities compensated in financial situation | Net import of financial assets presented in the financial situation statement | Impact of Master Netting Agreements | Collaterals in cash | Collaterals In debt titles | Net import |
| Monetary market operations | 436.856 | - | 436.856 | - | - | 219.344 | 217.513 |
| Derivate financial instruments | 441.317 | - | 441.317 | 224.471 | 14.488 | - | 202.358 |
| **Total Assets** | **878.173** | **-** | **878.173** | **224.471** | **14.488** | **219.344** | **419.871** |

**Liabilities**

December 31, 2015

| | | | | Non-compensated imports in the financial situation statement | | | |
|---|---|---|---|---|---|---|---|
| | Gross imports of recognized financial liabilities | Gross imports of recognized financial assets compensated in financial situation | Net import of financial liabilities presented in the financial situation statement | Impact of Master Netting Agreements | Collaterals in cash | Collaterals In debt titles | Net import |
| Monetary market operations | 987.256 | - | 987.256 | - | - | 918.157 | 69.098 |
| Derivate financial instruments | 364.825 | - | 364.825 | 224.471 | 19.407 | - | 120.947 |
| **Total Liabilities** | **1.352.081** | **-** | **1.352.081** | **224.471** | **19.407** | **918.157** | **190.046** |

The column “Impact of *Master Netting Agreement*” details the imports associated with compensation agreements applicable generally in situations where credit risk situations ,materialize. These imports are not included in the financial situation statement due to the imports not complying with the simultaneous liquidation criteria of assets and liabilities or because the compensation rights are conditioned by the counterparts default

The columns of cash and debt title collaterals present amounts received, delivered or pledged in relation to the monetary market operations.

(Millions of Colombian pesos (COP))

## 11. Specific Items of the Consolidated Financial Situation Statements

### 11.1 Cash

Detailed bellow is cash:

| | December 31, 2016 | December 31, 2015 |
|---|---|---|
| Legal Currency | | |
| Cash and balances with banks | 3.472.692 | 3.395.030 |
| Exchanges and remittances in transit | 38.951 | 26.856 |
| | 3.511.643 | 3.421.886 |
| Foreign Currency | | |
| Cash and balances with banks | 4.574.515 | 3.935.896 |
| Exchanges and remittances in transit | 20.088 | 74.779 |
| | 4.594.603 | 4.010.676 |
| | 8.106.246 | 7.432.562 |

The balances in cash and central banks of legal currency, compute due to exchange effects that the bank must maintain over deposits received from clients, according to legal disposition. These deposits have no remuneration.

Presented below are restricted cash balances:

| | December 31, 2016 | | December 31, 2015 | |
|---|---|---|---|---|
| | Required (*) | Available (*) | Required (*) | Available (*) |
| Colombia | 3.305.820 | 3.611.861 | 2.867.554 | 3.247.863 |
| Overseas affiliates | 1.445.814 | 1.902.704 | 1.324.501 | 1.805.647 |

(*) corresponds to the average balances of exchange and/or toll for the reported period.

In addition according with current regulation, the Miami branch must maintain a cash reserve in the Federal Reserve Bank. The average amount was approximately of USD$102 million, y USD$110 million for December de 2016 y December de 2015, respectively.

**Credit Quality**

Detailed bellow is the credit Quality determined by independent risk scoring agents, from principal financial institutions where the bank keeps cash funds (not audited):

| | December 31, 2016 | December 31, 2015 |
|---|---|---|
| Guaranteed nation republic bank | 2.406.162 | 1.797.899 |
| Investment Score | 5.700.084 | 5.634.663 |
| Total | 8.106.246 | 7.432.562 |

(Millions of Colombian pesos (COP))

**11.2 Interbank and overnight funds**

Detailed below are the monetary market and related operations:

December 31, 2016

| | Amount in U.S. Dollars | Rate | Date (*) Start | End | Amount in Pesos |
|---|---|---|---|---|---|
| Foreign currency | | | | | |
| Interbank | USD 25.290.000 | 0,76% -1,41% | 14/08/2014 | 01/06/2017 | 94.947 |
| Broker companies from stock exchange | 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 |

December 31, 2015

| | Amount in U.S. Dollars | Rate | Date (*) Start | End | Amount in Pesos |
|---|---|---|---|---|---|
| Foreign currency | | | | | |
| Interbank | USD 74.054.624 | 0,05% - 6,11% | 27/06/2012 | 06/01/2016 | 233.227 |
| Broker companies from stock exchange | USD 3.682.306 | 3,58% - 5,08% | 12/04/2015 | 15/01/2016 | 11.597 |
| Legal Currency | | | | | |
| Simultaneous | | | | | |
| Broker companies from stock exchange | | 5,9% - 7,0% | 28/12/2015 | 06/01/2016 | 27.772 |
| Others | | 2,50% - 6,05% | 28/12/2015 | 19/01/2016 | 217.842 |
| Interbank | | | | | |
| Banks/financial corporations | | 4,70% -7,00% | 21/12/2015 | 13/01/2016 | 16.409 |
| | | | | | 506.847 |

(*) Format Date: dd/mm/yyyy

(Millions of Colombian pesos (COP))

Detailed below are the credit Qualities of monetary market operations and related:

| | December 31, 2016 | December 31, 2015 |
|---|---|---|
| Investment Score | 282.199 | 506.847 |
| | 282.199 | 506.847 |

### 11.3 Investments measured at a fair value and amortized cost, net

Investments by classification and issuer

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

| | December 31, 2016 | December 31, 2015 |
|---|---|---|
| Investments at a fair value with changes in results | | |
| National Government | 2.352.874 | 3.735.760 |
| Financial institutions | 2.134.274 | 437.772 |
| Overseas banks | 260.746 | 322.986 |
| Foreign governments | 1.540.653 | 1.596.958 |
| Multilateral credit organisms | 14.487 | 22.075 |
| Corporate | 224.533 | 270.467 |
| Ownership | 817.901 | 851.894 |
| | 7.345.468 | 7.237.912 |
| Investment at amortized cost | | |
| National government | - | 10.057 |
| Regional government and local authorities | - | 3.103 |
| Financial institutions | 836.148 | 665.777 |
| Overseas banks | 295.122 | 229.705 |
| Foreign governments | 129.128 | 226.800 |
| Corporate | 89.219 | 94.664 |
| Ownership | - | 11.369 |
| | 1.349.617 | 1.241.475 |
| Investments at a fair value with changes in OCI | | |
| Financial institutions | 1.172 | 3.104 |
| Overseas banks | 839 | - |
| Multilateral credit organisms | - | 1 |
| Corporate | 1.350 | 8.586 |
| | 3.361 | 11.691 |
| Impairment (Provision) | (4.599) | (207) |
| | 8.693.847 | 8.490.871 |

Regarding the financial instruments of investment in debt titles and patrimonial instruments at a reasonable value there are no legal or economic restrictions, pledges or embargoes, nor any limits in their ownership.

(Millions of Colombian pesos (COP))

Investments by classification and type

Below in detail are the financial instruments of investments by type

| | December 31, 2016 | December 31, 2015 |
|---|---|---|
| Investments at a fair value with changes in results | | |
| Assets | 32.130 | - |
| Private debt titles | 513.207 | 602.796 |
| Public debt titles different from TES | 119.303 | 172.571 |
| Collective investment funds, of pensions and fiduciary commissions | 1.799.478 | 63.439 |
| CDT | 285.421 | 357.706 |
| Sovereign debt of other nations | 1.577.767 | 1.614.314 |
| Mortgage titles and real state titles | 816.539 | 851.894 |
| Titles TES | 2.196.457 | 3.567.922 |
| Obligatory investments | 5.166 | 2.834 |
| Content credit titles | - | 4.436 |
| | 7.345.468 | 7.237.912 |
| Investment at amortized cost | | |
| Private debt bonds | 286.294 | 235.501 |
| CDT | 98.358 | 118.719 |
| Sovereign debt of other nations | 128.817 | 204.805 |
| Mortgage titles and real state titles | - | 11.369 |
| Obligatory investments | 836.148 | 671.081 |
| | 1.349.617 | 1.241.475 |
| Investments at a reasonable value with changes in OCI | | |
| Assets | 3.361 | 11.691 |
| | 3.361 | 11.691 |
| Impairment | (4.599) | (207) |
| General Total | 8.693.847 | 8.490.871 |

(Millions of Colombian pesos (COP))

Detailed bellow is the classification of financial instruments of investment by score according to risk scoring and impairment:

| | December 31, 2016 | | | December 31, 2015 | | |
|---|---|---|---|---|---|---|
| Long term score | Value | % partic. | Impairment | Valor | % partic. | Impairment |
| AAA | 1.349.892 | 16% | - | 1.252.358 | 15% | - |
| AA+ | 74.403 | 1% | - | 187.929 | 2% | - |
| AA | 31.403 | 0% | - | 24.653 | 0% | - |
| AA- | 43.614 | 1% | - | 66.388 | 1% | - |
| A+ | 44.891 | 1% | - | 47.273 | 1% | - |
| A | 392.822 | 5% | (2.635) | 91.671 | 1% | - |
| A- | 42.373 | 0% | - | 64.808 | 1% | - |
| BBB+ | 311.710 | 4% | - | 221.255 | 3% | - |
| BBB | 67.925 | 1% | - | 122.186 | 1% | - |
| BBB- | 79.997 | 1% | - | 1.057.946 | 12% | (207) |
| BB+ | 5.527 | 0% | - | 27.539 | 0% | - |
| BB | 24.103 | 0% | - | 17.638 | 0% | - |
| BB- | 1.334 | 0% | - | 1.625 | 0% | - |
| B+ | 883 | 0% | - | 617.967 | 7% | - |
| B | 4.479 | 0% | (43) | 4.927 | 0% | - |
| B- | - | 0% | - | 1.334 | 0% | - |
| CCC | - | 0% | - | 0 | 0% | - |
| Patrimonial instruments (shares) | 35.492 | 0% | - | 11.691 | 0% | - |
| Nation (*) | 4.022.344 | 46% | (1.921) | 3.849.543 | 45% | - |
| No score | 2.002.367 | 23% | - | 661.474 | 8% | - |
| | 8.535.559 | 98% | (4.599) | 8.330.205 | 98% | (207) |
| Short term score | | | | | | |
| 1 | 143.693 | 2% | - | 141.326 | 2% | - |
| 2 | 19.196 | 0% | - | 19.547 | 0% | - |
| | 162.889 | 2% | - | 160.873 | 2% | - |
| | 8.698.447 | 100% | (4.599) | 8.491.078 | 100% | (207) |

Currency classification

Presented below is the classification of financial instruments of investment by currency:

| | December 31, 2016 | December 31, 2015 |
|---|---|---|
| Peso | 5.676.925 | 3.582.697 |
| USD | 2.032.362 | 1.925.272 |
| USD Canadian | 23.911 | - |
| UVR | 323.732 | 2.126.540 |
| Lempira | 215.711 | 356.881 |
| Colons | 425.806 | 499.688 |
| Total | 8.698.446 | 8.491.078 |
| Impairment | (4.599) | (207) |
| Total investment | 8.693.847 | 8.490.871 |

(Millions of Colombian pesos (COP))

Classification by maturity

Presented below in detail is the classification by investment maturity (patrimonial instruments not included):

December 31, 2016

| | 0 to 1 years | 1 to 5 years | 5 to 10 years | More than 10 years | Total |
|---|---|---|---|---|---|
| Investments at a fair value with changes in results | 3.758.621 | 2.355.286 | 788.856 | 410.575 | 7.313.338 |
| Investments at an 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 |

December 31, 2015

| | 0 to 1 years | 1 to 5 years | 5 to 10 years | More than 10 years | Total |
|---|---|---|---|---|---|
| Investments at a fair value with changes in results | 2.024.671 | 3.676.567 | 952.047 | 584.628 | 7.237.913 |
| Investments at an amortized cost | 1.040.800 | 97.239 | 103.434 | 1 | 1.241.474 |
| Total | 3.065.471 | 3.773.806 | 1.055.481 | 584.629 | 8.479.387 |

Impairment of investments

Presented below in detail is the provision for financial instruments of investment:

| | December 31, 2016 | December 31, 2015 |
|---|---|---|
| Opening balance | 207 | 157 |
| plus: | | |
| Provision | 4.392 | 50 |
| Minus: | | |
| Provision adjustment | - | - |
| Restatement | - | - |
| Final balance | 4.599 | 207 |

Credit Qualities

Presented below in detail are the credit qualities of investments measured at a reasonable value and mortised cost

| December 31, 2016 | Fair Value | | |
|---|---|---|---|
| | Debt Titles | Patrimonial Instruments | Amortized Cost |
| Credit Quality | | | |
| Investment Score | 1.521.933 | - | 1.133.698 |
| Emitted and guaranteed by the nation and/or Central bank | 3.827.652 | - | 128.817 |
| Speculation Score | 34.882 | - | 1.443 |
| No Score or unavailable | 1.928.869 | 35.491 | 85.659 |
| | 7.313.338 | 35.491 | 1.349.617 |

| December 31, 2015 | Fair Value | | |
|---|---|---|---|
| | Debt Titles | Patrimonial Instruments | Amortized Cost Debt Titles |
| Credit Quality | | | |
| Investment Score | 3.308.455 | - | 1.030.331 |
| Emitted and guaranteed by the nation and/or Central bank | 3.721.755 | - | 10.055 |
| Speculation Score | 30.371 | - | 25.372 |
| No Score or unavailable | 177.331 | 11.691 | 175.717 |
| | 7.237.912 | 11.691 | 1.241.475 |

(Millions of Colombian pesos (COP))

### 11.4 Derivatives

The following is the summary of approvals, paid in cash operations and derivatives held by the bank:

December 31, 2016

| | Assets | | Liabilities | | |
|---|---|---|---|---|---|
| Product | National Amount | Reasonable Value | National Amount | Reasonable Value | Total |
| Paid in cash operations | - | 66 | - | 64 | 2 |
| Options contracts | 1.028.733 | 22.561 | 977.428 | 22.395 | 166 |
| Future 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 |

December 31, 2015

| | Assets | | Liabilities | | |
|---|---|---|---|---|---|
| Product | National Amount | Reasonable Value | National Amount | Reasonable Value | Total |
| Paid in cash operations | - | 391 | - | 292 | 99 |
| Options contracts | 625.485 | 12.269 | 638.398 | 16.194 | (3.925) |
| Future contracts | 97.349 | - | 97.349 | - | - |
| Swaps contracts | 11.987.936 | 114.634 | 10.168.908 | 89.953 | 24.681 |
| Forwards contracts | 10.466.789 | 314.413 | 8.811.485 | 258.678 | 55.735 |
| | 23.177.559 | 441.708 | 19.716.139 | 365.118 | 76.590 |

The result of the speculation derivatives is the following:

December 31, 2016

| | | Forward | Future | Swaps | Options | Total |
|---|---|---|---|---|---|---|
| Purchase over currencies | Right | 5.266.928 | 1.126.154 | 104.717 | - | 6.497.800 |
| | Obligation | 5.329.226 | 1.126.154 | 105.269 | - | 6.560.649 |
| Sale over Currencies | Right | 5.747.818 | 931.422 | 89.821 | - | 6.769.061 |
| | Obligation | 5.684.553 | 931.422 | 90.384 | - | 6.706.358 |
| Purchase over titles | Right | 26.311 | 116.884 | - | - | 143.194 |
| | Obligation | 25.675 | 116.884 | - | - | 142.559 |
| Sale over titles | Right | 201.169 | 328.754 | - | - | 529.923 |
| | Obligation | 202.171 | 328.754 | - | - | 530.925 |
| Over 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))

| December 31, 2015 | | Forward | Future | Swaps | Options | Total |
|---|---|---|---|---|---|---|
| Purchase over currencies | Right | 8.228.537 | 992.858 | 30.128 | - | 9.251.523 |
| | Obligation | 7.832.020 | 992.858 | 30.060 | - | 8.854.938 |
| | | - | - | - | - | - |
| | | - | - | - | - | - |
| Sale over Currencies | Right | 7.061.606 | 1.457.361 | - | - | 8.518.967 |
| | Obligation | 7.401.115 | 1.457.361 | - | - | 8.858.475 |
| | | - | - | - | - | - |
| | | - | - | - | - | - |
| Purchase over titles | Right | 24.063 | 83.490 | - | - | 107.553 |
| | Obligation | 24.020 | 83.490 | - | - | 107.510 |
| | | - | - | - | - | - |
| | | - | - | - | - | - |
| Sale over titles | Right | 164.195 | 4.893 | - | - | 169.088 |
| | Obligation | 165.512 | 4.893 | - | - | 170.405 |
| | | - | - | - | - | - |
| Over interest rate | Right | - | - | 23.301.475 | - | 23.301.475 |
| | Obligation | - | - | 23.276.862 | - | 23.276.862 |
| | | - | - | - | - | - |
| Call options | Purchase | - | - | - | 1.969 | 1.969 |
| | Sale | - | - | - | (15.374) | (15.374) |
| | | - | - | - | - | - |
| Put options | Purchase | - | - | - | 10.300 | 10.300 |
| | Sale | - | - | - | (820) | (820) |
| Total rights | | 15.478.401 | 2.538.602 | 23.331.603 | - | 41.348.606 |
| Total obligations | | 15.422.666 | 2.538.602 | 23.306.921 | - | 41.268.189 |
| Total Net | | 55.735 | - | 24.681 | (3.925) | 76.491 |

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

| | Derivatives | | | |
|---|---|---|---|---|
| December 31, 2016 | Options contracts | Future contracts | Swaps contracts | Forward Contracts |
| Credit Quality | | | | |
| Investment Score | 22.241 | - | 123.760 | 53.436 |
| Speculation Score | 320 | - | 677 | 40.589 |
| No Score or unavailable | - | - | - | - |
| | 22.561 | - | 124.436 | 94.024 |

| | Derivatives | | | |
|---|---|---|---|---|
| December 31, 2015 | Options contracts | Options contracts | Options contracts | Options contracts |
| Credit Quality | | | | |
| Investment Score | 10.580 | - | 23.310 | 240.707 |
| Speculation Score | 1.689 | - | 91.324 | 73.706 |
| | 12.269 | - | 114.634 | 314.413 |

(Millions of Colombian pesos (COP))

Below in detail are the maturity period of derivatives:

| December 31, 2016 | Less than 1 year | 1 to 5 years | 5 to 10 years | More than 10 years | Total |
|---|---|---|---|---|---|
| Paid in cash operations | 2 | - | - | - | 2 |
| Options contracts | 166 | - | - | - | 166 |
| Future contracts | - | - | - | - | - |
| Swaps contracts | 5.427 | (1.867) | (4.319) | (4) | (763) |
| Forwards contracts | (5.330) | 5.930 | - | - | 600 |
| | 264 | 4.063 | (4.319) | (4) | 5 |

| December 31, 2016 | Less than 1 year | 1 to 5 years | 5 to 10 years | More than 10 years | Total |
|---|---|---|---|---|---|
| Paid in cash operations | 99 | - | - | - | 99 |
| Options contracts | (3.925) | - | - | - | (3.925) |
| Swaps contracts | 1.304 | 19.399 | 4.294 | (316) | 24.681 |
| Forwards contracts | 55.747 | (12) | - | - | 55.735 |
| | 53.225 | 19.387 | 4.294 | (316) | 76.590 |

### 11.5 Loans and financial leases operations portfolio at an amortized cost

#### 11.5.1 Loans and financial leases by modality

Presented below in detail is the credit portfolio and financial leasing by modality:

| | December 31, 2016 | December 31, 2015 |
|---|---|---|
| Commercial portfolio | | |
| Corporative and construction | 26.908.764 | 21.673.429 |
| Other commercial lines | 8.066.244 | 10.773.596 |
| Financial leasing | 1.932.305 | 387.101 |
| Credit card | 388.567 | 367.249 |
| Vehicles | 730.666 | 600.451 |
| Discovered in current accounts | 131.767 | 140.086 |
| | 38.158.313 | 33.941.912 |
| Housing portfolio (1) | | |
| Housing portfolio | 9.486.661 | 8.280.281 |
| Habitation leasing | 6.301.461 | 5.441.569 |
| | 15.788.122 | 13.721.850 |
| Consumer portfolio | | |
| Credit card | 4.363.960 | 3.582.325 |
| Other consumer lines | 12.107.551 | 10.938.633 |
| Vehicles | 2.329.924 | 1.755.193 |
| Discovered in current accounts | 36.634 | 33.258 |
| Financial leasing | 23.584 | 12.536 |
| | 18.861.653 | 16.321.945 |
| Microcredit portfolio | | |
| Microcredit | 120.663 | 110.621 |
| Financial leasing | 890 | 1.052 |
| | 121.553 | 111.673 |
| Gross portfolio | 72.929.641 | 64.097.380 |
| Minus Impairment | (1.678.327) | (1.728.621) |
| | 71.251.314 | 62.368.759 |

(1) Includes employee portfolio $ 430.691 for December 31 de 2016.

