NOTE 1 - REPORTING ENTITY

Banco de Bogotá S.A. (parent company) is a private entity domiciled in the city of Bogotá D.C. at street 36 No. 7-47. It was incorporated through Public Deed No. 1923, dated November 15, 1870 granted before the Second Notary Public in Bogotá D.C. The Financial Superintendence of Colombia renewed the Bank's operating license indefinitely, as per Resolution 3140, September 24, 1993. The duration of the institution, according to its bylaws, is until June 30, 2070; however, that term may be reduced due to dissolution or extended prior to that date. The corporate pourposes of the Bank is to perform all transactions operations and services inherent to the banking business pursuant to applicable laws and regulations in Colombia.

As of December 31, 2017 the Bank and its subsidiaries were operating with thirty six thousand three hundred twenty (36,320) employees with labor contract, seven hundred ninety one (791) working under apprenticeship or training agreements, and three thousand three hundred forty five (3,345) temporary employees. In addition, the Group has six thousand two hundred fifty-four (6,254) staff members contracted through outsourcing with specialized companies. It also has one thousand five hundred forty nine (1,549) offices, sixteen thousand one hundred five (16,105) correspondent banks, three thousand seven hundred thirty three (3,733) ATMs, this is in addition to its two agencies in the United States of America: one in Miami and another in New York, which are licensed to carry out banking activities abroad, and a bank branch in Panama City, which has a general license for banking on the local market.

These consolidated financial statements include the financial statements of the Bank and the following subsidiaries (hereinafter the Group):

Name of Subsidiary	Main Activity	Place of Business	Total % voting rights of group (1)	Total % indirect rights of group (1)
National Subsidiaries				
Fiduciaria Bogotá S.A.	Entering into mercantile trust agreements and fiduciary mandates without transferring ownership, as provided for by law. Its main corporate purpose is to acquire, transfer, encumber and manage movable assets and real estate, and to invest in all kinds of credit operations as a debtor or creditor.	Bogotá, Colombia	94,99%	
Almaviva S.A. (2) and subsidiary	Almaviva is a customs agent and a comprehensive logistics operator. Its main corporate purpose is the deposit, storage and custody, management and distribution, purchase and sale of domestic and foreign merchandise and products, at the customer's expense. It also issues certificates of deposit and warehouse liens.	Bogotá, Colombia	94,92%	0,88%
Megalínea S.A.	It is a technical and administrative services company whose corporate purpose is management and pre-legal collection, legal collection and out-of-court collection on loans.	Bogotá, Colombia	94,90%	
Porvenir S.A. (3) and subsidiary	Porvenir is a pension and severance fund manager. Its corporate purpose is the administration and management of pension and severance funds authorized by law. According to respective legal provisions, these constitute private equity separate from the equity of the fund manager.	Bogotá, Colombia	36,51%	10,40%

(Continued)

Foreign Subsidiaries				
Leasing Bogotá Panamá S.A. and subsidiaries	corporate purpose consists of interests in other entities in the financial sector and involvement in investment activities. Through its subsidiaries, the company provides a wide variety of financial services to individuals and institutions, mainly in Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama.	Panama City, Republic of Panama	100,00%	
Banco de Bogotá Panamá S.A.	With an international license for conducting banking business abroad, operates in the Republic of Panama and consolidates another subsidiary, Banco de Bogotá (Nassau) Limited.	Panama, City, Republic of Panama	100,00%	
Bogotá Finance Corporation.	This is a financial corporation and its corporate purpose is the issue of securities at floating rates guaranteed by the parent company. Over the past few years, the company has maintained an investment as its sole income-earning activity.	Cayman Islands	100,00%	
Corporación Financiera Centroamericana S.A. (Ficentro) (4)	This financial Institution is authorized to place, but not to receive funds from the public. It is supervised by Panama's Ministry of Finance and is in the business of collecting on loans and managing assets received for sale.	Panama City, Republic of Panama	49,78%	

(1) The Bank's direct and indirect interest in each of its subsidiaries has not varied over the past year.
(2) Indirect interest through Banco de Bogotá Panamá S.A.
(3) Indirect interest through Fiduciaria Bogotá.
(4) The Bank has representation on the management board, which is why this entity is consolidated.

The Group is controlled by Grupo Aval Acciones y Valores S.A., which has a total interest of 68.74%.