(Millions of Colombian pesos (COP))

### 11.5.2 Warranty and Impairment level

Below is presented the portfolio for warranty and Impairment level:

December 31, 2016

| | Final balance | | | | Provision IFRS | | |
|---|---|---|---|---|---|---|---|
| | To date (1) | Past due not deteriorated (2) | Deteriorated (3) | Total | Collective | Individual | Total |
| With warranty | | | | | | | |
| Commercial | 10.794.776 | 114.248 | 4.739.176 | 15.648.200 | 126.559 | 238.967 | 365.526 |
| Consumer | 1.797.222 | 29.108 | 933.449 | 2.759.779 | 61.098 | 1.841 | 62.939 |
| Housing and habitation leasing | 10.611.802 | 220.565 | 4.955.755 | 15.788.122 | 56.402 | 16.784 | 73.186 |
| Microcredit | 94.137 | 708 | 23.833 | 118.678 | 3.977 | - | 3.977 |
| Financial leasing | 13.063 | 37.150 | 1.906.566 | 1.956.779 | 35.341 | 99 | 35.440 |
| | 23.311.000 | 401.779 | 12.558.779 | 36.271.558 | 283.377 | 257.691 | 541.068 |
| No warranty | | | | | | | |
| Commercial | 16.242.694 | 6.463 | 4.328.651 | 20.577.808 | 146.755 | 164.185 | 310.940 |
| Consumer | 11.796.310 | 6.300 | 4.275.680 | 16.078.290 | 820.791 | 5.428 | 826.219 |
| Housing and habitation leasing | - | - | - | - | - | - | - |
| Microcredit | 1.415 | - | 570 | 1.985 | 100 | - | 100 |
| Financial leasing | - | - | - | - | - | - | - |
| | 28.040.419 | 12.763 | 8.604.901 | 36.658.083 | 967.646 | 169.613 | 1.137.259 |
| | 51.351.419 | 414.542 | 21.163.680 | 72.929.641 | 1.251.024 | 427.304 | 1.678.327 |

December 31, 2015

| | Final balance | | | | Provision IFRS | | |
|---|---|---|---|---|---|---|---|
| | To date (1) | Past due not deteriorated (2) | Deteriorated (3) | Total | Collective | Individual | Total |
| With warranty | | | | | | | |
| Commercial | 4.944.466 | 81.812 | 3.696.218 | 8.722.496 | 154.493 | 38.790 | 193.283 |
| Consumer | 1.774.671 | 3.060 | 790.725 | 2.568.456 | 70.110 | 1.461 | 71.571 |
| Housing and habitation leasing | 9.089.102 | 1.320.448 | 3.312.300 | 13.721.850 | 82.783 | 12.952 | 95.735 |
| Microcredit | 93.925 | - | 16.061 | 109.986 | 3.483 | - | 3.483 |
| Financial leasing | 347.891 | - | 52.798 | 400.689 | 5.643 | 11.409 | 17.052 |
| Subtotal with warranty | 16.250.055 | 1.405.320 | 7.868.102 | 25.523.477 | 316.512 | 64.612 | 381.124 |
| No warranty | | | | | | | |
| Commercial | 19.790.792 | 1.745 | 5.039.778 | 24.832.315 | 247.734 | 434.985 | 682.719 |
| Consumer | 11.955.230 | - | 1.785.723 | 13.740.953 | 664.738 | 3 | 664.741 |
| Housing and habitation leasing | - | - | - | - | - | - | - |
| Microcredit | 559 | - | 76 | 635 | 37 | - | 37 |
| Financial leasing | - | - | - | - | - | - | - |
| Subtotal no warranty | 31.746.581 | 1.745 | 6.825.577 | 38.573.903 | 912.509 | 434.988 | 1.347.497 |
| Total Portfolio | 47.996.636 | 1.407.065 | 14.693.679 | 64.097.380 | 1.229.021 | 499.600 | 1.728.621 |

Days over due
(1) To date: No Impairment
(2) Overdue not deteriorated > 1 day overdue and Impairment $0
(3) Deteriorated Impairment > $ 1

(Millions of Colombian pesos (COP))

### 11.5.3 Loans by risk level

Presented below is the credit portfolio by risk score:

| | December 31, 2016 | December 31, 2015 |
|---|---|---|
| Commercial | | |
| Category A – Normal Risk | 33.938.123 | 31.960.842 |
| Category B – Acceptable Risk | 1.248.002 | 779.670 |
| Category C – Appreciable Risk | 374.407 | 303.103 |
| Category D – Significant Risk | 476.050 | 276.337 |
| Category E – Uncollectible Risk | 189.426 | 234.859 |
| | 36.226.008 | 33.554.811 |
| Consumer | | |
| Category A – Normal Risk | 17.116.283 | 14.923.596 |
| Category B – Acceptable Risk | 578.630 | 476.444 |
| Category C – Appreciable Risk | 399.845 | 325.866 |
| Category D – Significant Risk | 461.172 | 360.349 |
| Category E – Uncollectible Risk | 282.139 | 223.154 |
| | 18.838.069 | 16.309.409 |
| Microcredit | | |
| Category A – Normal Risk | 108.463 | 103.396 |
| Category B – Acceptable Risk | 3.357 | 2.557 |
| Category C – Appreciable Risk | 2.210 | 1.107 |
| Category D – Significant Risk | 1.538 | 815 |
| Category E – Uncollectible Risk | 5.095 | 2.746 |
| | 120.663 | 110.621 |
| housing | | |
| Category A – Normal Risk | 8.986.963 | 7.820.000 |
| Category B – Acceptable Risk | 260.190 | 260.640 |
| Category C – Appreciable Risk | 116.184 | 89.827 |
| Category D – Significant Risk | 50.644 | 52.637 |
| Category E – Uncollectible Risk | 72.680 | 57.177 |
| | 9.486.661 | 8.280.281 |
| | 64.671.401 | 58.255.122 |

(*) presentation is updated for December 2015 leaving habitat leasing in note leasing by risk level for comparative effects.

(Millions of Colombian pesos (COP))

Financial leasing by risk level

| | December 31, 2016 | December 31, 2015 |
|---|---|---|
| Commercial | | |
| Category A – Normal Risk | 1.737.189 | 339.108 |
| Category B – Acceptable Risk | 64.580 | 25.089 |
| Category C – Appreciable Risk | 34.429 | 20.120 |
| Category D – Significant Risk | 50.636 | 1.153 |
| Category E – Uncollectible Risk | 45.471 | 1.631 |
| | 1.932.305 | 387.101 |
| Consumer | | |
| Category A – Normal Risk | 20.645 | 11.314 |
| Category B – Acceptable Risk | 368 | 800 |
| Category C – Appreciable Risk | 482 | 73 |
| Category D – Significant Risk | 510 | - |
| Category E – Uncollectible Risk | 1.579 | 349 |
| | 23.584 | 12.536 |
| Microcredit | | |
| Category A – Normal Risk | 870 | 963 |
| Category B – Acceptable Risk | - | 11 |
| Category C – Appreciable Risk | - | 78 |
| Category D – Significant Risk | - | - |
| Category E – Uncollectible Risk | 20 | - |
| | 890 | 1.052 |
| housing | | |
| Category A – Normal Risk | 6.082.160 | 5.363.242 |
| Category B – Acceptable Risk | 130.886 | 31.886 |
| Category C – Appreciable Risk | 48.806 | 25.576 |
| Category D – Significant Risk | 17.538 | 1.863 |
| Category E – Uncollectible Risk | 22.071 | 19.002 |
| | 6.301.461 | 5.441.569 |
| | 8.258.240 | 5.842.258 |
| Provision | (1.678.327) | (1.728.621) |
| Total portfolio Net | 71.251.314 | 62.368.759 |

(*) presentation is updated for December 2015 leaving habitat leasing in note leasing by risk level for comparative effects.

### 11.5.4 Individually evaluated loands

Presented below is portfolio of credits evaluated individually

December 31, 2016

| | Registered gross value | Collateral warranties | Constituted provision |
|---|---|---|---|
| No registered impairment | | | |
| Commercial | 79.961 | 173.846 | - |
| | 79.961 | 173.846 | - |
| With registered Impairment | | | |
| Commercial | 20.030.684 | 7.278.994 | 403.153 |
| Consumer | 10.574 | 318 | 7.268 |
| Housing and habitation leasing | 78.389 | - | 16.784 |
| Financial leasing | 474 | - | 99 |
| | 20.120.121 | 7.279.312 | 427.304 |
| | 20.200.082 | 7.453.158 | 427.304 |

(Millions of Colombian pesos (COP))

December 31, 2015

| | Registered gross value | Collateral warranties | Constituted provision |
|---|---|---|---|
| No registered Impairment | | | |
| Commercial | 84.307 | 181 | - |
| | 84.307 | 181 | - |
| With registered Impairment | | | |
| Commercial | 16.196.159 | 16.002.018 | 485.185 |
| Consumer | 7.212 | 3 | 1.463 |
| Housing and habitation leasing | 74.468 | 45 | 12.952 |
| Financial leasing | 16.277.839 | 16.002.066 | 499.600 |
| | 16.362.146 | 16.002.247 | 499.600 |

### 11.5.5 Provision movement

The flow of provisions for the credit portfolio and financial leasing is the following:

December 31, 2016

| | Commercial | Consumer | Microcredit | Housing | Total |
|---|---|---|---|---|---|
| Opening balance | 892.498 | 736.814 | 3.574 | 95.735 | 1.728.621 |
| Plus: | | | | | |
| Integration Leasing Bolívar | 59.967 | 752 | - | - | 60.719 |
| Provision charged to operational expenses | 321.804 | 1.128.419 | 2.455 | 1.205 | 1.453.883 |
| Restated foreign currency portfolio | (3.277) | 36.351 | - | (12.127) | 20.947 |
| | | | | | - |
| Minus: | | | | | |
| Written-off loans | (550.384) | (966.785) | (1.951) | (11.241) | (1.530.361) |
| Reimbursement | (8.701) | (44.600) | - | (2.181) | (55.482) |
| | 711.907 | 890.951 | 4.078 | 71.391 | 1.678.327 |

December 31, 2015

| | Commercial | Consumer | Microcredit | Housing | Total |
|---|---|---|---|---|---|
| Opening balance | 674.994 | 638.505 | 3.109 | 57.266 | 1.373.874 |
| Plus: | | | | | |
| Provision charged to operational expenses | 351.169 | 909.789 | 2.516 | 56.437 | 1.319.911 |
| Restated foreign currency portfolio | 25.301 | (2.649) | - | 478 | 23.131 |
| Minus: | | | | | |
| Written-off loans | (151.633) | (801.657) | (2.051) | (14.657) | (969.998) |
| Reimbursement provision net | (7.333) | (7.174) | - | (3.789) | (18.296) |
| | 892.498 | 736.814 | 3.574 | 95.735 | 1.728.621 |

### 11.5.6 Loans by maturity

Below in detail is the credit portfolio by maturity:

December 31, 2016

| Modalities | 0 to 1 years | 1 to 5 years | 5 to 10 years | More than 10 years | Total |
|---|---|---|---|---|---|
| Consumer | 346.940 | 13.294.634 | 4.795.383 | 424.696 | 18.861.653 |
| Commercial | 12.094.417 | 14.347.171 | 9.244.892 | 2.471.833 | 38.158.313 |
| Housing | 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))

December 31, 2015

| Modalities | 0 to 1 years | 1 to 5 years | 5 to 10 years | More than 10 years | Total |
|---|---|---|---|---|---|
| Consumer | 1.285.464 | 9.975.737 | 4.742.781 | 317.963 | 16.321.945 |
| Commercial | 11.109.884 | 12.793.363 | 7.465.893 | 2.572.772 | 33.941.912 |
| Housing | 35.790 | 322.330 | 1.823.998 | 11.539.732 | 13.721.850 |
| Microcredit | 4.283 | 100.612 | 6.778 | - | 111.673 |
| | 12.435.421 | 23.192.042 | 14.039.450 | 14.430.467 | 64.097.380 |

### 11.5.7 Monetary unit

Presented below is credit portfolio and financial leasing per monetary unit:

| | December 31, 2016 | | | December 31, 2015 | | |
|---|---|---|---|---|---|---|
| | Legal currency | Foreign currency | Total | Legal currency | Foreign currency | Total |
| Commercial | 22.322.516 | 13.903.492 | 36.226.008 | 24.705.176 | 8.849.635 | 33.554.811 |
| Consumer | 15.330.051 | 3.508.018 | 18.838.069 | 12.956.592 | 3.352.817 | 16.309.409 |
| Microcredit | 120.663 | - | 120.663 | 110.621 | - | 110.621 |
| Housing and habitation leasing (1) | 12.737.991 | 3.050.131 | 15.788.122 | 10.906.501 | 2.815.349 | 13.721.850 |
| Financial leasing | 1.906.473 | 50.306 | 1.956.779 | 400.689 | - | 400.689 |
| | 52.417.694 | 20.511.947 | 72.929.641 | 49.079.579 | 15.017.801 | 64.097.380 |

(1) Includes employee portfolio

### 11.5.8 Overdue but not deteriorated loans

Presented below is the portfolio for credits overdue but not deteriorated

December 31, 2016

| | Live credit portfolio not deteriorated | 1 to 30 days | 31 to 90 days | 90 to180 days | More than 180 days | Total clients overdue not deteriorated | Deteriorated | Total credit portfolio |
|---|---|---|---|---|---|---|---|---|
| Commercial | 27.026.060 | 30.375 | 24.786 | 27.123 | 75.576 | 157.860 | 10.974.393 | 38.158.313 |
| Consumer | 13.617.116 | 383 | 12 | 10.457 | 24.556 | 35.408 | 5.209.129 | 18.861.653 |
| Housing and habitation leasing | 10.611.802 | 4.952 | 37 | 105.332 | 110.244 | 220.565 | 4.955.755 | 15.788.122 |
| Microcredit | 96.441 | - | - | 321 | 388 | 709 | 24.403 | 121.553 |
| | 51.351.419 | 35.710 | 24.835 | 143.233 | 210.764 | 414.542 | 21.163.680 | 72.929.641 |

December 31, 2015

| | Live credit portfolio not deteriorated | 1 to 30 days | 31 to 90 days | 90 to180 days | More than 180 days | Total clients overdue not deteriorated | Deteriorated | Total credit portfolio |
|---|---|---|---|---|---|---|---|---|
| Commercial | 25.071.452 | 36.274 | 8.387 | 38.895 | - | 83.556 | 8.786.904 | 33.941.912 |
| Consumer | 13.740.636 | 1.184 | 3 | 1.873 | - | 3.060 | 2.578.249 | 16.321.945 |
| Housing and habitation leasing | 9.089.101 | 1.111.836 | 202.857 | 5.756 | - | 1.320.449 | 3.312.300 | 13.721.850 |
| Microcredit | 95.447 | - | - | - | - | - | 16.226 | 111.673 |
| | 47.996.636 | 1.149.294 | 211.247 | 46.524 | - | 1.407.065 | 14.693.679 | 64.097.380 |

For December of 2015, groupings were of 1 to 30, 31 to 60, 61 to 90 and more than 90 days.

(Millions of Colombian pesos (COP))

### 11.5.9 Loans by economic sector

Presented below is the credit portfolio and financial leasing by economic sector:

| Economic Sector | December 31, 2016 | December 31, 2015 |
|---|---|---|
| Farming, Livestock, forestry and fishing | 2.015.045 | 1.855.933 |
| Mining and Quarry Exploitation | 468.446 | 583.032 |
| Manufacturing Industry | 5.930.635 | 5.138.929 |
| Electricity, Gas, Vapor & Air conditioning supply | 2.833.895 | 2.215.011 |
| Water supply; removal of sewage waters, waste and decontamination management | 78.514 | 61.614 |
| Construction | 6.084.688 | 5.722.006 |
| Whole sale and retail commerce; Vehicle Repair Automobile and motorcycles | 6.862.340 | 6.270.652 |
| Transport and storage | 3.367.314 | 2.839.947 |
| Lodging Activities and catering services | 288.512 | 274.115 |
| Information and communication | 1.089.331 | 621.152 |
| Finance and insurance activities | 2.751.160 | 2.974.100 |
| Real estate activities | 1.940.103 | 1.430.701 |
| Professional, scientific and technical Activities | 1.047.271 | 839.345 |
| Management Service activities and Support | 921.798 | 1.110.099 |
| Public management and defense; obligatory affiliation social security plans | 489.184 | 484.090 |
| Education | 363.602 | 321.809 |
| Health care and social aid activities | 556.956 | 422.374 |
| Artistic, entertainment and recreational activities | 162.444 | 70.567 |
| Other Service activities | 475.840 | 415.055 |
| Home as employer activities | 10.408 | 7.907 |
| Organizations and extraterritorial body activities | 7.160 | 7.184 |
| Waged workers: natural persons | 34.810.834 | 30.192.678 |
| Rent capital, natural person only | 374.161 | 239.080 |
| | 72.929.641 | 64.097.380 |

### 11.5.10 Loans by geographic zone

Presented below is the credit portfolio and financial leasing by geographic zone:

| December 31, 2016 | Commercial | Consumer | Microcredit | housing | Total |
|---|---|---|---|---|---|
| Bogotá | 12.798.830 | 7.184.581 | 95.729 | 4.168.039 | 24.247.179 |
| Antioquia | 5.906.896 | 2.800.273 | 11.678 | 904.056 | 9.622.903 |
| northeastern | 4.513.794 | 3.320.725 | 13.256 | 924.149 | 8.771.924 |
| Southwestern | 3.155.337 | 2.113.806 | - | 440.288 | 5.709.431 |
| Miami | 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 | 120.663 | 9.486.661 | 64.671.401 |

(Millions of Colombian pesos (COP))

December 31, 2015

| | Commercial | Consumer | Microcredit | housing | Total |
|---|---|---|---|---|---|
| Bogotá | 11.822.308 | 6.057.607 | 110.172 | 3.897.857 | 21.887.944 |
| Antioquia | 5.347.114 | 2.341.325 | 449 | 483.663 | 8.172.551 |
| northeastern | 3.782.278 | 2.785.026 | - | 598.443 | 7.165.747 |
| Southwestern | 2.754.436 | 1.770.919 | - | 484.971 | 5.010.326 |
| Miami | 999.041 | 1.714 | - | - | 1.000.755 |
| Costa Rica | 2.691.901 | 706.532 | - | 1.159.596 | 4.558.029 |
| Honduras | 1.083.082 | 631.155 | - | 656.143 | 2.370.380 |
| Panamá | 2.800.992 | 108.073 | - | 98.646 | 3.007.711 |
| Salvador | 2.273.659 | 1.907.058 | - | 900.962 | 5.081.679 |
| | 33.554.811 | 16.309.409 | 110.621 | 8.280.281 | 58.255.122 |

Financial leasing by geographic zone

December 31, 2016

| | Commercial | Consumer | Microcredit | housing | Total |
|---|---|---|---|---|---|
| Bogotá | 1.260.436 | 18.399 | 786 | 3.033.636 | 4.313.257 |
| Antioquia | 210.948 | 1.483 | 104 | 1.173.352 | 1.385.887 |
| northeastern | 194.655 | 776 | - | 1.210.179 | 1.405.610 |
| Southwestern | 217.521 | 1.366 | - | 884.295 | 1.103.182 |
| Panamá | 9.196 | 1.560 | - | - | 10.756 |
| Costa Rica | 39.549 | - | - | - | 39.549 |
| | 1.932.305 | 23.584 | 890 | 6.301.461 | 8.258.240 |

December 31, 2015

| | Commercial | Consumer | Microcredit | housing | Total |
|---|---|---|---|---|---|
| Bogotá | 260.872 | 12.536 | 1.052 | 2.605.162 | 2.879.622 |
| Antioquia | 41.612 | - | - | 1.182.564 | 1.224.176 |
| northeastern | 57.028 | - | - | 1.021.151 | 1.078.179 |
| Southwestern | 27.589 | - | - | 632.692 | 660.281 |
| | 387.101 | 12.536 | 1.052 | 5.441.569 | 5.842.258 |

(*) Presentation updated for December 2015 leaving habitat leasing in note, leasing by geographic zone for comparative effects

### 11.5.11 Loans by type of warranty

Presented below in detail is the credit portfolio and financial leasing by type of warranty:

December 31, 2016

| | Commercial | Consumer | Housing and habitat leasing | Microcredit | Financial leasing | Total |
|---|---|---|---|---|---|---|
| Unsecured credits | 20.577.808 | 16.078.290 | - | 1.985 | - | 36.658.083 |
| Credits unsecured by other banks | 17.713 | - | - | - | - | 17.713 |
| housing | 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 |
| Investments 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 |

(Millions of Colombian pesos (COP))

December 31, 2015

| | Commercial | Consumer | Housing and habitat leasing | Microcredit | Financial leasing | Total |
|---|---|---|---|---|---|---|
| Unsecured credits | 24.832.315 | 13.740.953 | - | 635 | - | 38.573.903 |
| Credits unsecured by other banks | 10.667 | - | - | - | - | 10.667 |
| housing | 1.753.785 | 216.987 | 12.600.285 | - | - | 14.571.057 |
| Other real estate | 4.947.070 | 149.334 | 1.121.565 | - | 350.219 | 6.568.188 |
| Investments in equity instruments | 39.546 | - | - | - | - | 39.546 |
| Cash deposits | 629.570 | 103.112 | - | - | - | 732.682 |
| Other assets | 1.341.858 | 2.099.023 | - | 109.986 | 50.470 | 3.601.337 |
| | 33.554.811 | 16.309.409 | 13.721.850 | 110.621 | 400.689 | 64.097.380 |

### 11.5.12 Financial renting maturities

The following is the maturity for financial renting:

December 31, 2016

| | 0-1 years | 1-5 years | More than 5 years | Total |
|---|---|---|---|---|
| Gross investment in financial renting | 67.170 | 1.113.993 | 12.618.660 | 13.799.823 |
| Financial revenue not accrued by financial renting-interest | (63.217) | (875.962) | (6.782.046) | (7.721.225) |
| Total minimum payments of financial renting receivable , at present value | 3.953 | 238.031 | 5.836.614 | 6.078.598 |

December 31, 2015 (*)

| | 0-1 years | 1-5 years | More than 5 years | Total |
|---|---|---|---|---|
| Gross investment in financial renting | 502.384 | 1.603.372 | 7.662.701 | 9.768.457 |
| Financial revenue not accrued by financial renting-interest | (276.379) | (888.857) | (4.190.910) | (5.356.147) |
| Total minimum payments of financial renting receivable , at present value | 226.005 | 714.515 | 3.471.790 | 4.412.310 |

(*) figures were updated regarding annual publication for comparative effects.

### 11.5.13 Shareholders and employee loans

Loans to shareholders and home loans granted to employees with rate benefits:

| | December 31, 2016 | December 31, 2015 |
|---|---|---|
| Shareholders (*) | 206 | 124 |
| Employees | 433.041 | 180.880 |
| Commercial | - | - |
| Consumer | 81.361 | - |
| housing | 262.976 | 89.494 |
| Housing leasing | 88.704 | 91.386 |
| | 433.247 | 181.004 |

(*) shareholders with a participation higher to 5%

(Millions of Colombian pesos (COP))

The bank in compliance to applying the IFRS 9 and IAS19, incorporated in its financial statements the rate benefits granted to its officials, applying for home loan credits, in recognition of portfolio revenue and personal expense for $ 9.698 million for December 2016 and $12.481 million for the same period of 2015.

### 11.5.14 Portfolio sales

Presented below in detail are portfolio sales

December 31, 2016

Titularizadora Colombiana S.A.

| Emission | Date | Number | rate | Capital | Interests | Other | Total | earnings | Product of sales | Provision recovery |
|---|---|---|---|---|---|---|---|---|---|---|
| TIPS Pesos N-12 | Sept-08-2016 | 2.471 | 8,40% | 220.023 | 1.045 | 276 | 221.344 | - | 221.783 | 4.491 |
| TIPS Pesos N-13 | Noviemb-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 |

December 31, 2015

Titularizadora Colombiana S.A.

| Emission | Date | Number | rate | Capital | Interests | Other | Total | earnings | Product of sales | Provision recovery |
|---|---|---|---|---|---|---|---|---|---|---|
| TIPS Pesos N-11 | Junio-10-2015 | 6.100 | 11.2% | 367.102 | 1.646 | 507 | 369.255 | 7.342 | 377.500 | 7.500 |
| TIPS UVR U-1 | Octu-15-2015 | 3.665 | 11.1% | 122.972 | 501 | 194 | 123.667 | 4.920 | 129.078 | 2.581 |
| | | 9.765 | | 490.074 | 2.147 | 701 | 492.922 | 12.262 | 506.578 | 10.081 |

In 2015 portfolio sales were carried out in Colombia de 324 credits with a loss of $1.424.

### 11.5.15 Sales of written-off Portfolios

Presented below in detail are the sales of written-off portfolios.

December 31, 2016

On April 20th, takes place a sale of written-off portfolio via public auction for a total value of $310.656 whose value elevated to $18.510 it was awarded to the two highest bidders and payment, in cash, was issued in less than a month's time.

| Portfolio | Number of credits | Capital | Interests | Other concepts | Total | Sales price |
|---|---|---|---|---|---|---|
| 1 | 8.406 | 28.768 | 1.260 | 4.485 | 34.513 | 2.450 |
| 2 | 3.707 | 28.708 | 1.182 | 4.503 | 34.392 | 1.864 |
| 3 | 7.374 | 29.684 | 1.228 | 4.243 | 35.156 | 2.219 |
| 4 | 7.293 | 28.054 | 1.174 | 3.874 | 33.102 | 2.098 |
| 5 | 7.400 | 28.640 | 1.268 | 4.058 | 33.966 | 1.992 |
| 6 | 7.556 | 30.009 | 1.273 | 4.846 | 36.128 | 2.223 |
| 7 | 9.133 | 86.859 | 2.937 | 13.603 | 103.399 | 5.664 |
| | 50.869 | 260.722 | 10.322 | 39.612 | 310.656 | 18.510 |

On July 25th, takes place a sale of written-off portfolio via public auction for a total value of $83.494 656 whose value elevated to $5.181, and payment was issued in less than a month's time.

| Portfolio | Number of credits | Capital | Interests | Other concepts | Total | Sales price |
|---|---|---|---|---|---|---|
| 1 | 3.509 | 17.985 | 568 | 2.294 | 20.846 | 1.315 |
| 2 | 3.546 | 18.320 | 590 | 2.221 | 21.131 | 1.311 |
| 3 | 3.533 | 18.271 | 596 | 2.168 | 21.034 | 1.282 |
| 4 | 3.440 | 17.917 | 557 | 2.010 | 20.483 | 1.273 |
| | 14.028 | 72.493 | 2.311 | 8.693 | 83.494 | 5.181 |

(Millions of Colombian pesos (COP))

On November 24th, takes place a sale of written-off portfolio via public auction for a total value of $179.504 656 whose value elevated to $9.236 510 it was awarded to the two highest bidders and payment was issued in less than a month's time.

On November 30th, takes place a sale of written-off portfolio via direct sale of portfolios 3, 4 y 6 for a total of $180.425 whose value elevated to $8.066, payment was issued in less than a month's time.

| Portfolio | Number of credits | Capital | Interests | Other concepts | Total | Sales price |
|---|---|---|---|---|---|---|
| 1 | 7.544 | 45.825 | 11.582 | 3.858 | 61.265 | 2.748 |
| 2 | 7.982 | 45.850 | 11.350 | 4.256 | 61.456 | 3.347 |
| 3 | 8.097 | 45.480 | 10.792 | 4.959 | 61.231 | 2.729 |
| 4 | 7.677 | 45.615 | 10.983 | 4.576 | 61.174 | 2.737 |
| 5 | 7.557 | 42.904 | 10.366 | 3.513 | 56.783 | 3.141 |
| 6 | 7.375 | 43.326 | 10.282 | 4.413 | 58.020 | 2.600 |
| | 46.232 | 269.000 | 65.355 | 25.575 | 359.929 | 17.302 |

On November 30th, takes place a sale of written-off consumer vehicle portfolio via direct sale corresponding to portfolio 8 for a total of $1.411 whose value elevated to $118, payment was issued in less than a month's time.

| Portfolio | Number of credits | Capital | Interests | Other concepts | Total | Sales price |
|---|---|---|---|---|---|---|
| 7 | 25 | 635 | 10 | 766 | 1.411 | 118 |
| | 25 | 635 | 10 | 766 | 1.411 | 118 |

On December 6th, takes place a sale of written-off Retail portfolio for a total of $3.425 whose value elevated to $178, payment was issued in less than a month's time. Afterwards will begin the collection process via Fenalcobro and amounts recovered over 6% deducting collections costs will be transferred monthly to the alliance.

| Number of credits | Capital | Interests | Other concepts | Total | Sales price |
|---|---|---|---|---|---|
| 1.204 | 2.886 | 294 | 245 | 3.425 | 178 |
| 1.204 | 2.886 | 294 | 245 | 3.425 | 178 |

On December 29th, takes place a sale of written-off consumer vehicle portfolio via direct sale corresponding to portfolio 8 for a total of $4.466 whose value elevated to $352, payment was issued in less than a month's time.

| Portfolio | Number of credits | Capital | Interests | Other concepts | Total | Sales price |
|---|---|---|---|---|---|---|
| 8 | 74 | 1.915 | 35 | 2.516 | 4.466 | 352 |
| | 74 | 1.915 | 35 | 2.516 | 4.466 | 352 |

From January to November el Banco del Salvador sold written-off portfolio to a bidder for a total of $6.152 sold written-off portfolio to a bidder for a total of $ 979.

| Date | Quantity | Capital | Interests | Total | Sales price |
|---|---|---|---|---|---|
| 2016/01/21 | 128 | 629 | 117 | 746 | 128 |
| 2016/03/17 | 139 | 830 | 211 | 1.041 | 156 |
| 2016/04/21 | 105 | 631 | 104 | 735 | 110 |
| 2016/05/23 | 121 | 888 | 167 | 1.055 | 160 |
| 2016/07/23 | 167 | 1.271 | 205 | 1.476 | 229 |
| 2016/10/21 | 57 | 331 | 54 | 385 | 68 |
| 2016/11/18 | 88 | 616 | 98 | 714 | 128 |
| | 805 | 5.196 | 956 | 6.152 | 979 |

(Millions of Colombian pesos (COP))

From February to December el Banco del Salvador sold written-off portfolio to a bidder for a total of $ 3.390 sold written-off portfolio to a bidder for a total of $ 610.

| Date | Quantity | Capital | Interests | Total | Sales price |
|---|---|---|---|---|---|
| 2016/02/23 | 146 | 797 | 136 | 933 | 159 |
| 2016/06/22 | 136 | 765 | 180 | 945 | 170 |
| 2016/08/19 | 108 | 551 | 99 | 650 | 114 |
| 2016/09/21 | 74 | 325 | 60 | 385 | 67 |
| 2016/12/20 | 64 | 415 | 62 | 477 | 100 |
| | 528 | 2.853 | 537 | 3.390 | 610 |

December 31, 2015

On February 19th, takes place a sale of written-off portfolio via public auction for a total value of $160.491 whose value elevated to $12.089, 510 it was awarded to the two highest bidding entities and payment was issued in less than a month's time.

| Portfolio | Number of credits | Capital | Interests | Other concepts | Total | Sales price |
|---|---|---|---|---|---|---|
| 1 | 6.315 | 30.286 | 1.316 | 433 | 32.035 | 2.307 |
| 2 | 6.066 | 28.317 | 839 | 276 | 29.432 | 2.268 |
| 3 | 6.775 | 31.727 | 971 | 324 | 33.022 | 2.665 |
| 4 | 6.735 | 30.875 | 952 | 312 | 32.139 | 2.351 |
| 2 | 7.096 | 32.567 | 959 | 337 | 33.863 | 2.498 |
| | 32.987 | 153.772 | 5.037 | 1.682 | 160.491 | 12.089 |

On July 16th, takes place a sale of written-off portfolio via public auction for a total value of $1.196 whose value elevated to $130, it was awarded to the two highest bidding entities and payment was issued in less than a month's time.

| Portfolio | Number of credits | Capital | Interests | Other concepts | Total | Sales price |
|---|---|---|---|---|---|---|
| 1 | 41 | 798 | 149 | 249 | 1.196 | 130 |
| | 41 | 798 | 149 | 249 | 1.196 | 130 |

On November 24th, takes place a sale of written-off portfolio via public auction for a total value of $130.372 whose value elevated to $8,835, it was awarded to the two highest bidding entities and payment of portfolios 2, 3 and 4 se was issued in less than a month's time. Portfolio one is collected in 4 equal parts in 3 months starting from the date it was sold.

| Portfolio | Number of credits | Capital | Interests | Other concepts | Total | Sales price |
|---|---|---|---|---|---|---|
| 1 | 5.993 | 30.413 | 1.585 | 487 | 32.485 | 2.281 |
| 2 | 5.748 | 30.492 | 1.368 | 537 | 32.397 | 2.073 |
| 3 | 605 | 30.539 | 1.325 | 466 | 3.233 | 2.229 |
| 4 | 5.716 | 31.275 | 1.342 | 543 | 3.316 | 2.252 |
| | 23.507 | 122.719 | 562 | 2.033 | 130.372 | 8.835 |

(Millions of Colombian pesos (COP))

### 11.5.16 Portfolio purchase and shares

Below in detail are portfolio purchases and shares:

Up to December 31, 2016 there are no portfolio purchases.

December 31, 2015

| Number of credits | Capital | Interests | Other | Total | Premium | Earnings from purchase |
|---|---|---|---|---|---|---|
| 975 | 16.767 | 94 | 212 | 17.072 | 81 | 431 |

Corresponds to the purchase of portfolios paid in cash for the year 2015

In detail here are portfolio shares:

Up to December 2016 and December de 2015, the portfolio share balance with Miami is $288.186 and $486.913 respectively, which correspond to credit operations whose fund structure is made in participation with the Miami branch, registry of the aforementioned is proportional to the held transaction. Thus, this type of transactions doesn't generate any impact upon the income statement.

December 31, 2016

| Number of credits | Capital | Interests | Other | Total | Premium | Earnings from purchase |
|---|---|---|---|---|---|---|
| 10 | 288.186 | 2.352 | - | 290.538 | - | - |

December 31, 2015

| Number of credits | Capital | Interests | Other | Total | Premium | Earnings from purchase |
|---|---|---|---|---|---|---|
| 9 | 486.913 | 2.810 | - | 489.723 | - | - |

Up to December 31, 2016 there is shares portfolio with the Panama affiliate

(Millions of Colombian pesos (COP))

**11.6 Accounts receivable, net**

Below in detail are accounts receivable:

| | December 31, 2016 | December 31, 2016 |
|---|---|---|
| Sale of fixed assets | 511.216 | 1.417 |
| Advances to contracts and suppliers | 329.967 | 67.216 |
| Resources transferred to Icetex – abandoned accounts | 130.858 | - |
| Payments on behalf of portfolio clients | 86.605 | 65.999 |
| Collectable premiums | 57.853 | 54.485 |
| taxes | 37.701 | 228.349 |
| Leasing portfolio administrative costs | 23.005 | 45.335 |
| Deposits | 21.682 | 24.962 |
| National treasury | 18.417 | 16.887 |
| Commissions and fees | 14.152 | 14.378 |
| Payments of behalf of clients | 13.578 | 14.190 |
| Overseas insurers | 12.278 | 23.003 |
| Banco de la República – rate coverage | 11.755 | 10.158 |
| Interests receivable TIPS | 10.834 | - |
| Interests | 4.526 | 1.990 |
| Parent company, subsidiary, related and associate | 4.297 | 5.523 |
| To employees | 3.534 | 3.692 |
| Insurers technical reserves | 2.917 | 1.517 |
| Joint operations | 1.117 | - |
| Forward operation liquidations | 654 | 1.736 |
| Other | 108.360 | 57.385 |
| Accounts receivable | 1.405.306 | 638.222 |
| Impairment (Provision) | (33.313) | (21.972) |
| Accounts receivable, net | 1.371.993 | 616.250 |

(Millions of Colombian pesos (COP))

Detailed below are accounts receivable by maturity period:

December 31, 2016

| | Up to 1 year | 1 to 5 years | More than 5 years | Total |
|---|---|---|---|---|
| Sale of fixed assets | 511.216 | - | - | 511.216 |
| Advances to contracts and suppliers | 320.525 | 9.442 | - | 329.967 |
| Resources transferred to Icetex – abandoned accounts | 130.858 | - | - | 130.858 |
| Payments on behalf of portfolio clients | 86.605 | - | - | 86.605 |
| Collectable premiums | 57.774 | 79 | - | 57.853 |
| taxes | 37.261 | 440 | - | 37.701 |
| Leasing portfolio administrative costs | 23.005 | - | - | 23.005 |
| Deposits | 17.494 | 2.273 | 1.914 | 21.681 |
| National treasury | 18.417 | - | - | 18.417 |
| Commissions and fees | 13.124 | 1.015 | 13 | 14.152 |
| Payments of behalf of clients | 10.366 | 3.212 | - | 13.578 |
| Overseas insurers | 398 | 11.881 | - | 12.279 |
| Banco de la República – rate coverage | 11.755 | - | - | 11.755 |
| Interests receivable TIPS | 10.834 | - | - | 10.834 |
| Interests | 4.526 | - | - | 4.526 |
| Parent company, subsidiary, related and associate | 4.297 | - | - | 4.297 |
| To employees | 2.516 | 1.018 | - | 3.534 |
| Insurers technical reserves | 2.917 | - | - | 2.917 |
| Joint operations | 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 (Provision) | (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))

December 31, 2015

| | Up to 1 year | 1 to 5 years | More than 5 years | Total |
|---|---|---|---|---|
| Taxes | 217.483 | 10.866 | - | 228.349 |
| Advances to contracts and suppliers | 48.552 | 18.664 | - | 67.216 |
| Payments on behalf of portfolio clients | 62.478 | 3.521 | - | 65.999 |
| Collectable premiums | 54.485 | - | - | 54.485 |
| Leasing portfolio administrative costs | 45.335 | - | - | 45.335 |
| Deposits | 19.558 | 4.400 | 1.004 | 24.962 |
| Overseas insurers | 23.002 | - | - | 23.002 |
| National treasury | 16.887 | - | - | 16.887 |
| Payments of behalf of clients | 10.898 | 3.292 | - | 14.190 |
| Commissions | 13.255 | 672 | - | 13.927 |
| Banco de la República – rate coverage | 10.158 | - | - | 10.158 |
| Forward operation liquidations | 1.737 | - | - | 1.737 |
| Other | 64.051 | 6.049 | 1.875 | 71.975 |
| Accounts receivable | 587.879 | 47.464 | 2.879 | 638.222 |
| Impairment (Provision) | (11.583) | (10.353) | (36) | (21.972) |
| Accounts receivable, net | 576.296 | 37.111 | 2.843 | 616.250 |

The bank evaluates the behavior of other accounts receivable during each reported period, in order to minimize the credit risk it is exposed to, and applies an estimated provision based on the seniority of these items as protection to risk exposure.

(*) for comparative effects other account receivable items are detailed, like those related with leasing assets, national treasury, Banco de la República – rate coverage and Forward operation liquidations.

The following is the turn-over for impairment:

| | December 31, 2016 | December 31, 2015 |
|---|---|---|
| Opening balance | (21.972) | (18.703) |
| Leasing opening balance | (4.294) | - |
| Other company acquisitions | - | - |
| Plus: | - | - |
| Provision charged to expenses | (10.184) | (12.329) |
| Diverse provisions | (26.390) | (17.298) |
| Reclassifications | (1.130) | - |
| Minus: | - | - |
| Impairment recovery | 3.505 | 1.363 |
| Write-offs | 12.358 | 8.521 |
| other diverse impairment recoveries | 100 | 122 |
| Other restatements account receivable | 14.248 | 15.476 |
| Restatements | 447 | 876 |
| Final balance | (33.312) | (21.972) |

(Millions of Colombian pesos (COP))

### 11.7 Assets held for sale

Presented bellow in detail are assets held for sale (AMV):

| | December 31, 2016 | December 31, 2015 |
|---|---|---|
| Destined for housing | | |
| Voluntary surrender | 7.200 | 9.598 |
| Adjudication | 1.707 | 2.525 |
| Total Destined for housing | 8.907 | 12.123 |
| Not for housing | | |
| Voluntary surrender | 7.316 | 11.753 |
| Adjudication | 831 | 150 |
| Total Destined for housing | 8.147 | 11.903 |
| Real estate property | | |
| Vehicles | 512 | 584 |
| Banking rights | 39.229 | 3.238 |
| Other | 404 | 404 |
| Not for housing | 40.146 | 4.226 |
| Property returned from leasing contracts | | |
| Machinery and equipment | 61 | - |
| Vehicle | 14.324 | 470 |
| Real estate property | 12.186 | 10.545 |
| Habitat leasing real estate property | 10.688 | - |
| Total Property returned from leasing contracts | 37.260 | 11.015 |
| Real estate property | | |
| Real estate | - | 6.574 |
| Other | - | 47.580 |
| Total deferment from housing | - | 54.154 |
| Subtotal | 94.460 | 93.421 |
| Provision (impairment) | (2.112) | (680) |
| Total | 92.348 | 92.741 |

Detailed below is the turnover of assets held for sale:

| December 31, 2016 | Destined to housing | Different from housing | Property returned from habitat leasing contracts | Real estate property | Total |
|---|---|---|---|---|---|
| Cost | | | | | |
| Opening balance | 12.124 | 16.130 | 11.016 | 54.152 | 93.422 |
| Integration Leasing | - | 2.995 | 14.145 | - | 17.140 |
| Other company acquisitions | - | - | - | - | - |
| Additions (Receivables) | 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) |
| Restatement | (357) | - | - | - | (357) |
| Final balance | 8.908 | 48.292 | 37.260 | - | 94.460 |
| impairment | | | | | |
| Opening balance | (523) | (51) | (106) | - | (680) |
| Live assets up to previous closing date | - | - | - | - | - |
| Additions (Receivables) | (5) | (2.937) | (1.159) | - | (4.101) |
| Withdrawals (Sales) | 513 | 1.189 | 676 | - | 2.378 |
| Transfers and other turnovers | 5 | 72 | 214 | - | 291 |
| Provision (impairment) | (10) | (1.727) | (375) | - | (2.112) |

(Millions of Colombian pesos (COP))

December 31, 2015

| | Destined to housing | Different from housing | Property returned from habitat leasing contracts | Real estate property | Total |
|---|---|---|---|---|---|
| Cost | | | | | |
| Opening balance | 6.540 | 9.411 | 8.477 | - | 24.428 |
| Additions (Receivables) | 12.764 | 17.031 | 13.762 | 54.152 | 97.709 |
| Withdrawals (Sales) | (3.151) | (2.406) | (10.184) | - | (15.741) |
| Transfers | (4.030) | (7.907) | (1.040) | - | (12.977) |
| Restatements | - | - | - | - | - |
| | 12.123 | 16.129 | 11.015 | 54.152 | 93.419 |
| Impairment | | | | | |
| Opening balance | (42) | - | - | - | (42) |
| Additions (Receivables) | (13) | (51) | (106) | - | (170) |
| Withdrawals (Sales) | (467) | - | - | - | (467) |
| | (523) | (51) | (106) | - | (680) |

Presented below in detail the assets held for sale in accordance to their respective stay times:

| | December 31, 2016 | December 31, 2015 |
|---|---|---|
| Up to a year | 90.615 | 89.869 |
| between 1 and 3 years | 3.845 | 3.550 |
| Total | 94.460 | 93.419 |

During this time period the bank has executed different strategies with the non- current assets held for sale ANCMV (in its Spanish acronym) for the closing period December 31:

| | December 31, 2016 | | December 31, 2015 | |
|---|---|---|---|---|
| | Quantity | valor | quantity | valor |
| Goods received in payment | 262 | (20.406) | 300 | 15.741 |
| Total sales | 262 | (20.406) | 300 | 15.741 |
| Sales earnings | | 1.787 | | 2.371 |
| Amortization of deferred earnings | | 968 | | 840 |
| Earnings from sales of non-utilized goods | | 3.156 | | - |
| Total sales earnings | | 5.911 | | 3.211 |
| Loss in goods received in payment | | 2.828 | | 350 |
| Net effect on results | | 3.083 | | 2.861 |

Provision turnover of assets held for sale is the following:

| | December 31, 2016 | December 31, 2015 |
|---|---|---|
| Opening balance | 680 | 42 |
| plus: | | |
| Provision | 7.064 | 170 |
| restatement | (5.123) | - |
| Minus: | | |
| Drops on assets | (509) | 467 |
| Reimbursements | - | - |
| | 2.112 | 680 |

(Millions of Colombian pesos (COP))

### 11.8 Investments in associates

Below in detail are investments in associates.