At the General Shareholders Meeting of the Bank dated September 13, 2016, by minute No. 67, the reform of article 17 of the bylaws was approved, modifying the periodicity with which the General Shareholders Meeting will ordinarily meet upon passing from twice in the calendar year to once a year, for which accounting closures are annual as of January 1, 2017.

(Continued)

NOTE 2 - BASIS FOR PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Compliance Statement

The consolidated financial statements of the Group, have been attached hereto were prepared in accordance with financial reporting standards accepted in Colombia (NCIF).

These include the International Financial Reporting Standards (IFRS) in force as of December 31, 2014, as compiled pursuant to the Regulating Technical Framework of Decree 2496/2015 modified by Decree 2131/2016 issued by the Colombian government. Except in relation to the accounting treatment of: i) recognition of the difference between measurement of the Loan portfolio allowance, according to Chapter II in the Basic Accounting and Financial Circular issued by the Financial Superintendence of Colombia, and the measurement of Loan portfolio impairment, according to IFRS, in the individual or separate financial statements under other comprehensive income in equity, without affecting income for the accounting period; ii) the option of recognition of wealth tax annually and charged to equity reserves or statement of income as provided for in Law 1739 / December 2014; iii) the exception included in Decree 2496/2015 for measuring the actuarial calculation of retirement pensions, measures as established in Decree 2783/ 2001.

For legal effects in Colombia, the Separate Financial Statements are the main financial statements.

2.2 Basis for presentation of the Consolidated Financial Statements

a. Presentation of Consolidated Financial Statements

The accompanying consolidated financial statements are presented in light of the following aspects:

Consolidated Statement of Financial Position

The statement of financial position shows the asset and liabilities, ordered by their liquidity, since this type of presentation provides more relevant and reliable information. Therefore, the amount expected to be recovered or paid within twelve months, and after twelve months, is included in each of the notes on financial assets and liabilities.

Statement of Income for the Period and Other Comprehensive Income

These two statements are presented separately (Statement of income for the period and other comprehensive income). Likewise, the statement of income for the period is presented based on the nature of expenses, which is the model most commonly used by financial institutions, as it provides more appropriate and relevant information.

Cash Flow Statement

The cash flow statement is presented using the indirect method. In this case, the net cash flow from operational activities is determined by reconciling net income, for the effects of items that do not generate cash flow, net changes in assets and liabilities deriving from operational activities, and any other items with monetary effects regarded as cash flows from investment or financing. Interest income and expenses received and paid form part of operational activities.

The following items are taken into consideration when preparing the cash flow statement:

(Continued)

- Operating activities: These are the activities that constitute the Bank's main source of income.
- Investment activities: These concern the acquisition, sale or disposal by any other means of long-term assets and other investments that are not included in cash and cash equivalents.
- Financing activities: These are activities producing changes in the size and composition of net equity and liabilities that are not part of operating activities or investment activities.

b. Consolidation of financial statements

Entities over which it has control

The Group is required to prepare consolidated financial statements with entities over which it has control. The Group has control over another entity if it meets all of the following conditions:

- Power over an investee through existing rights that give it the current ability to direct the activities that significantly affect the investee´s returns
- Exposure or rights to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect the amount of the investor´s returns.

The Group consolidates the assets, liabilities and income of those entities under control previously aligning the accounting policies in all the subsidiaries. In this process, any intragroup transactions and unrealized gains between them are eliminated. Non-controlling interest is presented in the consolidated statement of financial position of the Group separate from that attributable to equity holders of the Group.

Non-controlling interests in the net assets of the subsidiaries consolidated by the Group are presented separately under equity, in the consolidated statement of financial position and in the consolidated statement of comprehensive income.

The accompanying financial statements include the assets, liabilities, equity and income of the parent company and the companies it controls. The following is the detail of ownership interest in each of them at December 31, 2017 and 2016 homologated to the accounting policies of consolidation.