December 31, 2016

| Business name | % Participation | 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 conjoined operations | | | | | |
| CCA Rentacafé | | | | | 52 |
| Total | | | | | 82.630 |

December 31, 2015

| Business name | % Participation | Capital Social | Acquisition cost | MPP | Adjusted cost |
|---|---|---|---|---|---|
| Titularizadora Colombiana S.A. | 26,85% | 59.855 | 41.851 | 1.399 | 39.988 |
| Redeban Multicolor S.A. | 26,04% | 10.120 | 21.785 | 6.925 | 28.204 |
| Multiactivos (*) | 21,12% | 12.070 | 4.321 | (428) | 3.892 |
| Sersaprosa S.A. | 25,00% | 8.355 | 5.309 | 3.486 | 8.795 |
| Serfinsa S.A. | 41,03% | 5.329 | 1.967 | 1.360 | 3.327 |
| ACH de El Salvador S.A. | 25,00% | 1.914 | 295 | 405 | 700 |
| Zip Amarateca | 37,85% | 12.920 | 4.085 | 3.487 | 7.572 |
| Bancajero BANET | 34,81% | 4.011 | 1.327 | 2.452 | 3.779 |
| | | 114.574 | 80.940 | 19.086 | 96.257 |
| | | | | | - |
| Total | | | | | 96.257 |

(*) in this company the bank has 2.548.940 shares and it was declared ready for dissolution on December 29 of 2015.

The value of asset, liability and equity value, homogenized, based on the calculations of the equity participation method, as follows:

December 31, 2016

| Participation | | Total Assets | Total Liabilities | Total Equity | (Gain/ Loss) |
|---|---|---|---|---|---|
| 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))

December 31, 2015

| Participation | | Total Assets | Total Liabilities | Total Equity | (Gain/ Loss) |
|---|---|---|---|---|---|
| Multiactivos | 21,12% | 18.898 | 269 | 18.629 | (1.712) |
| Redeban Multicolor S.A. | 26,04% | 137.129 | 49.133 | 87.996 | 12.977 |
| Titularizadora Colombiana S.A. | 26,85% | 148.361 | 12.276 | 136.085 | 9.750 |
| ZipAmarateca | 37,85% | 20.090 | 87 | 20.003 | 2.300 |
| Bancajero BANET | 34,81% | 13.353 | 2.497 | 10.856 | 2.799 |
| Servicio Salvadoreño De Protección, S.A. De C.V.-Sersaprosa | 25,00% | 44.067 | 8.887 | 35.181 | 2.258 |
| ACH de El Salvador, S.A. de C.V.-Sersaprosa | 25,00% | 3.049 | 248 | 2.801 | 423 |
| Servicios Financieros, S.A. de C.V.-Serfinsa | 41,03% | 22.046 | 13.937 | 8.109 | 241 |
| | | 406.994 | 87.334 | 319.659 | 29.036 |

### 11.9 Investments in other companies

Detailed below are investments in other companies:

| Company | % Part | December 31, 2016 Balance | December 31, 2015 Balance |
|---|---|---|---|
| Investments at a reasonable value with changes in OCI | | | |
| CrediBanco | 15,55% | 119.141 | - |
| Finagro | 12,67% | 123.677 | 87.285 |
| Ach Colombia S.A. | 18,42% | 32.785 | 16.125 |
| CIFIN* | 9,17% | - | 57.599 |
| Deceval | 11,85% | 27.387 | 8.872 |
| Corabastos | 3,39% | 18.288 | 2.327 |
| Camara De Riesgo Central De Co | 5,48% | 2.034 | 1.690 |
| Bolsa De Valores De Colombia | 0,57% | 1.975 | 1.547 |
| Tecnibanca S.A. - Servibanca S.A. | 0,94% | 924 | 699 |
| Corporación Andina De Fomento | 0,00% | 637 | 650 |
| Camara Comp Div Colombia S.A. | 9,25% | 1.720 | 427 |
| Almacafe | 0,01% | 10 | 10 |
| | | 328.576 | 177.231 |

(*) Participation in this company was sold on May of 2016

(Millions of Colombian pesos (COP))

**11.10 Property and equipment**

Detailed below are property and equipment:

| | Land plots | Buildings and improvements | Computer equipment | Equipment and furniture | Vehicles | PyE in conjoined operations | Total |
|---|---|---|---|---|---|---|---|
| December 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 |
| Integration Leasing | 1.816 | 7.962 | 803 | 35 | - | - | 10.616 |
| withdrawals | | | | | | | |
| sales | (128.141) | (358.158) | (8.468) | (1.275) | (4.566) | - | (500.608) |
| Drops on assets designated at cost | - | (1.611) | (3.982) | (1.777) | (329) | - | (7.699) |
| Donations | - | - | (26) | - | - | - | (26) |
| Restatement | (4.661) | (13.600) | (9.023) | (5.597) | (789) | - | (33.670) |
| Transferences | (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 |
| **Cumulative depreciation:** | | | | | | | |
| December 31, 2015 | - | (85.199) | (146.276) | (211.645) | (11.078) | (1) | (454.199) |
| Cost | | | | | | | |
| purchases | - | (29.019) | - | - | - | - | (29.019) |
| Integration Leasing | - | (189) | (218) | - | - | - | (407) |
| withdrawals | - | 121 | - | - | - | - | 121 |
| sales | | | | | | | |
| Drops on assets designated at cost | - | 13.104 | 2.439 | 895 | 3.519 | - | 19.957 |
| Donations | - | 4.035 | 2.533 | 2.008 | 223 | - | 8.800 |
| purchases | - | - | 27 | - | - | - | 27 |
| Cumulative depression turnover | - | (15.591) | (35.997) | (13.095) | (3.496) | - | (68.179) |
| Restatement | - | 4.936 | 5.157 | 6.503 | 963 | - | 17.559 |
| Transferences | - | (585) | (9.855) | 20.728 | 7 | - | 10.295 |
| December 31, 2016 | - | (108.388) | (182.190) | (194.606) | (9.862) | (1) | (495.047) |
| Value in books: | | | | | | | |
| December 31, 2016 | 243.048 | 341.920 | 58.380 | 177.689 | 12.592 | - | 833.629 |

(Millions of Colombian pesos (COP))

| | Land plots | Buildings and improvements | Computer equipment | Equipment and furniture | Vehicles | PyE in conjoined operations | Total |
|---|---|---|---|---|---|---|---|
| December 31, 2014 | | | | | | | |
| **Cost:** | 355.106 | 708.739 | 239.263 | 208.326 | 20.046 | - | 1.531.480 |
| Additions | | | | | | | |
| purchases | 3.291 | 17.315 | 57.347 | 46.511 | 6.059 | 1 | 130.524 |
| Disbursements in ongoing construction | - | 8.298 | - | - | - | - | 8.298 |
| withdrawals | | | | | | | |
| sales | (3.207) | (5.769) | (14.367) | (15.232) | (4.784) | - | (43.359) |
| Asset drops designated at cost | (1) | (2.024) | (2.981) | (1.292) | (909) | - | (7.207) |
| Donations | (32) | (74) | (1.376) | - | - | - | (1.482) |
| Retired from active use and classified as not held for sale (Depreciation) | 983 | (96) | (21.400) | 21.254 | - | - | 741 |
| Restatement | 21.584 | 10.824 | 23.174 | 26.013 | 1.862 | - | 83.457 |
| Transferences | (7.922) | 28.700 | (68.952) | 68.324 | - | 1 | 20.151 |
| December 31, 2015 | 369.802 | 765.913 | 210.708 | 353.904 | 22.274 | 2 | 1.722.603 |
| **Cumulative depreciation:** | | | | | | | |
| December 31, 2014 | - | (65.274) | (167.326) | (126.246) | (9.975) | - | (368.821) |
| Cost: | | | | | | | |
| purchases | - | (13) | (3.428) | (1.626) | (461) | - | (5.528) |
| withdrawals | | | | | | | |
| sales | - | 101 | 5.857 | 4.062 | 3.038 | - | 13.058 |
| Asset drops designated at cost | - | 70 | 2.307 | 844 | 1.075 | - | 4.296 |
| Donations | - | - | 1.374 | - | - | - | 1.374 |
| Retired from active use and classified as not held for sale (Depreciation) | - | 635 | 1.232 | (1.660) | - | - | 207 |
| Cumulative depreciation turnover | - | (11.738) | (27.830) | (13.389) | (3.581) | - | (56.538) |
| Restatement | - | (14.495) | (22.189) | (10.405) | (1.175) | - | (48.264) |
| Transferences | - | 6.517 | 59.705 | (60.206) | - | - | 6.016 |
| December 31, 2015 | - | (84.197) | (150.298) | (208.626) | (11.079) | - | (454.200) |
| Value in books: | | | | | | | |
| December 31, 2015 | 369.802 | 681.717 | 60.411 | 145.278 | 11.195 | 2 | 1.268.403 |

The following is the product of sales of property and equipment:

December 31, 2016

| | Quantity | Value in books | Sales value | earnings | loss |
|---|---|---|---|---|---|
| Land plots | 1 | (128.141) | 2.004 | 90 | - |
| buildings (*) | 690 | (371.262) | 620.834 | (152.887) | 5.248 |
| Computer equipment | 4.469 | (10.907) | 5.533 | (223) | 670 |
| Office equipment | 268 | (2.170) | 287 | (12) | 96 |
| Vehicles | 49 | (8.085) | 1.329 | 265 | 74 |
| PyE in conjoined operations | - | - | - | - | - |
| | 5.477 | (520.565) | 629.987 | (152.767) | 6.088 |

December 31, 2015

| | Quantity | Value in books | Sales value | earnings | loss |
|---|---|---|---|---|---|
| Land plots | 14 | 3.207 | 4.288 | 1.081 | - |
| buildings | 14 | 5.668 | 8.531 | 2.863 | - |
| Computer equipment - office equipment | 115 | 8.510 | 8.513 | 10 | (7) |
| Furniture and equipment | 6.334 | 11.170 | 9.932 | 215 | (1.453) |
| Vehicles | 62 | 1.747 | 1.751 | 267 | (347) |
| | 6.539 | 30.302 | 33.015 | 4.436 | (1.807) |

(*) from immovable property sales 20% $111.035 payment was received in cash and an account receivable was registered for $509.799.
From the sales of computer equipment $6.770 was received in cash

(Millions of Colombian pesos (COP))

**Ownership restrictions of property and equipment**
There are no ownership restrictions for any of the reported periods

### 11.11 Investment properties

The following is the turnover of investment properties

| **Cost:** | December 31, 2016 | December 31, 2015 |
|---|---|---|
| Opening balance | 67.099 | 63.388 |
| Additions | | |
| Integration leasing | 9.710 | - |
| Transfer | (1.831) | 11.866 |
| withdrawal | - | - |
| sales | (19.597) | (8.093) |
| Retired from active use and classified as not held for sale | - | (318) |
| Restatement | (299) | 256 |
| Final balance | 55.082 | 67.099 |
| **Cumulative depreciation:** | | |
| Opening balance | (1.294) | (429) |
| withdrawals | | |
| sales | 329 | 110 |
| Drops on assets designated at cost | 78 | 7 |
| Retired from active use and classified as not held for sale | - | 19 |
| Cumulative depression turnover | (969) | (644) |
| Restatement | 51 | (525) |
| Transferences | 71 | 168 |
| Final balance | (1.734) | (1.294) |
| | 53.348 | 65.805 |
| impairment (Provision) | (1.645) | (107) |
| Value in books | 51.704 | 65.698 |

The results recognized in the consolidated result statement for the management of investment properties up to December 31 2016 and 2015 was:

| | December 31, 2016 | December 31, 2015 |
|---|---|---|
| Revenue for rent | 2.646 | 2.179 |
| Direct operative expenses due to investment that generate rent revenue | 548 | 194 |
| Direct operative expenses due to investment that DONT generate rent revenue | 1.197 | 624 |
| Net | 901 | 1.360 |

The reasonable value of investment properties up to the closing date December 31 2016 elevated to $62.503 on 2016 and in 2015 to $89.979.

(Millions of Colombian pesos (COP))

### 11.12 Goodwill

Detailed below are the bank's acquisitions in the purchase of Granbanco, Operación de HSBC in Central America and Corredores Asociados:

| Name of the acquired | Date of acquisition | % Participation |
|---|---|---|
| Granbanco | February 2007 | 99,06% |
| Grupo del Istmo Costa Rica | November 2012 | 100,00% |
| Inv. Financ. El Salvador | November 2012 | 95,95% |
| Banco y Seguros Honduras | December 2012 | Bank 94% - insurance 89% |
| Corredores Asociados | September 2013 | 94,90% |

The following in detail are the capital gains generated by the purchase of Granbanco, CAM and Corredores.

| | December 31, 2016 | December 31, 2015 |
|---|---|---|
| Granbanco | 1.084.549 | 1.084.549 |
| Operación HSBC en Centroamérica | 473.362 | 473.362 |
| Corredores Asociados | 76.972 | 76.972 |
| | 1.634.882 | 1.634.882 |

**Granbanco purchase**

The purchase of Granbanco on February 16 of 2007, gave origin to a goodwill with a value of $1.372.458, down below are the principal characteristics considered in the evaluation of said goodwill:

- The definition and assessment of the business lines take into account the possible synergies that may arise: the total value of the goodwill was assigned to six (6) business lines with value at market price and based on the figures to the closing date up to December 31 of 2006 for Davivienda and January 31 2007 for Granbanco, the lines are identified as (Panamá, Miami and Fiducafé).

The general criteria to define the aforementioned business lines were: proper business line characteristics, (placement rate average, and balance average per Client/product, client profiles, portfolio growth, and allocation of expenses); feasibility of independent valuation and international accounting laws.

Once business lines were defined, and their corresponding assets identified, income statements and balances were designated for each of the business lines for a project projection of 10 years.

The assessment of business lines was carried out using the dividend flow methodology, with a discount at the expense of the shareholder; which according to experts is the most appropriate method to valuate financial institutions and it is also widely used by top rank investment banks. Said method consists on projecting the flow of dividends available during 10 years plus a terminal value and discounting an appropriate rate.

For impairment testing purposes, the capital gain was assigned to the following:

(Millions of Colombian pesos (COP))

| Business lines | Participation | Capital gain | Accumulated amortization Colgaap | NCIF balance |
|---|---|---|---|---|
| Consumer | 21,3% | 292.103 | 61.276 | 230.827 |
| Commercial | 43,8% | 600.872 | 126.049 | 474.823 |
| Pyme | 6,9% | 95.195 | 19.970 | 75.225 |
| Credit card | 16,2% | 222.395 | 46.653 | 175.742 |
| housing | 11,2% | 153.150 | 32.127 | 121.023 |
| affiliates | 0,6% | 8.743 | 1.834 | 6.909 |
| | 100% | 1.372.458 | 287.909 | 1.084.549 |

An impairment test took place on December 31 2016, by external consultants “Deloitte assessment and consulting Ltda”, results showed that none of the business lines generated impairment loss

Presented below are the main assumptions used in the impairment lost testing:

| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|---|
| Lending interest rate (%) | 12,64% | 13,60% | 12,84% | 12,50% | 12,20% | 13,50% |
| Capture interest rate (%) | 3,73% | 3,67% | 3,43% | 3,40% | 3,37% | 3,40% |
| Operational revenue growth | 4,43% | -1,48% | 8,76% | 8,19% | 7,66% | 7,49% |
| Other Operational revenue growths (IPC) | 4,93% | 2,26% | 2,32% | 2,51% | 2,38% | 2,32% |
| Inflation | 3,60% | 3,60% | 3,60% | 3,60% | 3,60% | 3,60% |
| Annual growth rates PIB | 3,10% | 3,10% | 3,10% | 3,10% | 3,10% | 3,10% |

The discount rate used to determine the capital cost generated by the source of income is subject to the average weighted cost of the capital in market value of all income sources in the bank’s capital structure estimated on 15%, upon executing a sensitivity analysis on use value and impairment analysis on each of the UGEs identified for capital gain vs the discount; it shows that a superior risk assigned to the discount rate won’t generate impairment on any of the mayor UGE.

**Purchase operation HSBC in Central America**

The purchase operation HSBC in Central America was carried out between November 23 and December 7 2012 and generated a capital gain of $473.362, assigned to the following business lines:

| Business lines | Purchase USD | Cost $ | Capital gain |
|---|---|---|---|
| Banks | 767 | 916.556 | 459.161 |
| insurance | 34 | 52.591 | 14.201 |
| | 801 | 969.147 | 473.362 |

An impairment test took place on December 31 2016, by external consultants “Price water house Coopers Ltda, results showed that none of the business lines generated impairment loss

Presented below are the main assumptions used in the impairment lost testing:

| **Banks** | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|---|
| Lending interest rate (%) | 10,93% | 10,70% | 10,90% | 11,10% | 11,27% | 11,37% |
| Capture interest rate (%) | 3,28% | 3,01% | 3,16% | 3,16% | 3,16% | 3,16% |
| Operational revenue growth | 3,71% | 3,47% | 3,47% | 3,44% | 3,44% | 3,44% |
| Other Operational revenue growths | 2,19% | 8,35% | 7,35% | 6,68% | 5,92% | 5,92% |
| Inflation | 2,42% | 3,17% | 3,17% | 3,17% | 3,17% | 3,17% |
| Annual growth rates PIB | 3,43% | 3,43% | 3,50% | 3,40% | 3,27% | 3,27% |

(Millions of Colombian pesos (COP))

| **Insurance** | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|---|
| Growth other operational expenses | 4,85% | 5,75% | 6,50% | 6,25% | 6,25% | 6,25% |
| Inflation | 2,40% | 3,25% | 3,25% | 3,25% | 3,25% | 3,25% |
| Annual growth rates PIB | 3,00% | 3,05% | 3,05% | 2,95% | 2,90% | 2,90% |

**Purchase Corredores Asociados**

On February 28 2013 a purchase contract was held for a 100% of the firm Corredores Asociados and a capital gain was constituted for a value of 73.336 and Fiduciaria Davivienda for 3.636

| Business line | Acquirer | Cost $ | Capital gains |
|---|---|---|---|
| Corredores | Banco Davivienda | 70.732 | 73.336 |
| Davivienda | Fiduciaria Davivienda | - | 3.636 |
| | | 70.732 | 76.972 |

An impairment test took place on December 31 2016, by external consultants “Price water house Coopers Ltda, results showed that none of the business lines generated impairment loss

Presented below are the main assumptions used in the impairment lost testing:

| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|---|
| Average growth of the portfolio | -28% | 15% | 16% | 13% | 6% | 8% |
| Average growth of the portfolio | 34% | 11% | 13% | 12% | 7% | 8,64% |
| Growth of other operational expenses | 67% | 11% | 20% | 1% | 4% | 5% |

For tax purposes the bank has applied article 143 of the tributary stature, which establishes that the termination for amortization investments shall be carried out on a period not inferior to five years, and it is in fact being done in a period of 7 years for Granbanco and HSBC Centro America, and 5 years for Corredores y Asociados; utilizing the straight line method, which was simply calculated by dividing the number of months proposed

The difference resulting from tributary and accounting amortization is registered as differed tax payable.