	December 31, 2017				
	% Ownership interest	Assets	Liabilities	Equity	Net income for the period
Banco de Bogotá (Parent)		$ 83,858,897	66,711,949	17,146,948	2,091,952
Almacenes Generales de Depósito Almaviva S.A. and subsidiary	95.80%	118,739	41,007	77,732	14,124
Fiduciaria Bogotá S.A.	94.99%	394,071	84,353	309,718	62,510
Sociedad Administradora de Pensiones and Cesantías Porvenir S.A. and subsidiary	46.39%	2,790,468	972,058	1,818,410	429,218
Banco de Bogotá Panamá S.A.	100.00%	7,959,266	7,661,311	297,955	39,846
Bogotá Finance Corporation	100.00%	259	0	259	2
Leasing Bogotá S.A. - Panamá and subsidiaries	100.00%	70,153,580	58,804,287	11,349,293	1,100,736
Corporación Financiera Centroamericana S.A Ficentro	49.78%	0	1	(1)	0
Megalinea S.A.	94.90%	23,138	18,943	4,195	146
		$ 165,298,418	134,293,909	31,004,509	3,738,534
Eliminations		(15,893,293)	(3,099,005)	(12,794,288)	(1,674,404)
Consolidated		**$** 149,405,125	131,194,904	18,210,221	2,064,130

(Continued)

		December 31, 2016			
	% Ownership interest	Assets	Liabilities	Equity	Net income for the period
Banco de Bogotá (Parent)		$ 80,454,443	64,100,307	16,354,136	4,275,332
Almacenes Generales de Depósito Almaviva S.A. and subsidiary	95.80%	120,237	45,161	75,076	16,248
Fiduciaria Bogotá S.A.	94.99%	404,523	120,884	283,639	73,199
Sociedad Administradora de Pensiones and Cesantías Porvenir S.A. and subsidiary	46.39%	2,375,330	851,888	1,523,442	381,686
Banco de Bogotá Panamá S.A.	100.00%	8,019,451	7,760,312	259,139	55,706
Bogotá Finance Corporation	100.00%	258	0	258	2
Leasing Bogotá S.A. - Panamá and subsidiaries	100.00%	64,978,456	54,550,215	10,428,240	949,253
Corporación Financiera Centroamericana S.A Ficentro	49.78%	0	1	(1)	0
Megalinea S.A.	94.90%	19,149	15,097	4,051	811
Casa de Bolsa S.A.	22.80%	0	0	0	2,804
		156,371,847	127,443,865	28,927,980	5,755,041
Eliminations		(14,880,416)	(3,263,100)	(11,617,314)	(1,445,651)
Consolidated		**$** 141,491,431	124,180,765	17,310,666	4,309,390

Standardizing Accounting Policies

The Group standardizes in order to apply uniform accounting policies to transactions and other events that, being similar, have taken place under similar circumstances.

The following standardizations were done to prepare the consolidated financial statements of foreign subsidiaries:

Leasing Bogotá Panamá S.A.

	December 31, 2017			
	Assets	Liabilities	Equity	Income for the period
Balances based on IFRS, reported by the subsidiary	$ 70,082,999	58,827,563	11,255,435	1,053,892
Standardizations adjustments:				
Purchase accounting reversal based on standards applied by the subsidiaries (Purchase Price Allocation)	443,045	(24,383)	467,428	36,995
Other standardization adjustments (1)	(372,464)	1,107	(373,571)	9,849
Balances based on the technical regulatory framework applicable to the Bank for the preparation of consolidated financial statements	**$ 70,153,580**	**58,804,287**	**11,349,292**	**1,100,736**

	December 31, 2016			
	Assets	Liabilities	Equity	Income for the period
Balances based on IFRS, reported by the subsidiary	$ 64,936,798	54,567,556	10,369,242	1,007,339
Standardizations adjustments:				
Purchase accounting reversal based on standards applied by the subsidiaries (Purchase Price Allocation)	418,135	(15,646)	433,781	7,648
Other standardization adjustments (1)	(376,477)	(1,695)	(374,783)	(65,734)
Balances based on the technical regulatory framework applicable to the Bank for the preparation of consolidated financial statements	**$ 64,978,456**	**54,550,215**	**10,428,240**	**949,253**

(1) Pertains to adjustments for goodwill, investments and Loan portfolio allowances.

(Continued)

Banco de Bogotá S.A. Panamá

		December 31, 2017			
		Assets	Liabilities	Equity	Income for the period
Balances based on IFRS, reported by the subsidiary	$	7,955,549	7,661,311	294,238	41,699
Standardization adjustments (1)		3,717	0	3,717	(1,853)
Balances based on the regulatory technical framework applicable to the Bank for the preparation of consolidated financial statements	**$**	**7,959,266**	**7,661,311**	**297,955**	**39,846**

		December 31, 2016			
		Assets	Liabilities	Equity	Income for the period
Balances based on IFRS, reported by the subsidiary	$	8,017,055	7,760,312	256,743	40,727
Standardization adjustments (1)		2,396	0	2,396	14,979
Balances based on the regulatory technical framework applicable to the Bank for the preparation of consolidated financial statements	**$**	**8,019,451**	**7,760,312**	**259,139**	**55,706**

(1) Pertains to adjustments for investments and Loan portfolio allowances.

c. Investments in Associates and Joint Arrangements

Investments in Associates

An associate is an entity over which the Group has significant influence; namely, one where it has the power for intervening decisions on financial and operational policy, without having control or joint control. Significant influence is assumed to be exercised in another entity if the Group directly or indirectly has 20% or more of the voting power of the investee, unless it can be clearly evidenced that such influence does not exist.

Joint Arrangements

A Joint Arrangements is one whereby two or more parties maintain joint control of the agreement; namely, only when decisions on relevant activities require unanimous consent of the parties sharing control. Joint arrangement is divided into:

- Joint operation, wherein the parties with joint control of the agreement are entitled to the assets and liabilities related to the agreement,
- Joint Arrangements, wherein the parties with control of the agreement are entitled to the net assets and liabilities of the agreement.

Measurement

- Investments in Associates and Joint Arrangements are measured by the equity method, which involves recording investments initially at cost. Later, they are adjusted based on changes subsequent to the investor's acquisition of net assets of the investee. Accordingly, the Group´s ownership interest in a subsidiary's earnings for the period is recognized under earnings for the period. Its ownership interest in a subsidiary´s other comprehensive income of the subsidiary is recognized under other comprehensive income (OCI) or in another appropriate account under equity, as applicable, pursuant to the application of uniform accounting policies for transactions and other events which, being similar, might have occurred under comparable circumstances.

(Continued)

- The joint operation is included in the Group's separate financial statements based on the proportional and contractual share of each of the assets, liabilities, income and expenses under the terms of the arrangements.

2.3 Loss of Control

Loss of control is a significant economic event in which the parent-subsidiary relationship ceases to exist and gives way to an investor-investee relationship that is very different from the previous one. In accordance with the above, the following is the accounting treatment of the loss of control:

• The assets, liabilities, non-controlling interests and any other capital component of the former subsidiary are derecognized.

• The investment maintained is measured at fair value on the date when control is lost and classified in the corresponding category in accordance with the applicable IFRS. The gain or loss arising from the operation is recognized in the result of the period.

• The reclassification of the items of other comprehensive income, related to the former subsidiary, to income of the period or to accumulated profits according to the applicable IFRS, on the same basis that would have been required if the related assets or liabilities had been disposed.

2.4 Reporting and functional currency

The items included in the financial statements of each Group entity are determined using the currency of the main economic environment in which each entity operates (the functional currency).

The functional currency of these consolidated financial statements is the Colombian peso. Therefore, all balances and transactions denominated in currencies other than the Colombian peso are considered as foreign currency.

2.5 Foreign Currency Transactions

In each Group entity, the transactions in foreign currency are translated into the functional currency at the exchange rate prevailing on the transaction date. Monetary assets and liabilities in foreign currency are translated into the functional currency, using the close exchange of statement of financial position. Non-monetary assets and liabilities denominated in foreign currency that are measured at historical cost are translated at the exchange rate on the date of the transaction, non-monetary assets and liabilities that are denominated in foreign currencies and valued at fair value are translated using the exchange rate from on the date the fair value was determined. Exchange differences are recognized in profit or loss, except for those gains or losses on net investment hedge in a foreign operation, which are recognized in Other Comprehensive Income (OCI).

In the consolidated financial statements, the results and the financial position of all the entities of the Group that have a functional currency different from the Colombian peso, are converted to the presentation currency as follows: the assets and liabilities of operations abroad, including goodwill and fair value adjustments arising from the acquisition of a foreign entity, are converted into pesos at the closing exchange rate on the date of the corresponding statement of financial position; and the income and expenses of operations abroad are translated into pesos at the average exchange rates for the period unless they do not approximate the exchange rates in effect at the dates of the transactions, in which case the income and expenses are convert to the current exchange rates on the dates of the transactions.

As of December 31, 2017 and 2016, the rates were $ 2,984 and $ 3,000.71 respectively.

2.6 Cash and cash equivalents

Cash and cash equivalents include cash, bank deposits and other short-term investments with original maturities of three months or less from the date of their acquisition that are subject to an insignificant risk of changes in their fair value and are used by the Group in the management of its short-term commitments.