### 11.13 Intangibles

Below is the turnover for intangibles:

December 31, 2016

| Concept | Licenses | Computing software and applications | Total |
|---|---|---|---|
| Opening balance | 21.128 | 106.767 | 127.895 |
| Integration Leasing Bolívar | 868 | - | 868 |
| Acquisitions 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 |
| Restatement | (2.754) | 655 | (2.099) |
| Final balance | 60.558 | 75.349 | 135.908 |

(Millions of Colombian pesos (COP))

December 31, 2015

| Concept | Licenses | Computing software and applications | Total |
|---|---|---|---|
| Opening balance | 14.613 | 60.834 | 75.447 |
| Integration Leasing Bolívar | - | - | - |
| Acquisitions other companies | - | - | - |
| Acquisitions : | 7.512 | 65.197 | 72.709 |
| Accumulated amortizations: | (6.790) | (18.372) | (25.162) |
| Reclassifications | 3.961 | (8.433) | (4.472) |
| Restatement | 1.833 | 7.540 | 9.373 |
| Final balance | 21.129 | 106.766 | 127.895 |

### 11.14 Other non-financial assets

Detailed below are other non-financial assets:

| | December 31, 2016 | December 31, 2015 |
|---|---|---|
| Taxes | 90.809 | 93.211 |
| Goods received as payment | 247.450 | 162.518 |
| Expenses paid ahead | 125.782 | 104.654 |
| Differed payment credit letter | 42.918 | 24.484 |
| Fiduciary rights | 8.582 | 12.904 |
| Project advances | 1.443 | 1.954 |
| Other | 6.342 | 9.224 |
| artworks | 2.730 | 2.644 |
| Assets pending activation | 8.526 | 3.991 |
| Conjoined operations | 16 | 33 |
| impairment | (92.943) | (17.423) |
| | 441.654 | 398.195 |

Detailed below is provision turnover:

| | December 31, 2016 | December 31, 2015 |
|---|---|---|
| Opening balance | 17.423 | 4.544 |
| plus: | - | - |
| Restatement | 36.825 | 23.367 |
| Integration leasing | - | - |
| Provision | 74.150 | 21.520 |
| Minus: | - | - |
| Reimbursement | (47.098) | (30.964) |
| Provision adjustments | 11.643 | (1.044) |
| Final balance | 92.943 | 17.423 |

(Millions of Colombian pesos (COP))

### 11.15 Joint operation

Present below is the summary of joint operation:

| | | December 31, 2016 | | December 31, 2015 | |
|---|---|---|---|---|---|
| | % Participation | Assets | Liabilities | Assets | Liabilities |
| Retail Business | 50% | 49.333 | - | 23.544 | - |
| Fidufosyga 9.86% | 9,86% | 69 | 544 | 2.184 | 2.794 |
| Fpb 2013 50% | 50% | 6 | - | 6 | - |
| Pensac 2012 | 50% | - | - | 2 | - |
| Pensac 2015 | 50% | 98 | 28 | 95 | 22 |
| U.G Fonpet | 50% | - | - | 4 | - |
| U.G Fonpet 2012 | 36,33% | 1.257 | 69 | 660 | 47 |
| Cali Mio | 44% | 8 | 1 | 2 | 2 |
| Consorcio Pem | 30% | - | - | 40 | 15 |
| | | 50.771 | 642 | 26.537 | 2.880 |

Assets joint operations include:

| | December 31, 2016 | December 31, 2015 |
|---|---|---|
| In Colombian pesos | | |
| Cash and cash equivalents | 256 | 216 |
| Deposits and investments in debt titles | 52 | 1.301 |
| Accounts receivable | 50.447 | 24.986 |
| Private use property and equipment | - | 1 |
| Other activities in joint operations | 16 | 33 |
| Total Assets | 50.771 | 26.537 |

Liabilities joint operations include:

| | December 31, 2016 | December 31, 2015 |
|---|---|---|
| Accounts payable | 56 | 2.210 |
| Other liabilities | 44 | 75 |
| Other provisions | 542 | 595 |
| Total liabilities | 642 | 2.880 |

The following is the turnover for joint operations

| | December 31, 2016 | December 31, 2015 |
|---|---|---|
| Balance at the start of the period | 44.082 | 14.665 |
| Reasonable value of acquired assets and liabilities | 6.047 | 29.417 |
| Balance at the end of the period | 50.129 | 44.082 |

(Millions of Colombian pesos (COP))

**11.16 Deposits and demands**

Presented below in detail are deposits and demands:

| | December 31, 2016 | | December 31, 2015 | |
|---|---|---|---|---|
| | Balance | Paid interests | Balance | Paid interests |
| *Interest generating liabilities* | | | | |
| Current account | 3.837.894 | 59.204 | 4.258.148 | 43.180 |
| Savings accounts | 25.372.460 | 851.208 | 22.661.806 | 329.871 |
| Term deposits | 25.664.691 | 1.487.354 | 20.717.046 | 649.765 |
| Total interest generating liabilities | 54.875.045 | 2.397.766 | 47.637.001 | 1.022.817 |
| *Liabilities that don't generate interest* | | | | |
| Current account | 3.963.501 | - | 3.928.075 | - |
| Savings accounts | 5.635 | - | 465.857 | - |
| Demands for services | 538.278 | - | 577.319 | - |
| Electronic deposits | 60.866 | - | 53.075 | - |
| Other * | 201.238 | - | 187.614 | - |
| Total Liabilities that don't generate interest | 4.769.518 | - | 5.211.940 | - |
| | 59.644.563 | 2.397.766 | 52.848.941 | 1.022.817 |

(*) Other: banks and correspondents – especial deposits – collections services – affiliate establishments – canceled accounts

Present below are deposits by currency :

| | December 31, 2016 | | December 31, 2015 | |
|---|---|---|---|---|
| Legal currency | Balance | | Balance | |
| Deposits and demands | Capital | % Implicit rate | Capital | % Implicit rate |
| Current account | 4.227.773 | 3,35% | 4.608.633 | 2,60% |
| Savings account | 21.895.158 | 3,34% | 19.334.077 | 2,20% |
| Term deposits (CDT) | 17.483.712 | 6,69% | 12.785.189 | 5,13% |
| Demands for services | 431.189 | | 433.331 | |
| Electronic deposits | 60.866 | | 53.075 | |
| *Other | 176.991 | | 137.226 | |
| | 44.275.689 | | 37.351.532 | |
| Foreign currency | | | | |
| Deposits and demands | | | | |
| Current account | 3.573.623 | 0,41% | 3.577.589 | 0,79% |
| Savings account | 3.482.936 | 0,59% | 3.793.586 | 1,50% |
| Term deposits (CDT) | 8.180.978 | 0,72% | 7.931.857 | 4,50% |
| Demands for services | 107.089 | | 143.988 | |
| Electronic deposits | - | | - | |
| *Other | 24.247 | | 50.388 | |
| | 15.368.873 | | 15.497.409 | |
| | 59.644.563 | | 52.848.941 | |

(*) Other: banks and correspondents – especial deposits – collections services – affiliate establishments – canceled accounts

(Millions of Colombian pesos (COP))

Maturity of deposits is indicated below:

December 31, 2016

| | Less than 1 year | 1 to 5 years | 5 to 10 years | More than 10 years | Total |
|---|---|---|---|---|---|
| Current account | 7.801.395 | - | - | - | 7.801.395 |
| Savings account | 25.376.074 | 2.021 | - | - | 25.378.095 |
| Term deposits | 18.723.018 | 6.852.374 | 85.398 | 3.899 | 25.664.689 |
| Demands 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 |

December 31, 2015

| | Less than 1 year | 1 to 5 years | 5 to 10 years | More than 10 years | Total |
|---|---|---|---|---|---|
| Current account | 7.058.809 | - | 1.127.414 | - | 8.186.223 |
| Savings account | 21.762.433 | 1.219 | 1.364.011 | - | 23.127.663 |
| Term deposits | 17.581.685 | 2.655.671 | 471.634 | 8.056 | 20.717.046 |
| Demands for services | 577.319 | - | - | - | 577.319 |
| Electronic deposits | 53.075 | - | - | - | 53.075 |
| Other | 187.615 | - | - | - | 187.615 |
| | 47.220.936 | 2.656.890 | 2.963.059 | 8.056 | 52.848.941 |

(*) Other: banks and correspondents – especial deposits – collections services – affiliate establishments – canceled accounts

### 11.17 Interbank and overnight funds

Below is are the relationships of liability operations and monetary market and related operations:

December 31, 2016

| | rate | date (*) start | date (*) end | 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 | 1,08% | 30/12/2016 | 02/01/2017 | 5.218 |
| Legal currency | | | | |
| Interbank liabilities | | | | |
| Banks | 7,14% - 7,33% | 16/12/2016 | 06/01/2017 | 177.115 |
| Simultaneous | | | | |
| Stock broker firms | 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 originated in short positions | 6,62% - 7,65% | 20/12/2016 | 11/01/2017 | 65.166 |
| | | | | 2.175.957 |

(Millions of Colombian pesos (COP))

December 31, 2015

| | rate | date (*) start | end | amount |
|---|---|---|---|---|
| Foreign currency | | | | |
| Interbank liabilities | 4,89% | 23/12/2014 | 09/01/2015 | 10.229 |
| Simultaneous | 3,25% | 17/12/2015 | 05/01/2016 | 4.724 |
| Legal currency | | | | |
| Interbank liabilities | | | | |
| Banks | 5,75% - 5,79% | 28/12/2015 | 04/01/2016 | 160.048 |
| Simultaneous | | | | |
| Stock broker firms | 4,50% - 7,50% | 28/12/2015 | 05/01/2016 | 7.220 |
| Banks | 5,70% - 7,00% | 28/12/2015 | 06/01/2016 | 35.249 |
| Other | 1,00% - 7,00% | 28/12/2015 | 13/01/2016 | 891.923 |
| Liability repos | 4,45% - 5,56% | 16/12/2015 | 15/01/2016 | 4.884 |
| Commitments originated in short positions | | 29/12/2015 | 05/01/2016 | 33.025 |
| | | | | 1.147.302 |

### 11.18 Bank credits and other obligations

Detailed below are loan and bank credit turnovers:

| December 31, 2016 | currency | Interest rate ranges | Year of maturity ranges | balance |
|---|---|---|---|---|
| Opening balance | | | | 8.769.168 |
| New loans | Pesos | 1.72% - 12.64% | 2016 a 2032 | 675.830 |
| | Dollars | 0% - 6,34% | 2015 - 2034 | 4.697.674 |
| | Colons | 0% - 6,5% | 2016 - 2021 | 147.964 |
| | Lempira | 6.64% - 12.5% | 2016 - 2046 | 12.208 |
| Period payments | Pesos | 1.72% - 12.64% | 2016 a 2032 | (589.507) |
| | Pesos | 1.72% - 12.64% | 2016 | (123.524) |
| | dollars | 0% - 11% | 2014 - 2030 | (4.460.922) |
| | Colons | 0% - 3.5% | 2016 | (17.896) |
| | Lempiras | 6.64%-12.5 | 2016 - 2046 | (219.810) |
| Other turnovers | | | | |
| Integration Leasing Bolívar | | | | 272.677 |
| Interests payable | | | | 155.880 |
| Restatement | | | | (464.205) |
| Other | | | | 58.417 |
| | | | | 8.913.954 |

(Millions of Colombian pesos (COP))

| December 31, 2015 | currency | Interest rate ranges | Year of maturity ranges | balance |
|---|---|---|---|---|
| | | | | 5.472.743 |
| New loans | dollars | 0.36% - 4.75% | 2015 a 2017 | 5.540.394 |
| | Pesos | 0.19% - 14% | 2015 a 2027 | 404.503 |
| | Lempira | De 5% a 21.41% | 2015 al 2045 | 200.055 |
| Period payments | dollars | | | (3.288.503) |
| | Pesos | | | (768.544) |
| | Lempiras | | | (52.397) |
| Other turnovers | | | | |
| Interests payable | | | | 95.920 |
| Restatement | | | | 1.165.555 |
| Other | | | | (557) |
| | | | | 8.769.168 |

On April the 20th two hedge accounting loans were designated USD 60.000.000 to cover the net investment in overseas affiliates, with the aim of eliminating accounting mismatch between results and equity product of the exchange restatement of investments and credits.

Below in detail are the banks loans and credits by currency:

| | December 31, 2016 | December 31, 2015 |
|---|---|---|
| Countries entities: | | |
| Legal currency: | | |
| Financial obligations | 1.729.836 | 1.380.238 |
| Foreign currency | | |
| Overseas banks | 3.030.375 | 3.352.852 |
| Other obligations | 532.680 | 266.605 |
| Overseas entities | 3.621.063 | 3.769.473 |
| | 8.913.954 | 8.769.168 |

The maturity of financial obligations is indicated below:

December 31, 2016

| | Less than 1 year | 1 to 5 years | 5 to 10 years | More than 10 years | Total |
|---|---|---|---|---|---|
| Legal 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 of the country | 8 | - | - | - | 8 |
| | | | | | - |
| Foreign currency | | | | | - |
| Bancoldex | 3.502 | 59.364 | 124.160 | 124.857 | 311.883 |
| Findeter | 816 | - | 100.123 | 119.858 | 220.797 |
| Overseas entities | 3.611.525 | 1.586.148 | 1.094.910 | 358.744 | 6.651.327 |
| Other obligations | 28 | 82 | - | - | 110 |
| | 3.655.098 | 2.088.935 | 2.146.131 | 1.023.790 | 8.913.954 |

(Millions of Colombian pesos (COP))

December 31, 2015

| | Less than 1 year | 1 to 5 years | 5 to 10 years | More than 10 years | Total |
|---|---|---|---|---|---|
| Legal currency | | | | | |
| Bancoldex | 20.471 | 139.447 | 35.891 | - | 195.809 |
| Finagro | 8.511 | 79.477 | 56.967 | 2.452 | 147.407 |
| Findeter | 44.043 | 255.804 | 401.547 | 335.621 | 1.037.014 |
| Other banks and financial entities of the country | 8 | - | - | - | 8 |
| Foreign currency | | | | | |
| Bancoldex | 38.215 | 10.452 | 76.841 | 25.668 | 151.176 |
| Findeter | 481 | - | 77.781 | 74.472 | 152.734 |
| Overseas entities | 4.620.696 | 793.719 | 749.028 | 921.576 | 7.085.019 |
| | 4.732.426 | 1.278.899 | 1.398.055 | 1.359.788 | 8.769.168 |

### 11.19 Debt instruments issued

Below in detail are the circulating investment titles corresponding to ordinary, mortgage and subordinated bond emissions:

December 31, 2016

| | date | Emission value | Term (Month) | Performance | Expiration | balance |
|---|---|---|---|---|---|---|
| Opening balance | | | | | | 9.252.730 |
| **Bonds emitted in Colombia** | | | | | | |
| New emissions | | | | | | |
| IPC | 27/07/2016 | 131.864 | 84 | IPC + 3.67 | 27/07/2023 | 131.864 |
| IPC | 27/07/2016 | 245.751 | 144 | IPC+4.00 | 27/07/2028 | 245.751 |
| IPC | 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 turnovers | | | | | | |
| Variation TRM | | | | | | (147.996) |
| Variation UVR | | | | | | 8.467 |
| Interests | | | | | | 6.845 |
| Amortized cost | | | | | | 15.751 |
| **Bonds emitted in overseas affiliates** | | | | | | |
| New emissions | | | | | | |
| Colons | 23/02/2016<br>04/07/2016 | 12.000 | 12 y 24 | 6.17% | 23/02/2018<br>05/07/2017 | 65.640 |
| Dollars | 29/11/2016 | 30 | 72 | 6% | 29/11/2022 | 90.021 |
| Redemptions | | | | | | (132.052) |
| Other turnovers | | | | | | |
| Amortized cost | | | | | | 191 |
| Interests payable | | | | | | 9.136 |
| Restatement | | | | | | (34.876) |
| Final balance | | | | | | 9.586.702 |

(Millions of Colombian pesos (COP))

| December 31, 2015 | date | Emission value | Term (Months) | Performance | Expiration | balance |
|---|---|---|---|---|---|---|
| Opening balance | | | | | | 7.759.988 |
| **Bonds emitted in Colombia** | | | | | | |
| New emissions | | | | | | |
| IPC | 13/05/2015 | 400.000 | 120 | IPC+4.14 | 13/05/2025 | 400.000 |
| IPC | 12/02/2015 | 187.241 | 60 | IPC + 2.84 | 12/02/2020 | 187.241 |
| IPC | 12/02/2015 | 134.003 | 120 | IPC + 3.67 | 12/02/2025 | 134.003 |
| IPC | 10/11/2015 | 148.956 | 60 | IPC + 3.45 | 10/11/2020 | 148.956 |
| IPC | 10/11/2015 | 273.623 | 120 | IPC + 4.50 | 10/11/2025 | 273.623 |
| IBR | 10/11/2015 | 177.421 | 24 | IBR + 2.05 | 10/11/2017 | 177.421 |
| Fixed rate | 12/02/2015 | 378.756 | 36 | TF 5.94% | 12/02/2018 | 378.756 |
| Redemptions | | | | | | (1.195.210) |
| Other turnovers | | | | | | |
| Variation TRM | | | | | | 757.010 |
| Variation UVR | | | | | | 7.901 |
| Interests | | | | | | 34.921 |
| Amortized cost | | | | | | 16.480 |
| **Bonds emitted in overseas affiliates** | | | | | | |
| New emissions | | | | | | |
| Dollars | 20/07/2015 16/06/2015 | 34 | | 3.859% - 4.78% | 20/07/2018 16/12/2016 | 107.541 |
| Colons | 20/07/2015 | 10.000 | | 7.99% - 8.53% | 20/07/2015 | 59.457 |
| Redemptions | | | | | | (110.231) |
| Other turnovers | | | | | | |
| Amortized cost | | | | | | (48) |
| Interests payable | | | | | | (84.114) |
| Restatement | | | | | | 133.214 |
| Other | | | | | | 65.821 |
| Final balance | | | | | | 9.252.730 |

(Millions of Colombian pesos (COP))

Below in detail, is the value of bonds for each current emission:

| Type of emission | Date | Value of emission | term (Month) | Performance | Expiration | December 31, 2016 Value in books | December 31, 2015 Value in books |
|---|---|---|---|---|---|---|---|
| Subordinated bonds with warranty | | | | | | | |
| IPC | 25/02/10 – 28/09/16 | 1.297.086 | 84 - 180 | IPC+4.14 - IPC+5.25 | 24/02/17 – 25/04/27 | 1.297.086 | 938.497 |
| UVR | 24/02/2010 | 111.503 | 120 | UVR+5.50 | 20/02/20 | 144.743 | 136.276 |
| Interests | | | | | | 16.715 | 15.352 |
| In Dollars | | | | | | | |
| International bonds | 09/07/12 | 895.125 | 120 | TF 5.875% | 09/07/22 | 1.500.355 | 1.574.735 |
| Interests | | | | | | 42.849 | 44.325 |
| | | | | | Total subordinated bonds | 3.001.748 | 2.709.185 |
| Subordinated bonds (without warranty) | | | | | | | |
| IPC | 04/10/10 - 27/07/16 | 3.129.586 | 60-180 | IPC+2.84 - IPC+4.50 | 07/10/17 – 27/07/28 | 3.375.337 | 3.121.155 |
| IBR | 15/05/14 - 10/11/15 | 523.342 | 24 - 36 | IBR+1.25 - IBR+2.05 | 15/05/17 - 10/11/17 | 523.342 | 523.342 |
| Fixed rate | 12/02/15 - 27/07/16 | 873.831 | 36 | TF 5.94% - TF 8.64% | 05/02/14 - 12/02/18 | 601.141 | 752.425 |
| Interests | | | | | | 55.652 | 47.300 |
| in Dollars | | | | | | | |
| Debt bonds | 29/01/2013 | 889.920 | 60 | TF 2.95% | 29/01/2018 | 1.500.355 | 1.574.735 |
| Interests | | | | | | 19.057 | 19.687 |
| | | | | | Total ordinary bonds | 6.074.884 | 6.038.644 |
| | | | | | Amortized cost | (13.372) | (20.481) |
| | | | | | Total Bonds | 9.063.260 | 8.727.348 |

International affiliates
Ordinary bonds (without warranty)

| | Date | Value of emission | term (Month) | Performance | Expiration | December 31, 2016 Value in books | December 31, 2015 Value in books |
|---|---|---|---|---|---|---|---|
| Colons | | | | | | | |
| International bonds | 20/07/15 | 120.340 | 720,00 | 7,21% | 23/02/2018 | 120.340 | 59.200 |
| Interests | | 3.617 | | | | 3.617 | 2.187 |
| Amortized cost | | 113 | | | | 113 | 208 |
| in Dollars | | | | | | | |
| International bonds | 21/03/2012 - 29/11/2016 | 476.229 | 47 - 900 | 4.00% - 6.00% | 21/03/2017 - 20/12/2022 | 393.675 | 457.766 |
| Interests | | 1.181 | - | - | - | 2.643 | 2.659 |
| Amortized cost | | 78 | - | - | - | 78 | - |
| Lempira | | | | | | | |
| International bonds | 01/01/02 | 3.059 | 180,00 | - | 31/12/2017 | 2.976 | 3.362 |
| Interests | | | | | | - | - |
| Amortized cost | | | | | | - | - |
| | | | | | | 523.442 | 525.382 |
| | | | | | | 9.586.702 | 9.252.730 |

(Millions of Colombian pesos (COP))

Hedge Passives

The bank opted to manage Hedge Accounting by designating liabilities for USD 500 million as coverage instruments of net investments overseas of Central American branches (covered item) starting January 01 2015, considering the intensions Expressed by management of covering the type of exchange risk associated with such investment. Up to December 31 2016 this coverage has proved effective according to tests performed by the administration.