If a financial investment is to be classified as a cash equivalent, it must be held to fulfill short-term payment commitments, more than for investment purpose or the like. It also must be readily convertible to a specific amount of cash, and be subject to an insignificant risk of changes in value.

2.7 Financial assets

a. Initial Measurement

Financial assets are recognized initially at fair value, and the transaction costs are recorded as an expense when incurred.

Financial assets classified at amortized cost are recorded at their transaction value when acquired or granted, in the case of investments, or at their face value in the case of loans. Unless there is evidence to the contrary, these amounts coincide with their fair value, plus the transaction costs directly attributable to their acquisition or granting, less commissions received.

b. Subsequent Measurement

Upon initial recognition of all financial assets classified and measured at fair value, net gains and losses resulting from changes in fair value are presented in the statement of income or in the OCI account for equity instruments irrevocably designated at “fair value with changes in other comprehensive income (OCI).

Dividend income from financial assets in the form of equity instruments of companies wherein the Group directly or indirectly holds 20% or less of the voting power of the investee is recognized under statement of income when the right to receive payment of dividends is established, regardless of the decision for recording changes in fair value under statement of income or OCI.

In turn, financial assets classified at amortized cost after their initial registration, less any payments or credits received from debtors, are adjusted and credited to income, according to the effective interest method.

The effective interest method is a procedure used to calculate the amortized cost of an asset and to allocate interest income or cost during the relevant period. The effective interest rate is that which is exactly equal to the future cash payments or receipts estimated for the expected life of the financial instrument or, when appropriate, for a shorter period, with the net value of the asset at initial recognition.

To calculate the effective interest rate, the Group estimates the cash flows of the financial asset, considering the contractual terms of the financial instrument, except for future credit losses and considering the initial fair value plus transaction costs and premiums granted, less received fees and discounts that are an integral part of the effective rate.

(Continued)

c. Estimating Fair Value

Fair Value is the price that would be received for the sale of an asset or paid to transfer a liability in a transaction ordered among market participants on the measurement date.

Based on the foregoing, fair value of financial assets is measured as follows:

- For highly liquid assets, the last traded price on the closing date of the financial statements is used when the last traded price falls within the price differential of supply and demand. In cases where the last traded price is not within the price differential of supply and demand, management determines the point within that difference namely most representative of fair value.

- The fair value appraisal of financial assets not listed on an active market is determined through the use of valuation techniques. The Group employs a variety of valuation methods and assumptions based on market conditions existing on each reporting date. These techniques include the use of recent comparable transactions on equal terms, references to other substantially equal instruments, discounted cash flow analysis, options price models and other valuation techniques commonly employed by market participants, with maximum use of market data.

d. Impairment

At the end of each period, the Group analyzes whether there is objective evidence of impairment in a financial asset or a group of financial assets measured at amortized cost. Impairment indicators include significant financial difficulties of the debtor, the likelihood the debtor will enter bankruptcy or financial restructuring, and default on payments. The amount of impairment is determined follows.

The Group individually evaluates the financial assets it regards as significant, including investments and the Loan portfolio, analyzing the profile of each debtor, the collateral provided and the information received from credit bureaus. Financial assets are deemed impaired when it is unlikely the Group will recover interest and commissions agreed in the original contract. This assessment is based on current information and past events. When a financial asset has been identified as impaired, the amount of the loss is measured as the difference between the book value and the present value of future expected cash flows, in accordance with the conditions of the debtor, discounted at the original contractual rate agreed on or the present value of the collateral covering the credit, less estimated sale costs when the collateral is determined as the fundamental source of collection of the loan.

Individually significant loans are defined, for purpose of determining the loss due to loan impairment, as customers with balances equal to or above $2,000 at the consolidated level of all the entities in the Group and for all the aspects of credit risk to which the customer is exposed. For loans that are not considered significant individually, or for the portfolio of individually significant loans that were not considered impaired in the individual analysis described above, the Group shall assess impairment collectively, by grouping the portfolios of financial assets with similar characteristics into segments. This is done using statistical techniques based on an analysis of historical losses for determining an estimated percentage of losses that has been incurred of these assets as of the balance sheet date, but have not been identified individually.

(Continued)

As instructed by the Financial Superintendence of Colombia, the difference between the allowance constituted in the separate financial statements of each entity, calculated according to the standards issued by such authority, and the impairment allowance established as indicated above are recorded with counter-entry in the “other comprehensive income” account in equity and not in the statement of income.

e. Derecognition of Financial Assets in the Statement of Financial Position Due to Transfers

Financial assets are derecognized in the statement of financial position when their contractual rights to cash flows have expired or because the risks and benefits implicit in the asset are transferred to third parties and the transfer meets the requirements for derecognition. In this last case, the financial asset transferred is derecognized in the consolidated statement of financial position and any right or obligation retained or created as a result of the transfer is recognized simultaneously.