Detailed below are emitted debt instruments by monetary unit:

| | December 31, 2016 | December 31, 2015 |
|---|---|---|
| National affiliates | | |
| Legal currency | 5.868.959 | 5.393.359 |
| Foreign currency | 3.048.671 | 3.196.072 |
| UVR | 145.630 | 137.916 |
| | 9.063.260 | 8.727.347 |
| International affiliates | | |
| Foreign currency | | |
| Colons | 124.070 | 61.595 |
| Lempira | 2.976 | 3.362 |
| Dollars | 396.396 | 460.425 |
| | 523.442 | 525.383 |
| | 9.586.702 | 9.252.730 |

Below are, emitted debt instruments by monetary unit:

| | December 31, 2016 | December 31, 2015 |
|---|---|---|
| Less than a year | 966.265 | 503.438 |
| Between 1 and 5 years | 3.918.282 | 4.151.133 |
| Between 5 and 10 years | 3.807.994 | 3.679.368 |
| More than 10 years | 894.161 | 918.791 |
| | 9.586.702 | 9.252.730 |

Below is the redemption of emitted debt instruments by Banco Davivienda:

December 31, 2016

| date | Type of emission | term | rate | Expiration date | Value |
|---|---|---|---|---|---|
| 05/02/2009 | First emission - Series G | 84 | IPC + 5.50 | 05/02/2016 | 126.886 |
| 13/02/2013 | Forth ordinary fixed rate bonds – 1st lot Series F | 36 | TF 5.14% | 13/02/2016 | 102.249 |
| 09/10/2016 | Ordinary fixed rate | 24 | TF 5.89% | 09/10/2014 | 276.609 |
| | | | | | 505.744 |

December 31, 2015

| date | Type of emission | term | rate | Expiration date | Value |
|---|---|---|---|---|---|
| 19/02/2008 | First emission - Series C | 84 | IPC+6.65 | 19/02/2015 | 151.383 |
| 19/02/2008 | First emission - Series D | 84 | UVR+6.65 | 19/02/2015 | 195.978 |
| 12/02/2010 | Second emission section 1 - Series 5 | 60 | IPC+3.98 | 12/02/2015 | 218.921 |
| 07/10/2010 | Third emission section 2 - Series C5 | 60 | IPC + 3.14 | 07/10/2015 | 122.389 |
| 10/03/2011 | First emission - Segundo lot - Series C120 | 48 | IPC+3.60 | 10/03/2015 | 91.575 |
| 10/12/2013 | Fifth emission - first lot - series B | 24 | IBR + 2.00 | 10/12/2015 | 317.640 |
| 15/08/2012 | Second emission section 2 - Series E3 | 36 | TF 6.5% | 15/08/2015 | 97.324 |
| | | | | | 1.195.210 |

Below are redemptions for overseas affiliates:

(Millions of Colombian pesos (COP))

Redemptions Costa Rican bank

December 31, 2016

| Date | Type of emission | term | Rate | Expiration | Value |
|---|---|---|---|---|---|
| 16/12/2014 | Standardized | 720 | 3,86% | 16/12/2016 | (71.965) |
| | | | | | (71.965) |

Redemptions El Salvador bank

December 31, 2016

| Date | Type of emission | term | Rate | Expiration | 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 |

December 31, 2015

| Date | Type of emission | term | Rate | Expiration | Value |
|---|---|---|---|---|---|
| 09/03/2009 | International bonds | 2.191 | 5,60% | 09/03/2015 | 47.242 |
| 17/04/2009 | International bonds | 2.191 | 6,05% | 17/04/2015 | 62.989 |
| | | | | | 110.231 |

Redemptions Honduras bank

December 31, 2016

| Date | Type of emission | term | Rate | Expiration | Value |
|---|---|---|---|---|---|
| 04/09/2016 | Mortgage bonds | 15 years | 15,00% | 08/01/2012 | 3 |
| 01/10/2016 | Mortgage bonds | 15 years | 15,00% | 27/02/1930 | 13 |
| 30/10/2016 | Mortgage bonds | 15 years | 15,00% | 25/02/2724 | 45 |
| 20/12/2016 | Mortgage bonds | 15 years | 15,00% | 02/10/2503 | 6 |
| 17/10/2016 | Mortgage bonds | 15 years | 15,00% | 27/03/2230 | 6 |
| | | | | | 73 |

Evaluation coverage of net overseas investment

The bank has different exchange rates (Lempira; Colon and American dollars) as hedging instrument for net invest overseas, using American dollars exclusively for said investments based on the economic relationships that exist between currency behaviors of emerging economies of the same region, which tend to fluctuate in unison to American dollars in medium and long term. Said effect can be explained due to the fact that Centro American and Colombian economies share between them the following characteristics:

- Democratic, political and institutional schemes
- Dependency on the generation of raw materials
- Important participation of remittances in local economies
- Similar levels of economic development and GDP/Per Capita

On the other hand, prevailing exchange policies in Costa Rican and Honduran Economies are based on an exchange rate band regime that delimits value fluctuation of currencies in regards to the American dollar.

Based on the historic behavior of the aforementioned exchange rates in regards to Colombian peso, a strong correlation can be observed between the three currencies, ratifying the high coverage level offered by Dollars in transactions with Colons and lempira, presenting correlations (correlations in daily return for a three year sample) superior to 70%, as shown below.

Correlations

| | USD | HNL | CRC |
|---|---|---|---|
| **USD** | 100% | 100% | 97% |
| **HNL** | 100% | 100% | 95% |
| **CRC** | 97% | 95% | 100% |

In the same manner, this makes it evident that these correlations will be maintained through time.

Presented in detail below are items denominated in Costa Rican Colons, lempira and American dollars:

| Affiliate Investments | Value of Investment Currency of Origin | Value of investment USD | Covered Amount USD | Uncovered Amount USD |
|---|---|---|---|---|
| Costa Rican Colons | 89.836,9 | 176,8 | 148,5 | 28,3 |
| Lempiras | 2.625,4 | 131,8 | 110,7 | 21,1 |
| Dollars | 240,9 | 240,9 | 240,9 | - |
| **Total** | | **549,5** | **500,0** | **49,5** |

Figures in millions

**Coverage effectiveness**

Covered items denominated in Costa Rican Colons, lempira and dollars, and the coverage instrument denominated in dollars; when evaluating the effectiveness of the coverage, while relating the changes in currencies vs. Colombian peso of covered transactions, and the change effect of the coverage instrument we can obtain the following results:

| | Coverage efficiency ratio 2016 |
|---|---|
| **Total** | **100%** |

The efficiency ratio reflects perfect coverage for the risk factor COP/USD, every time both liabilities and assets are exposed to the same factor.

(Millions of Colombian pesos (COP))

### 11.20 Accounts payable

Below accounts payable in detail:

| | December 31, 2016 | December 31, 2015 |
|---|---|---|
| Commissions and fees | 9.587 | 4.860 |
| Providers and services payable | 381.732 | 300.277 |
| Pledging Buyers | 4.318 | 5.887 |
| Deductions and payroll | 108.829 | 101.210 |
| Current account overseas insurers | 15.059 | 20.366 |
| Parent company, subsidiaries, related | 16.582 | 12.415 |
| Dividends and surpluses | 4.197 | 3.965 |
| Contribution on transactions | 21.549 | 13.243 |
| Labor Obligations (1) | 216.543 | 128.373 |
| Miscellaneous | 142.404 | 192.462 |
| Taxes | 75.244 | 34.456 |
| Available Balance Prepaid VISA | 9.667 | 12.482 |
| Accounts payable national law 546 | 11.521 | 33.724 |
| Deposits Insurance | 59.580 | 50.388 |
| Pending disbursements acquirers | 17.498 | 75.649 |
| | 1.094.310 | 989.758 |

(1) Presented in detail below are labor obligations:

| | December 31, 2016 | December 31, 2015 |
|---|---|---|
| Consolidated Severances | 28.247 | 23.562 |
| Severance tax | 2.651 | 2.219 |
| Consolidated Vacation time | 43.763 | 41.676 |
| Other employee benefits (*) | 141.882 | 60.916 |
| | 216.543 | 128.373 |

(*) corresponds mainly to seniority premium $36.576, other benefits $33.874, healthcare policy pensioners $47.266.

Benefits to employees

The bank possesses the following long term benefits:

a. Home loans are given to staff members with a minimum 2 years of seniority, with a preferential variable interest rate which is only available during the labor relationship period, meaning that, in case of severance the benefit is immediately lost. For the aforementioned 2 funds have constituted with a maximum cap established by the administration and updated periodically. The estimate amount of benefits are interest rate vs. current market rate by the date of loan origination, this difference in rates is the sum of present values and is recognized as the financial situation statement.

b. In conjunction with the signing of the collective work pact 2015-2018, an extralegal premium is granted to employees for seniority, equivalent to 15 days of salary upon reaching five years of labors and 30 days of salary upon reaching 10 years and for every following subsequent five year term.

(Millions of Colombian pesos (COP))

Post-employment benefits are as follows:

- Defined contribution plan

Contribution made by the bank equivalent to the same value defined by the staff member with a limit of up to 5% of salary, applicable to staff members that are 10 years or less away from retirement pension, with no compromise to make any payments on said date. These are accounted for with the contributed values with charges on results and do not require actuarial assumptions due to these being in a fund where the bank does not assume any actuarial or investment risk.

- Defined benefits plan

Healthcare policy for pensioners and their spouse are recognized through actuarial calculations with changes in OCI.

Below in detail employee benefits:

| | December 31, 2016 | December 31, 2015 |
|---|---|---|
| Present value of obligations for employee benefits | 46.385 | - |

At present all of the bank's employees have the right to access a collective healthcare policy while they are active, and afterwards, when reaching pension age, the employee and their spouse have the right to a subsidy of 30% on an individual health care policy sponsored by the bank, as long as some conditions have been met

Present value turnover of obligations for employee benefits

| | December 31, 2016 | December 31, 2015 |
|---|---|---|
| Obligations for defined benefits up to December 31 | 46.385 | - |

Actuarial suppositions

The following are the principal actuarial suppositions up to the date of the balance (expressed in weighted average):

| | December 31, 2016 | December 31, 2015 |
|---|---|---|
| Discount rate up to December 31 | IPC+4,56% | - |
| Future salary increments | 7,57% | - |

After the pension age has been reached, it is supposed that those who access this benefit will pass away in accordance to the valid reenters mortality chart of 2008, consigned in resolution number 1555 of 2010 of the financial super intendance

(Millions of Colombian pesos (COP))

### 11.21 Deferred payable taxes

**Components of expenses due to income taxes**

Expenses due to income tax are as follows for the closing periods of:

| | December 31, 2016 | December 31, 2015 |
|---|---|---|
| Income tax | 513.968 | 463.314 |
| Tributary discount | (6.234) | (22.082) |
| expenses (Recovery) previous periods | 2.028 | (16.804) |
| Total current tax | 509.762 | 424.428 |
| | | |
| Differed tax | 109.568 | 55.526 |
| Recovery previous periods | - | - |
| Total income tax | 619.329 | 479.954 |

In years 2016 and 2015 the provision adjustment of income tax was recognized as largest and lowest value of expenses due to gains tax respectively, according to the declarations presented of the taxable years 2015 and 2014.

Up to 2016 rent fee in Colombia was 25% with an additional CREE tax of 9% and a surcharge of 6%. Law 1819 of 2016 unifies the fee of fiscal rents and establishes a fee starting from 2018 of 33%. The rate of 2017 is 34% plus a surcharge of 6%

The rate in Costa Rica Salvador and Honduras is 30% while in Panama is 25% and only national source rents are taxable.

**Reconciliation of effective tax rates**

The following is the conciliation of profit calculated at current tributary rates and tax expenses effectively registered in the cumulative result statement:

| | December 31, 2016 | Effective rate | December 31, 2015 | Effective rate |
|---|---|---|---|---|
| **Earnings before profit tax** | **2.344.059** | | **1.716.671** | |
| **Rent tax at a nominal rate 2016 (40%) - 2015 (39%)** | 937.624 | 40% | 669.503 | 39% |
| Tributary discount | (6.234) | | (22.082) | |
| Non-deductible expenses and fiscal revenue | 140.285 | | 104.538 | |
| Fiscal deductions and non-taxable revenue | (103.053) | | (17.033) | |
| Exempt rents | (173.481) | | (181.820) | |
| Rate adjustment over temporary differences | (20.340) | | (30.189) | |
| Rate adjustment in affiliates (1) | (26.666) | | (26.159) | |
| expenses (Recovery) of previous periods | 2.028 | | (16.804) | |
| **Total expenses on profit tax** | **750.163** | **32%** | **479.954** | **28%** |
| | | | | |
| Other (2) | (130.834) | -6% | - | 0% |
| | 619.329 | | 479.954 | |

(1) Adjustment in affiliates corresponds to the difference in tax calculations over profit at 40% rate applicable to the parent company in Colombia, and the average national rates of each country.

(2) Other corresponds to a: i) recovery of differed tax payable in sales of fixed rate assets for $95.513 y ii) Recognition of differential tax between ordinary rate and occasional profit over participative title acquisition $35.321.

In compliance to fiscal obligations we recognize import of other taxes such as national and territorial tax and parafiscal contributions.

(Millions of Colombian pesos (COP))

| | December 31, 2016 | December 31, 2015 |
|---|---|---|
| Rich tax (1) | 54.705 | 62.487 |
| Sales tax | 89.420 | 55.499 |
| Parafiscal contributions | 143.917 | 124.038 |
| Industry and commerce tax | 67.914 | 52.823 |
| Taxable financial turnover | 74.431 | 61.505 |
| Other (2) | 63.620 | 54.952 |
| Total other tax | 494.007 | 411.304 |

(1) Rich tax applicable in Colombia, was created by law 1739 of 2014 and its taxable base is the value of liquid equity up to January 1 2015, 2016 y 2017. The applicable rate to the bank and its national affiliates for 2015 was 1.15% and for 2016 of 1%. This tax is imputed against patrimonial reserves according to this law. It will be in force until 2017 as 0.4%, due to changes of the tributary reform law 1819 of 2016 eliminating it.
(2) Other includes assumed values for territorial and surcharge taxes

**Differed tax by concept**

The differences between the bases of assets and liabilities for IFRS purposes and said bases for fiscal effects, give rise to temporary differences that generate differed tax calculated and registered on December 31 of 2016 and 2015 taking into account tax fees for the years in which those differences exist.

| | December 31, 2015 | Effect on results | Effect on OCI | Conversion effect | December 31, 2016 |
|---|---|---|---|---|---|
| Asset differed tax | | | | | |
| Fixed rate investments | 29.718 | (29.096) | - | (117) | 505 |
| Variable rent investments | 247 | 38 | - | (21) | 264 |
| Industry and commerce | 7.800 | 2.599 | - | - | 10.399 |
| Differed assets | 4.007 | (3.397) | - | (210) | 400 |
| Provisions | 23.413 | 24.858 | 15.307 | (855) | 62.723 |
| Properties, equipment investment assets | 2 | 74 | - | (2) | 74 |
| portfolio | 11.516 | (11.904) | - | (407) | (795) |
| BRP | 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 |
| Liabilities differed tax | | | | | |
| Variable rent investments | 16.973 | 28.148 | (4.552) | (380) | 40.189 |
| Fixed rent investments | - | 1.202 | - | - | 1.202 |
| portfolio | 290.403 | 189.032 | - | (1.444) | 477.991 |
| BRPS | 40.535 | (8.498) | - | (1.790) | 30.247 |
| Derivative operations | 28.533 | (28.533) | - | - | - |
| Social benefit estimates | 3.262 | (1.070) | - | (242) | 1.950 |
| Differed revenue | 6.996 | (6.712) | - | (283) | 1 |
| Properties, 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 |
| Provisions | 8.030 | (7.572) | - | (355) | 103 |
| **Total liabilities** | 1.062.915 | 103.500 | 2.131 | (5.459) | 1.163.087 |
| Effects on the results statements recognized in other taxes | | (8.818) | | | |
| **Differed taxes net** | 969.704 | 109.568 | (13.176) | (2.636) | 1.072.278 |

(Millions of Colombian pesos (COP))

| | December 31, 2014 | Effect on results | Effect on OCI | Conversion effect | December 31, 2015 |
|---|---|---|---|---|---|
| Asset differed tax | | | | | |
| Fixed rate investments | 9.228 | 22.492 | - | (2.002) | 29.718 |
| Variable rent investments | - | 247 | - | - | 247 |
| Industry and commerce | 7.473 | 258 | - | 69 | 7.800 |
| Differed assets | 13.017 | (10.731) | - | 1.721 | 4.007 |
| Provisions | 16.150 | 2.442 | - | 4.821 | 23.413 |
| Properties, equipment investment assets | 2.409 | (3) | - | (2.404) | 2 |
| portfolio | 13.865 | 276 | - | (2.625) | 11.516 |
| BRP | 7.807 | 2.218 | - | 2.639 | 12.664 |
| Other | 3.786 | (3.426) | - | 3.484 | 3.844 |
| Derivative operations | - | - | - | - | - |
| **Total Assets** | 73.735 | 13.773 | - | 5.703 | 93.211 |
| Liabilities differed tax | | | | | |
| Variable rent investments | 16.123 | (6.317) | 6.749 | 418 | 16.973 |
| Fixed rent investments | - | - | - | - | - |
| portfolio | 270.628 | (4.597) | - | 24.372 | 290.403 |
| BRPS | 22.336 | 13.195 | - | 5.004 | 40.535 |
| Derivative operations | 44.411 | (15.878) | - | - | 28.533 |
| Social benefit estimates | 3.165 | (3.036) | - | 3.133 | 3.262 |
| Differed revenue | - | 6.996 | - | - | 6.996 |
| Properties, equipment investment assets | 181.307 | (4.611) | - | (10.702) | 165.994 |
| goodwill | 349.504 | 79.072 | - | - | 428.576 |
| Residual rights | 51.295 | 5.773 | - | - | 57.068 |
| Provisions | 5.057 | 9.981 | - | 1.507 | 16.545 |
| Other | 14.282 | (11.279) | - | 5.027 | 8.030 |
| **Total liabilities** | 958.108 | 69.299 | 6.749 | 28.759 | 1.062.915 |
| **Differed tax net** | 884.373 | 55.526 | 6.749 | 23.056 | 969.704 |

Effect of current and differed tax in components of the other integral results account in equity

| | December 31, 2015 | OCI components turnover | Current tax | Differed tax | Reclassifications | December 31, 2016 |
|---|---|---|---|---|---|---|
| Credit portfolio impairment for consolidated financial statement purposes | 738.286 | 450.223 | - | - | - | 1.188.509 |
| Conversion adjustments (1) | 802.043 | (231.788) | - | 2.636 | - | 572.891 |
| Difference in coverage change of net investments overseas (2) | (232.574) | 68.948 | (27.579) | - | - | (191.205) |
| Financial instruments measured at a reasonable value | 77.891 | 31.311 | - | 2.633 | (5.538) | 106.297 |
| First time IFRS applications | 306.662 | (314.575) | - | (4.764) | 90.194 | 77.517 |
| Others to equity net | 3.853 | (47.746) | - | 15.307 | - | (28.586) |
| Surplus by equity method | (2.383) | (8.160) | - | - | - | (10.543) |
| | 1.693.778 | (51.787) | (27.579) | 15.812 | 84.656 | 1.714.880 |

Differed tax due to adjustments in first time IFRS adoptions correspond to the balance of Bolivar leasing registered in equity due to the integration with this company and the implementation of differed tax associated to fixed assets turn out.

(Millions of Colombian pesos (COP))

| | December 31, 2014 | OCI components turnover | Current tax | Differed tax | Reclassifications | December 31, 2015 |
|---|---|---|---|---|---|---|
| Credit portfolio impairment for consolidated financial statement purposes | 642.629 | 95.657 | - | - | - | 738.286 |
| Conversion adjustments | 289.712 | 524.534 | - | (12.203) | - | 802.043 |
| Difference in coverage change of net investments overseas | - | (381.269) | 148.695 | - | - | (232.574) |
| Financial instruments measured at a reasonable value | 11.401 | 73.239 | - | (6.749) | - | 77.891 |
| First time IFRS applications adjustments | 321.942 | (15.280) | - | - | - | 306.662 |
| Others on equity net | 305 | 3.548 | - | - | - | 3.853 |
| Surplus by equity method | (4.777) | 2.394 | - | - | - | (2.383) |
| Reclassification of retained earnings | - | - | - | (10.853) | 10.853 | - |
| | 1.261.212 | 302.823 | 148.695 | (29.805) | 10.853 | 1.693.778 |

During the year 2015 $10.853 of differed tax were recognized to retained earnings corresponding to adjustments in portfolio models

(1) By legal disposition the adjustment due to difference of exchange in foreign currency investments has fiscal impact only at the moment of alienation or liquidation of the investment. For this reason a difference is generated over the one no differed tax is recognized in virtue of the exception of IAS 12, for each time that the bank holds control over investments and does not believe the difference in exchange will revert in the foreseeable future.

(2) Restatement of financial liability designated as coverage of net investment overseas is registered for accounting effects in equity. In this sense corresponding current tax is registered in equity in consideration to what is stated in paragraph 62 of IAS12.

Uncertainties in open tributary positions

For the statement of financial situation for the closing period December 31 2016, an analysis took place of the adopted tributary positions in declarations subject to revision by the tributary authorities and no facts or situations were found that could generate uncertainty associated to a difference between said position and those belonging to fiscal administrations.

Differed tax regarding subsidiary and associated companies and conjoined businesses

In application of paragraph 39 of the IAS 12, the bank only recognizes differed tax for investments in associates over accumulated earnings susceptible to distribution in lieu of taxes. This way the temporary difference related with the registered value investment and the cost of legal effects for $1.477.822 and $1.109.473, is not subject to different tax.

(Millions of Colombian pesos (COP))

### 11.22 Technical reserves

Reserves for casualties are detailed below:

| | December 31, 2016 | December 31, 2015 |
|---|---|---|
| Reserve for casualties pending liquidation | 18.130 | 26.920 |
| Reserve for casualties occurred but not reported | 5.041 | 5.580 |
| Technical and mathematical reserve: | 146.291 | 138.430 |
| To differ revenue for premiums | 47.156 | 33.071 |
| prevention | 28.405 | 27.663 |
| For catastrophic risk | - | 4.283 |
| Other | 70.730 | 73.413 |
| | 169.462 | 170.930 |

December 31, 2016

| | Mathematical reserve | Ongoing risk reserve | Catastrophic deviation reserve | Reported casualties reserve | Non-reported casualties reserve | Total |
|---|---|---|---|---|---|---|
| Opening balance | 78.875 | 66.412 | 1.575 | 18.489 | 5.580 | 170.931 |
| Difference in due to exchange type in casualties reserve | - | (601) | - | (27) | 266 | (362) |
| Restatement | (459) | (1.595) | (1.575) | (1.553) | 241 | (4.941) |
| Insured people obligations | (1.638) | (13.647) | - | - | - | (15.285) |
| Casualty benefits and liquidation expenses | - | - | - | 2.382 | (595) | 1.787 |
| Liberation of prevision reserves for payment of casualties | - | - | - | (10.152) | (328) | (10.480) |
| Paid casualties and benefits | - | 16.756 | - | 8.503 | 542 | 25.801 |
| Constitution reserve | 317 | 4.587 | - | 4.828 | 469 | 10.201 |
| Liberation reserve | (143) | (2.572) | - | (4.820) | (655) | (8.190) |
| Final balance | 76.952 | 69.340 | - | 17.650 | 5.520 | 169.462 |

December 31, 2015

| | Mathematical reserve | Ongoing risk reserve | Catastrophic deviation reserve | Reported casualties reserve | Non-reported casualties reserve | Total |
|---|---|---|---|---|---|---|
| Opening balance | 60.731 | 37.948 | 1.196 | 10.407 | 4.352 | 114.634 |
| Difference in due to exchange type in casualties reserve | - | - | 379 | - | - | 379 |
| Reserve in charge of reinsurers | - | - | - | 1.636 | - | 1.636 |
| Insured people obligations | 18.144 | 17.324 | - | - | - | 35.468 |
| Casualty benefits and liquidation expenses | - | - | - | 3.738 | 1.229 | 4.967 |
| Salvage and recovery | - | 11.139 | - | - | - | 11.139 |
| Liberation of prevision reserves for casualties occurred and not reported | - | - | - | 296 | - | 296 |
| Liberation of prevision reserves for payment of casualties | - | - | - | 2.412 | - | 2.412 |
| Final balance | 78.875 | 66.411 | 1.575 | 18.489 | 5.580 | 170.930 |

(Millions of Colombian pesos (COP))

The following is the turnover for reserves:

| | December 31, 2016 | December 31, 2015 |
|---|---|---|
| Opening balance plus | 170.930 | 114.634 |
| plus: | | |
| Acquisitions | - | 13.827 |
| Reserve - Constitution | 94.816 | 70.972 |
| Restatement | (10.322) | 35.263 |
| Minus: | | |
| drops | (1.887) | (3.378) |
| Reimbursement - Liberation | (84.075) | (60.388) |
| Final balance | 169.462 | 170.930 |

### 11.23 Other non-financial and estimated liabilities

Presented below in detail are other non-financial and estimated liabilities:

| Concept | December 31, 2016 | December 31, 2015 |
|---|---|---|
| Other Provisions (1) | 120.515 | 117.463 |
| Litigations, compensations and lawsuits(2) | 26.718 | 26.198 |
| Sanctions Colombian financial superintendence | - | 130 |
| In conjoined operations | 542 | - |
| **Subtotal** | 147.775 | 143.792 |
| Anticipated revenues | 95.908 | 73.959 |
| Differed payment credit letters | 42.918 | 22.938 |
| Payments yet to be applied | 80.316 | 56.731 |
| Differed payments | 9.554 | 3.692 |
| Maintenance and repairs | 2.873 | - |
| Diverse | 59.267 | 34.799 |
| Total other | 438.610 | 335.911 |

1) The most significant provisions correspond to the bank in Colombia for a difference in rates of mortgage credits, which the bank covers for 8 additional years at a value of $26.322, and to overseas affiliates due to taxes, labor obligations, and loyalty programs for a total of $94.193.

The following is provision turnover

| | December 31, 2016 | December 31, 2015 |
|---|---|---|
| Opening balance | 117.463 | 57.538 |
| plus: | | |
| Provision | 551.100 | 346.941 |
| Reclassification | - | 24.890 |
| Restatement | (5.327) | 19.839 |
| Minus: | | |
| drops | (3.907) | (69.047) |
| Reimbursement | (538.814) | (262.698) |
| Final balance | 120.515 | 117.463 |

(Millions of Colombian pesos (COP))

Presented in detail below are resource out-flows of other provisions:

December 31, 2016

| | 1 year | 1 to 3 years | 3 to 5 years | Total |
|---|---|---|---|---|
| taxes | 41.788 | - | - | 41.788 |
| Frech premium provision | 3.445 | 9.718 | 13.159 | 26.322 |
| Estimated liabilities | 12.409 | - | - | 12.409 |
| Other | 5.453 | (4) | 4.153 | 9.602 |
| Administrative expenses | 8.528 | 728 | - | 9.256 |
| Accounts payable suppliers | 2.898 | 2.418 | - | 5.316 |
| Point programs | 4.420 | - | - | 4.420 |
| Portfolio provisions | 2.430 | - | 1.123 | 3.553 |
| Provision UGPP | - | 3.269 | - | 3.269 |
| 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 |

December 31, 2015

| | 1 year | 1 to 3 years | 3 to 5 years | Total |
|---|---|---|---|---|
| Provision taxes | 30.425 | - | - | 30.425 |
| Frech premium provision | 4.249 | 14.305 | 4.323 | 22.877 |
| taxes | 19.460 | - | - | 19.460 |
| Estimated liabilities | 13.384 | - | - | 13.384 |
| Human resources | 6.377 | - | - | 6.377 |
| Other | 1.096 | 71 | 4.494 | 5.661 |
| Accounts payable suppliers | 4.888 | - | - | 4.888 |
| Portfolio provisions | 2.760 | 1.435 | - | 4.195 |
| Administrative expenses | 3.658 | 94 | - | 3.752 |
| Provision UGPP | - | 3.384 | - | 3.384 |
| cards | 1.020 | - | - | 1.020 |
| Creditors and services | 2.040 | - | - | 2.040 |
| | 89.357 | 19.289 | 8.817 | 117.463 |

2) Litigations, sanctions y fines

The following turnover of provision corresponds to litigations, sanctions and lawsuits:

| | December 31, 2016 | December 31, 2015 |
|---|---|---|
| Opening balance | 26.198 | 28.038 |
| plus: | | |
| Provision | 9.461 | 11.542 |
| Restatement | (15) | (5) |
| Minus: | | |
| drops | (12) | (216) |
| Reimbursement | (8.915) | (13.161) |
| Final balance | 26.718 | 26.198 |

(Millions of Colombian pesos (COP))

Below is the summary of processes:

| | December 31, 2016 | | | December 31, 2015 | | |
|---|---|---|---|---|---|---|
| | Quantity processes | | Value claims | Quantity processes | Value Provision | Value claims |
| Litigations Covered under Fogafin's warranty contract (2) | 52 | 16.042 | 12.262 | 72 | 16.099 | 15.798 |
| Tributary processes | 37 | 814 | 7.594 | 2 | 736 | 736 |
| Labor lawsuits | 27 | 3.282 | 12.496 | 32 | 3.103 | 7.411 |
| Ordinary processes | 357 | 6.581 | 129.825 | 378 | 5.666 | 145.098 |
| Consortium processes Fidufosyga 2005 | - | - | - | - | 595 | 4.297 |
| | 473 | 26.718 | 162.177 | 484 | 26.198 | 173.341 |

Below are, the expenses resulting from the settlement of litigations:

December 31, 2016

| | 1 year | 1 to 3 years | 3 to 5 years | 5 to 10 years | More than10 years | Total |
|---|---|---|---|---|---|---|
| Litigations Covered under Fogafin's warranty contract (2) | - | 16.042 | - | - | - | 16.042 |
| Tributary processes | 752 | 96 | - | - | - | 849 |
| Labor lawsuits | 210 | 2.968 | 69 | - | - | 3.247 |
| Ordinary processes | 1.830 | 3.172 | 880 | - | 699 | 6.581 |
| Consortium processes Fidufosyga 2005 | - | - | - | - | - | - |
| | 2.792 | 22.279 | 949 | - | 699 | 26.718 |

December 31, 2015

| | 1 year | 1 to 3 years | 3 to 5 years | 5 to 10 years | More than10 years | Total |
|---|---|---|---|---|---|---|
| Litigations Covered under Fogafin's warranty contract (2) | - | 16.099 | - | - | - | 16.099 |
| Tributary processes | 659 | 78 | - | - | - | 737 |
| Labor lawsuits | 2.068 | 1.035 | - | - | - | 3.103 |
| Ordinary processes | 2.304 | 3.274 | - | - | 88 | 5.666 |
| Consortium processes Fidufosyga 2005 | - | - | - | 595 | - | 595 |
| | 5.030 | 20.486 | - | 595 | 88 | 26.198 |

(2 Processes, by Granbanco S.A. Fiduciaria Cafetera S.A. Bancafé S.A. today known as Davivienda Panama and Bancafé International Corporation know today as Davivienda International, which existed on January 31 2007 and were previously notified February 16 2007 and until February 2010, they are still existing today and are warranted by Fogafin.

Provisions for 15% have been established for processes of Civil, administrative and especial nature sheltered by the Fogafín warranty contract; taking into account the coverage warranty, over the value of contingency perspective according to ranking and only for both ordinary and especial processes. For work processes 10% was allotted.

**Penal**

As long as a criminal process links the bank as a civilly liable third party

**Ordinary, civil, especial, contentious administrative and labor related**

These type of proceedings generate liability contingency to the bank regardless of the procedural step put in effect, in general terms due to eventual responsibility in civil, contractual or non-contractual and similarly in case or fines or sanctions imposed by the competing entities developing their functions. Each one of these proceedings has its own corresponding score and provision if need be.

Presented below are judicial proceedings that can have great economic impact on the bank:

**Bank**

Class and group actions legal proceedings created for the protection of rights belonging to a plural number of people. While class actions have the purpose of preventing ceasing and reestablishing collective rights, group actions seek the compensation of damages generated by the infringement of individual homogenous rights. The risk of these litigations has been considered remote, however, the nature of the rights being discussed and the plurality of the claimants turns these into legal proceedings for the bank, reason why it has been decided to relieve them.

Processes related to the bank's other activities

In the chamber of commerce of Bogotá there is an ongoing arbitration that society Lotes y Proyectos S.A.S. and other persons both natural and legal led against Davivienda. In said proceeding they aim to declare that Davivienda's behavior in negotiations and in fulfillment of a promise to purchase agreement of a lot generated damages for $6.000. The bank pretends to answer the lawsuit. Contingency has been deemed as possible

**Fiduciaria Davivienda S.A.**

Ordinary Labor of Carlos A. Gomez No. 2011-026 (2009-564)
Type of proceeding: Ordinary Labor
Defendants: Fiduciaria Davivienda S.A. y Banco Davivienda S.A.

Value of claim: initially the value was $465, however via second instance ruling set-off was declared paid, therefore the judge settled the value of the severance compensation in $110, to said value were discounted $61, already paid by the defendants, thus the value of the claim was left at $50, plus indexing.

Current status: cassation appeal

Representative's concept over contingency: Probable. Taking into account the proceedings background and the instances sentence

Provision: $62

Approximate termination date: December de 2019

**Proceedings of central**

Regarding the negotiation the bank had with 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, there's a need to include in this report a relation of proceedings that may generate liability contingency for the bank indicated below:

According to the sales agreement subscribed with HSBC some proceedings were determined and nominated as “Excluded Litigation” which if lost, el HSBC will assume said contingency, namely:

Honduras

Type of proceeding: compensation of damages.
Claimant: Green Development Corporation S.A. (GDC)
Defendant: Banco HSBC Honduras S. A. y Banco Lafise, S. A.
Value of claim: USD 159.810.071,39

Current status: proceeding with unfavorable judgment in first and second instances against Banco Davivienda and other local bank. On august 04 2014 each bank presented cassation appeal to the supreme justice court which was admitted on August 25 2015. In January 2016 the supreme justice court was changed and comprised integrally and the civil hall assumed study of the case, pending decision. According to DAVIVIENDA´S lawyer, there are serious motives to consider that rulings emitted in first and second instance have biases that should be taken to the Supreme Court to declare as null and issue new sentence. In the event of both banks are condemned, Davivienda considers that, given the warranties had the impact would not be material

El Salvador

Proceeding type: mercantile summary judgment of reclamation and compensation of damages
Claimant: Soc. Ing. José Antonio Salaverria Y Co.
Defendant: Banco HSBC Salvadoreño, S.A.
Value of claim: USD 22.727.764,32

Current status: (Reference 34-SM-09, courthouse 5° of mercantile today 1º of mercantile). To date 29-11-2016 Witten plea was presented to the court house declaring the lawsuit as inept or given the case have the bank absolved from the proceeding.

Proceeding type: mercantile summary judgment of reclamation and compensation of damages
Claimant: Soc. Ing. José Antonio Salaverria Y Co.
Defendant: Banco HSBC Salvadoreño, S.A.
Value of claim: USD 22.727.764,32

Current status: (Reference 35-SM-09 courthouse 1° of Mercantile). On date 05/04/2016 the court house admits appeal procedure presented by the bank, and thus suspends the order for collection of testimonial proof, appointed for 9:30 am of date 6 /04/2016, the court house calls upon hearing the counterpart.

Proceeding type: administrative proceeding for alleged non-compliance of: 1. Non-compliance of what is stated in paragraph 5 of Art. 66 of the Banks Act. 2. Art. 11 of the guidelines for the remittance of bank accounting financing information, due to sending accounting information corresponding to the month of December 2010, out of the established time periods.
Claimant: Superintendencia del Sistema Financiero
Defendant: Banco Davivienda Salvadoreño S.A.
Value of claims: USD23.000.
Current status: rectification appeal interposition, awaiting admission.
Amount of provision: USD 23.000.

Proceeding type: administrative proceeding for alleged non-compliance of instructions contained in note IRC-RM-4709 of the SSF, dated March 12 2008, the SSF attributes the bank, of having committed the following infractions and/or non-compliance: A. subscription of promissory notes higher than the authorized and available amount in the TC. (Art. 18 lit. b LPC).
Claimant: Superintendencia del Sistema Financiero
Defendant: Banco Davivienda Salvadoreño S.A.
Value of claim: USD5.000.
Current status: admission of rectification recourse.

Amount of provision: USD5.000

Type of proceeding: administrative proceeding due to alleged non-compliance for: 1. Not depositing policies, annexes and modification. 2. For not evaluating computing systems programs of the insurance company in 2007 and 2008 and not confirming balances of items in available, loans with reinsurers. 3. For alleged non-compliance of the policy implemented by insurance company "Conozca a su cliente".
Claimant: Superintendencia del Sistema Financiero
Defendant: Davivienda Seguros Comerciales Bolívar, Sociedad Anónima
Value of claim: USD 21.000.
Current status: interposition of rectification recourse.
Amount of provision: USD 21.000.

Costa Rica

Type of proceeding: sentence execution. Superior contentious administrative tribunal of the second judicial circuit of San José.
Claimant: Administración Tributaria Grandes Contribuyentes.
Defendant: Banco Davivienda (Costa Rica) S. A.
Value of claim: US$32.155,04

Current status: matrix of active cases for 2016. In resolution 10/03/16, notified on 17/03/16 the bank is given audience by the state to give answer regarding cost liquidation. El 29/03/16 the bank opposes the liquidation of costs presented by the state; resolve by the contentious administrative tribunal is being awaited. No changes up to 31/12/2016.
Provision amount: US$32.155,04.

Proceeding type: ordinary labor from Yasser Succar Mora
Claimant: Yasser Succar Mora
Defendant. BANCO DAVIVIENDA (Costa Rica) S. A.
Value of claim: USD10.292, 87
Current status: in resolution dated 21/08/15, notified on 01/09/15 it is pointed out that due to the sentence standing, claimant is called upon to issue execution of the sentence. In resolution de 06/10/15, notified on 14/10/15 sentence execution presented by the claimant runs its course. El 22/10/15 the bank proceeded to answer the execution and offer proof.in resolution 02/11/15, notified 10/12/15 answer on the sentence execution is accepted on the banks behalf, and as opposed, the exception due to lack of payment rights. Davivienda's HR department is ordered to certify if the claimant met goals contemplated in the BSC On 07/01/2016 the department of human resources presents required certification by the courthouse. In Res/ of 18/07/16, notified 22/07/16 the HR department is again ordered to issue certification regarding Balance Score Card goals (BSC). On 28/10/16 required certification is presented. No changes up to 31/12/2016. .
Provision amount: USD10.292, 87

Proceeding type: administrative consumer protection.
Claimant: Ana Eliette Mora Castro y Eduardo Ernesto Mora Valverde.
Defendant: BANCO DAVIVIENDA (Costa Rica) S. A., Davivienda Sociedad Agencia de Seguros (Costa Rica) S. A. e INS.
Value of claim: no estimate.
Estado Actual: the claimants state that they are being affected by modifications of general terms of acquired insurance policies in virtue of a collateral credit with the bank. In res/ of 28/02/11 notified 10/03/11 both parties are invited to participate in a conciliation hearing held on 17/05/11. On said date the hearing took place without the subscribed parties reaching an agreement. On 08/07/13 a file expiry incident presented itself. via vote No. 070-15 de 02/02/15, notified on 04/03/15, the complaint was accepted regarding the lack of information on modifications within the document labeled "Condiciones Generales" ("General Conditions") of the policy linked to the claimants car, and as consequence a¢2.033.500,00 fine is imposed on the bank as well as the insurance agency individually. El 09/03/15 reversal appeal was filed. We are awaiting the resolve of the appeal. The time period for depositing the fined amount expired on 01/11/2016. El 01/11/16 via notes No. 721911 y No. 721912 the bank and insurance broker (before know as agency) fines are paid respectively, each of the fines for a total amount of ¢2.033.500,00; also, that

(Millions of Colombian pesos (COP))

same day, via fax proof of payment was sent to the commission; we await for the commission to order the case file. No changes up to 31/12/2016.
Provision amount: USD 7.645,60

### 11.24 Equity

Comprises all the concepts and values that represent the contributions or rights of shareholders for the subscribed capital, appropriate reserves of earnings of previous exercises by mandate of the assembly with the objective of complying legal, statutory dispositions or specific goals the surplus and dividends that have decreed in shares as their placement premiums.

**Share capital**

Up to December 31 2016 and December 31 2015, the bank's authorized capital raises to $77.350 and to $72.800 represented by 455.000.000 shares, with a nominal value of $170 and $160 respectively. (Pesos per share).

In the ordinary assembly of shareholders held on March 10 2016, it was approved to modify the banks statutes to raise the nominal value of stocks for $160 to $170 (pesos per share) and to raise authorized capital for $4.550

The share and paid capital from December 2016 and 2015 raises to: $76.784 y $ 71.074

The capital authorized, shared and paid, is represented in the following shares and other data of equity to the closing year:

| | December 31, 2016 | December 31, 2015 |
|---|---|---|
| Ordinary shares subscribed and paid | 343.676.929 | 343.676.929 |
| Preferential shares subscribed and paid | 107.993.484 | 100.537.305 |
| **Total share circulation** | 451.670.413 | 444.214.234 |
| Nominal value to the date | 170 | 160 |
| Equity value | 8.859.472 | 7.718.516 |
| Intrinsic value (in pesos) | 19.614,91 | 17.375,66 |

The banks shares are regulatory, in capital, and can be: a) ordinary b) privileged c) with preferential dividend with no voting rights; the latter cannot represent more than (50%) of the shared capital.

The shares with preferential dividends will give their owners the right to receive a minimum preferential dividend corresponding to cero point five percent (0,5%) six-monthly over the price of subscription for the first emission of the program, this amounts to (COP 80,65) that will be paid by decision of the assembly in a preferential manner corresponding to ordinary shares. Minimum preferential dividends are non-cumulative and not guaranteed.

The payment of minimum preferential dividends will be done within the time and way determined by the general assembly of shareholders, in Colombian Pesos, to date Davivienda´s accounting exercise is carried out annually.

In case that the distributable earnings are enough to pay both ordinary and preferential shareholders a dividend equal or superior to the minimum preferential dividend, earnings shall be distributed, in proportion, between ordinary and preferential shareholders in accordance to decisions made by the general assembly.

**Premiums in share placing:**

Values for share placing have been accounted by the largest amounts obtained over share nominal values and by capitalization of occasional reserves obtained in the distribution of previous earnings with increment of nominal value, determined by the general assembly of shareholders.

Presented bellow in detail, are the premiums in share placing that comprise equity:

| | December 31, 2016 | December 31, 2015 |
|---|---|---|
| Premiums in share placing: | | |
| By ordinary premium share placing | 2.902.187 | 3.009.047 |
| By preferential share placing | 1.774.617 | 1.124.620 |
| | 4.676.804 | 4.133.667 |

**Reserves**

By decision of the general assembly there have been appropriations of earnings obtained in annual exercises.

Presented in detail are the figures that make up the equity:

| | December 31, 2016 | December 31, 2015 |
|---|---|---|
| By appropriation of earnings | 1.246.895 | 1.041.015 |
| | 1.246.895 | 1.041.015 |
| Disposition of the board of directors | 12.631 | - |
| Disposition of general assembly | 490.481 | 437.881 |
| By fiscal dispositions | 16.897 | 16.085 |
| | 520.009 | 453.966 |

**Fulfilments of first time adoptions**

Below is the turnover for fulfillments of first time adoptions:

| | December 31, 2016 | December 31, 2015 |
|---|---|---|
| Opening balance | 306.662 | 321.942 |
| Fusion Leasing Bolívar | 11.162 | - |
| Valuation for use of fixed assets | (240.307) | (13.962) |
| Other | 1 | (1.318) |
| Final balance | 77.518 | 306.662 |

**Earnings per share**

Earnings per share up to December 31 2016 and 2015 amounted to $3.819 and $2.784, respectively calculated based on earnings per cut on each period divided by the weighted average of circulating shares.

**In the ordinary shareholders assembly held March 10 2016, the following decisions were approved:**

Distribution of income

The general shareholder assembly approved result distribution for the closing year 2015 for $1.214.263, like this:

a) Increase legal reserve for $ 324.020 (millions of pesos) of taxed and non-taxed earnings for the year

b) Payment of dividends in cash for $390.243 (millions of pesos), at a ratio of $864 pesos per share payable 50% by value of $432 per share on march 29 and 50% at a value of $432 on September 21, 2016.

c) Establish an irrevocable commitment to capitalize or increase the legal reserve by $475.000 (millions of pesos).

d) Increase Occasional Reserves for $ 25.000 (millions of pesos).

Other decisions:

a) Releasing up the non-taxable reserve at the assembly's disposition for payment of dividends in shares worth $424.570 (millions of pesos) at a ratio of $940 pesos per share on April 20 2016. In order to do this nominal value was incremented $10 pesos increasing it to $170 pesos per share; the difference of $930 pesos correspond to placing premiums in shares, for an increase in social capital of $4.517 (millions of pesos and emission premiums by $420.053 (millions of pesos).

b) Releasing $4.476 of the occasional reserve due to valuation of investments at market prices – Decree 2336/95, for increasing legal reserve.

c) Increase legal reserve by $70.214 (millions of pesos) of earnings from previous exercises of the period 2015.

**Asset management**

Bank 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 that the bank is currently exposed to. The bank has instituted as policy to maintain sufficient solvency levels that allow it to achieve its different activities with enough capital according to the assumed risks, watching over the sustainability of the entity in long term

To best serve the purpose stated above the bank abides by the rules established by Colombian normativity, inside which are defined the standards for calculating and limiting capital of loan awarding entities. According to articles 2.1.1.1.2 and 2.1.1.1.3 of decree 2555, modified by decree 1771 of 2012 and decree 1648 of 2014, the minimum level of total solvency is 9% and the reason of basic solvency must exceed 4,5% thus the bank is compliant with the minimum levels of technical equity as well as basic equity that are needed to establish total solvency and basic solvency respectively.

Technical equity corresponds to the addition of Ordinary Basic Patrimony (OBP), additional basic patrimony (ABP) and additional patrimony (AP), subtracting OBP deductions, in accordance to the stated in decree 2555 of 2010. On the other hand, percentages stated by the Colombian Financial super intendance are applied to weighted assets by risk level and market risk is also included in complains with said methodology.

Thus, the bank tends adequately to asset requirements both individual and consolidated under the guidelines of the Colombian superintendence presented below up to December 31 2015 and December 31 2016.

In millions of pesos

| Technical equity calculations | December 31, 2016 | December 31, 2015 | variation Dec 16 - Dec 15 |
|---|---|---|---|
| **Technical equity** | **9.355.871** | **8.691.647** | **664.224** |
| Ordinary basic equity | 5.491.984 | 5.139.929 | 352.055 |
| Deductions of basic ordinary equity | (845.283) | (606.461) | (238.822) |
| Additional equity | 3.863.887 | 3.551.718 | 312.169 |
| Value in market risk | 192.677 | 310.565 | (117.888) |
| Weighted assets per risk level | 82.720.435 | 70.863.772 | 11.856.664 |
| **Solvency Total ≥ 9%** | **11,02%** | **11,70%** | **-0,67%** |
| **Basic solvency ≥ 4.5%** | **6,47%** | **6,92%** | **-0,44%** |

Capital levels are monitored permanently with the aim of identifying possible changes in the current solvency relations and take corrective action opportunely. Likewise for strategic planning effects, in the budgetary and business projection processes, the bank relies on tools that allow it to measure future capital levels, and to establish required action that guarantees compliance of solvency levels necessary to develop set strategies.

(Millions of Colombian pesos (COP))

**11.25Minority interest**

It is constituted from net assets (equity) and from the result of subsidiaries, attributable to social rights of proprietors that are different from the ones in consolidated entities group.

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 |

December 31, 2015

| | Equity | % Minority interest | Minority interest |
|---|---|---|---|
| Fiduciaria Davivienda S.A. | 137.332 | 5,30% | 7.277 |
| Corredores Asociados S.A | 66.213 | 4,30% | 2.850 |
| Inversiones Financieras Davivienda S.A. | 625.164 | 3,88% | 24.245 |
| Banco Davivienda Salvadoreño S.A. | 942.658 | 1,76% | 16.585 |
| Banco Davivienda Honduras S.A. | 366.623 | 3,19% | 11.695 |
| Seguros Bolívar Honduras S.A. | 89.781 | 9,95% | 8.936 |
| Corporación Davivienda S.A. | 373.256 | 0,04% | 156 |
| Aseguradora Mixta S.A. | 35.975 | 49,00% | 17.628 |
| | | | 89.371 |

(Millions of Colombian pesos (COP))

## 12. Specific items of the consolidated income statements

### 12.1 Investments and valuation, net

Below in detail are investment revenues:

| | December 31, 2016 | December 31, 2015 |
|---|---|---|
| Debt instruments | | |
| Profit | 836.458 | 655.576 |
| Losses | 335.525 | 381.279 |
| Valuation of investments at a reasonable value | 500.933 | 274.297 |
| | | |
| Profit | 148.919 | 121.860 |
| Losses | 12.877 | 2.418 |
| Valuation of investments at amortized cost | 136.042 | 119.442 |
| | **636.975** | **393.739** |
| Equity instruments | | |
| Profit | 69.147 | 17.279 |
| Losses | 8.603 | 5.868 |
| Equity instruments valuation, net | **60.544** | **11.411** |
| | | |
| Profit | 80.151 | 68.212 |
| Losses | 25.264 | 41.735 |
| Investment sales, net | **54.887** | **26.477** |
| | 752.407 | 431.627 |

### 12.2 Commissions and services, net

Below in detail are commissions and services:

| | December 31, 2016 | December 31, 2015 |
|---|---|---|
| Revenue commissions and services | 1.300.362 | 1.164.374 |
| Expenses for commissions and services | 261.567 | 253.865 |
| | 1.038.794 | 910.509 |

Main concepts of these commissions originate from these operations: Transactional

### 12.3 Staff expenses

Below in detail are personal expenses:

| | December 31, 2016 | December 31, 2015 |
|---|---|---|
| Integral salary | 98.282 | 87.464 |
| wages | 446.588 | 377.266 |
| Wages and benefits | 544.870 | 464.730 |
| Incentives | 38.937 | 44.983 |
| Employee benefits | 697.936 | 600.694 |
| | 1.281.743 | 1.110.406 |

(Millions of Colombian pesos (COP))

### 12.4 Administrative and operative

Below in detail are and administrative and operative expenses

| | December 31, 2016 | December 31, 2015 |
|---|---|---|
| Maintenance and adaptations | 156.569 | 125.422 |
| Cleaning and security services | 57.130 | 53.190 |
| Advertising, propaganda and public relations | 121.086 | 97.798 |
| insurance | 68.731 | 67.664 |
| Contributions and other | 91.049 | 71.569 |
| renting | 117.061 | 112.454 |
| Electronic data processing | 54.836 | 60.526 |
| Schedule | 218.611 | 183.409 |
| Transport | 105.767 | 70.520 |
| taxes | 206.103 | 169.280 |
| Security deposit | 110.298 | 95.591 |
| Other | 244.674 | 232.629 |
| | 1.551.915 | 1.340.052 |

### 12.5 Other revenue and expenses, net

| | December 31, 2016 | December 31, 2015 |
|---|---|---|
| Other operational revenue | | |
| Operative risk recoveries | 12.663 | 15.673 |
| Property sales | 164.465 | 14.661 |
| Impairment losses reversal | 52.145 | 36.018 |
| Other revenue (*) | 188.231 | 26.000 |
| | 417.504 | 92.351 |
| Other operational expenses | | |
| Operative risk losses | 40.585 | 19.537 |
| Property sales | 14.893 | 14.240 |
| Impairment losses reversal | 108.337 | 51.791 |
| Other expenses | 21.505 | 14.960 |
| | 185.320 | 100.528 |
| | 232.184 | (8.177) |

The following are other revenue and expenses net:

(*) Includes $119.141 for shares received from Credibanco S.A. for converting to an anonymous society.

## 13. Related parties

The bank can perform operations, agreements or contracts with related parties understanding that any of said operations will be carried out with reasonable values, and withholding the following criteria:

- Market conditions and fees existing in the sector where the operation takes place
- The activity of involved parties.
- Growth perspective of each respective business.

The following are considered related parties:

**1. Group companies:**

Controller: 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, Almacenadora Davivienda El Salvador, Factoraje Davivienda El Salvador, Seguros Comerciales Bolívar El Salvador, Seguros Bolívar Seguros de Personas El Salvador, Valores Davivienda El Salvador.

Companies belonging to Grupo Empresarial Bolívar: Capitalizadora Bolívar, Compañía de Seguros Bolívar, Seguros Comerciales Bolívar, Investigaciones y Cobranzas el Libertador, Multinversiones Bolívar, Asistencia Bolívar, Riesgo e Inversiones Bolívar, Construcción y Desarrollo Bolívar, Inversora Bolívar, Ediciones Gamma, Promociones y Cobranzas Beta, Constructora Bolívar Bogotá, Constructora Bolívar Cali, CB inmobiliaria, CB Hoteles y Resorts, Prevención Técnica, Riesgo e Inversiones Bolívar Internacional, Delta Internacional Holding, Agencia de Seguros el Libertador, Sentido Empresarial, Sentido Empresarial Internacional, Grupo Empresarial Richnestt, Negocios e Inversiones Bolívar, Sociedades Bolívar, Inversora Anagrama, Inversiones Financieras Bolívar.

2. **Associated companies:** Redeban, Titularizadora, Sersaprosa, Serfinsa, ACH El Salvador, Zip Amarateca, Bancajero Banet.
3. **Core managing staff:** Board and Strategic Committee is composed of the President and Executive Vice-Presidents.
4. **Other:** shareholders between 5% and 10%: Inversiones Cusezar e Inversiones Meggido; ACH, Deceval, Finagro y Credibanco, companies where the bank has more than10% participation.

Bank managers and societies where managers have a direct or indirect participation, equal or superior to ten percent (10%) of circulating shares or from quotas as a part of social interest

The bank has company collaboration and office network agreements with Leasing Bolívar, Fiduciaria Davivienda y Corredores Davivienda; rental contracts of immovable properties with Promociones y Cobranzas Beta, Ediciones Gamma and Seguros Comerciales Bolívar; commercial agreements with Asistencia Bolívar; collection management contracts with Cobranzas Beta y Cobranzas Sigma; and editing and magazine commercialization agreements with Ediciones Gamma, portal support and administration contract with Davivienda empresarial Multilatina among Banco Davivienda el Salvador with Banco Davivienda Colombia, Banco Davivienda Costa Rica and Banco Davivienda Panamá.

There also exist agreements for collocation and collection of insurance policies with Compañías Seguros Bolívar, Seguros Comerciales Bolívar and Aseguradora Mixta with Banco Costa Rica.

Every single operation was carried out at market prices; capture rates are between 0.1% and 8,5% and placement rates are found between 0,01% and 32,92% including home loans to key personnel the agency with rates UVR and UVR+2%; agreed as employee benefits.

Up to closing date December 2016 no loans exist with interest rate, terms, warranties and other conditions different to those agreed with third parties to loans granted to the companies linked with the banks.

Up to closing date December 2016 there are no portfolio operations with shareholders whose participation is inferior to 10% of the bank's social capital, and that will represent more than 5% of technical equity.

The bank by regulatory disposition must make and maintain obligatory investments on titles emitted by the agricultural sector financing fund such as ADT – agricultural development titles for a value of de $841.314; for class A emitted at a rate of 2,06% nominal after the quarter has ended and for class B 4,02% nominal after the quarter has ended; which do not correspond to market rates.

(Millions of Colombian pesos (COP))

Likewise, the bank carried out carried out rediscount operations with Finagro, which are detailed below

| Rediscount operations | December 31, 2016 |
|---|---|
| Small warranty rediscount | 150.811 |
| Rediscount interest payable | 2.301 |
| Rediscount interest expenses | 8.680 |

These operations correspond to the agricultural sector portfolio at preferential rates.
Presented below are transactions with related parties:

| December 31, 2016 | Group's societies | | | | | | |
|---|---|---|---|---|---|---|---|
| | Controller | subsidiaries | Other | Associated companies | Key personnel (1) | Other | Total |
| **Asset (2)** | **5** | **271.606** | **125.520** | **2.281** | **5.973** | **17.937** | **423.322** |
| Cash | - | 267.971 | - | - | - | - | 267.971 |
| Investments | - | - | - | - | - | - | - |
| Credit portfolio 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 (3)** | **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 |
| Interbank | - | 5.393 | - | - | - | - | 5.393 |
| Accounts payable | - | 267 | 16.554 | 30.209 | 42 | 18.877 | 65.949 |
| Other | - | 417 | 74 | - | 453 | 4.052 | 4.996 |
| **Profit** | **10** | **50.679** | **139.361** | **116.343** | **445** | **233.105** | **539.944** |
| Commissions | 2 | 30 | 123.327 | 108.401 | 25 | 72.441 | 304.226 |
| Interests | 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) According to IAS 24 key management personnel is defined as people with the authority and responsibility to plan, direct and control entity activities directly or indirectly: members of the strategic committee and members of the bank's board of directors.

Includes all transactions with key management personnel, except for the employee benefits detailed ahead.

(2) Assets: the most significant operations with parts related in the assets include home loans with labor benefits, placement rate to UVR o UVR+2.0% approved by board of directors with term to 15 years

with admissible warranties and consumer credits at market rate maximum 32,92%.

Work capital loans, construction credit and corporative credits and credit cards for group societies with rates between 0.01% and 32,92%.

(3) Liabilities: the most significant transactions in liabilities were: with group society's current accounts with rates of 0% and 8,3%, savings accounts with interest rate between 0% and 8,5% and CDT´S with an interest rate oscillating between 0,5% and 7,3%. with other shareholders savings accounts with interest rates of 6% of shareholders with participation inferior to 10% and superior or equal to 5% of the bank's capital and current accounts with rates of 0% and savings accounts with interest rate of 7,5% of shareholders with participation superior to 10% of the bank's capital.

(Millions of Colombian pesos (COP))

**December 2015 - December de 2016**

| | | Group's societies | | | | | |
|---|---|---|---|---|---|---|---|
| | Controller | subsidiaries | Other | Group companies | Key personnel (1) | Other | Total |
| **profit** | **(6)** | **2.583** | **26.146** | **9.541** | **41** | **228.994** | **267.299** |
| Commissions | - | 20 | 18.122 | 15.123 | 19 | 72.441 | 105.725 |
| Interests | 1 | - | 5.687 | (9) | 42 | - | 5.721 |
| Other | (7) | 26.507 | 2.337 | (10.905) | (20) | 148.436 | 166.348 |
| **Expenses** | **1.699** | **12.155** | **10.494** | **14.445** | **551** | **68.860** | **108.203** |
| Commissions | - | (26) | - | 8.228 | - | 67.001 | 75.202 |
| Other | 1.699 | 12.181 | 10.494 | 6.217 | 551 | 1.859 | 33.001 |

| December 31, 2015 | | Group's societies | | | | | |
|---|---|---|---|---|---|---|---|
| | Controller | Subsidiaries | Other | Associated companies | Key personnel (1) | Other | Total |
| **Assets (2)** | **-** | **246.088** | **110.233** | **252** | **4.064** | **99** | **360.736** |
| Cash | - | 242.621 | - | - | - | - | 242.621 |
| Investments | - | - | 5.001 | - | - | - | 5.001 |
| Credit portfolio and financial leasing operations | - | 565 | 92.076 | 222 | 4.024 | - | 96.886 |
| Accounts receivable | - | 2.848 | 1.098 | 30 | 41 | - | 4.016 |
| Other assets | - | 55 | 12.058 | - | - | 99 | 12.212 |
| **Liabilities (3)** | **75.633** | **147.601** | **160.993** | **32.881** | **4.453** | **64.507** | **486.069** |
| Financial liabilities | 75.633 | 147.598 | 148.598 | 12.000 | 4.400 | 64.277 | 452.507 |
| Acceptances | - | - | - | - | - | - | - |
| Accounts payable | - | 3 | 12.378 | 20.881 | 53 | 230 | 33.545 |
| Other | - | - | 17 | - | - | - | 17 |
| **Profit** | **16** | **48.096** | **113.216** | **106.802** | **404** | **4.111** | **272.646** |
| Commissions | 2 | 10 | 105.205 | 93.278 | 7 | - | 198.501 |
| Interests | - | - | 5.458 | 21 | 371 | - | 5.850 |
| Dividends | **-** | **23.944** | **-** | **-** | **-** | 3.700 | 27.644 |
| Other | 14 | 24.142 | 2.553 | 13.504 | 27 | 410 | 40.650 |
| **Expenses** | **3.026** | **15.327** | **46.206** | **61.171** | **694** | **12.527** | **138.950** |
| Commissions | - | 1.311 | - | 54.194 | - | 4.881 | 60.386 |
| Other | 3.026 | 14.016 | 46.206 | 6.977 | 694 | 7.645 | 78.564 |

(1) According to IAS 24 key management personnel is defined as people with the authority and responsibility to plan, direct and control entity activities directly or indirectly: members of the strategic committee and members of the bank's board of directors.

(2) Assets: the most Significant operations with parts related in the assets include home loans with labor benefits, placement rate to UVR o UVR+2.0% approved by board of directors with term to 15 years with admissible warranties and consumer credits at market rate maximum 28.92%.

Work capital loans, construction credit and corporative credits and credit cards for group societies with rates between 0.01% and 28.92%.

(3) Liabilities: the most significant transactions in liabilities were: with group society's current accounts with rates of 0%, savings accounts with interest rate between 0.1% and 6.0% and CDT´S with an interest rate oscillating between 4.2% and 5.8%. with other shareholders savings accounts with interest rates of 4.7% of shareholders with participation inferior to 10% and superior or equal to 5% of the bank's capital and current accounts with rates of

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0.0% and savings accounts with interest rate of 5.3% of shareholders with participation equal or superior to 10% of the bank's capital.

| | December 31, 2016 | | December 31, 2015 | |
|---|---|---|---|---|
| | maximum balance | Final balance | maximum balance | Closing balance |
| Mortgage loans and other guaranteed loans | 797 | 3.373 | 852 | 3.292 |
| Credit card | 29 | 198 | 26 | 248 |
| Other loans | 1.518 | 2.315 | 171 | 484 |
| | 2.344 | 5.886 | 1.050 | 4.024 |

Key management personnel compensations:

Remuneration of key management personnel is comprised of:

| | December 31, 2016 | December 31, 2015 |
|---|---|---|
| Concepts | | |
| Salaries | 4.304 | 4.301 |
| Short term benefits | 1.176 | 1.550 |
| | 5.480 | 5.851 |

On 2016 outlays to directors that have authority and responsibility to plan, direct and control the entity's activities rise to $5.5 thousand million pesos.

There were no decisions of importance taken or not taken by Banco Davivienda by influence or on behalf of Grupo Bolívar S.A., nor decisions of importance taken or not taken by Grupo Bolívar S.A. on behalf of Davivienda.

## 14. Subsequent events

Capitalization Panamá International

The board of directors approved capitalizing its affiliate Banco Davivienda Internacional (Panamá) S.A. in US$ 21 million. In turn, approved that said affiliate capitalizes Grupo del Istmo Costa Rica, subject to regulatory authorities

Debt emission

On January 18, 2017 the issuance in Costa Rica of Diversified Payment Rights - DPR in the amount of USD $150 million with quarterly amortization in two issues, the first for US $62 million at a fixed rate of 6% per annum with maturity on December 15, 2021 and the second for US $88 million at a Libor variable rate three months + spread of 3.2 the structurer is BNP Paribas

## 15. Consolidated financial statements approval

Consolidated financial statements and attached notes were approved by the board of director and legal representative, in compliance of Act No. 933, dated February 7, 2017, to be presented at the general shareholder assembly for approval, which can approve or modify them.