It is deemed that the Group substantially transfers risks and benefits when the transferred risks and benefits represent the majority of risks and benefits of assets transferred. If the risks and/or benefits associated with the transferred financial asset are substantially retained:

- The financial asset transferred is not derecognized in the consolidated statement of financial position and will continue to be valued using the same criteria applied prior to the transfer.
- An associated financial liability is recorded in an amount equal to the consideration received, and subsequently valued at its amortized cost.
- Both the revenue associated with the transferred financial asset (that has not been derecognized) and the expenses associated with the new financial liability will continue to be recorded.

f. Offsetting Financial Instruments in the Statement of Financial Position

Financial assets and liabilities are offset and their net amount is recognized in the statement of financial position when there is the legal right to offset the recognized amounts and management intends to settle them on a net basis to realize the asset and settle the liability simultaneously.

2.7.1 Financial Assets from Investment

- **Debt Securities:**

The Group classifies its financial assets into two groups based on the business model used to manage such assets and on the characteristics of the contractual cash flows of financial assets:

- At fair value, through profit or loss, or
- At amortized cost

- **Equity securities of entities where the Group has no control or significant influence**

Financial assets in equity instruments are recorded by the Group "at fair value through profit or loss adjustment", except in the case of those for which in their initial recognition it was decided irrevocably, that subsequent changes in the fair value of an investment “not-held-for-trading” would be presented under “other comprehensive income” (OCI)

2.7.2 Derivatives and hedge accounting

A derivative is a financial instrument whose value changes in response to changes in one or more variables denominated as “underlying” (a specific interest rate, the price of a financial instrument or a listed raw material, a foreign currency exchange rate, etc.) that does not require an initial net investment (or a smaller investment could be required for certain types of contracts in connection with the underlying asset) and is settled at a future date.

In the normal course of its operations the Group trades on financial markets with financial instruments designated “for trading”, such as forward contracts, futures contracts, swaps, options or spot transactions and for hedging purposes these contracts fulfill the definition of a derivative.

Derivative transactions are recognized at fair value at the initial recognition. Subsequent adjustements to the fair value are recognized directly in the income statement unless the derivative instrument is designated as a hedging instrument and the accounting effects will depend on the nature of the hedged item and the type of hedging relationship, as indicated below:

- The Group designates hedging derivatives of a net investment in foreign currency, making the following accounting: the part of the gain or loss of the hedging instrument that is determined to be an effective hedge is recognized in other comprehensive income and the ineffective part is recognizes in the result of the period. Gains or losses on the hedging instrument accumulated in equity will be reclassified to the statement of income at the time of the total or partial disposal of the business abroad.

- For fair value hedge of assets or liabilities and firm commitments, changes in the fair value of the derivative instrument are recognized in profit or loss, as well as any other change in the fair value of the asset, liability or firm commitment attributable to the hedge risk.

- For cash flow hedge of a particular risk associated with a recognized asset or liability or a projected highly probable transaction, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income (OCI). The gain or loss relating to the portion that is not effective for hedging or that does not relate to the hedged risk is immediately recognized in profit or loss.

The values accumulated in other comprehensive income (OCI) are transferred to profit or loss in the same period in which the hedged item is carried to profit or loss.

At the beginning of the hedging transaction, the Group documents the relationship between the hedge instrument and the hedged item, as well as the risk-management objective and the strategy behind the hedging. The Group also documents, at the beginning of the transaction and on a recurring basis, its evaluation of the effectiveness of the hedge relationship when compensating the changes in the fair value or in the cash flows of the hedged items.

Financial assets and liabilities from transactions with derivatives are not offset in the consolidated statement of financial position; however, when there is a legal and exercisable right to offset the recognized values and intended to be settled on a net basis or to realize the assets and settle the liability simultaneously, are presented as net values in the consolidated statement of financial position.

(Continued)

2.7.3 Loan portfolio

Considering the Group's main objective in this respect is to placement and collection of Loan portfolio pursuant to their contractual terms, the Loan portfolio is classified as "at amortized cost". The Loan portfolio complies with the contractual conditions that generate, on specific dates, cash flows that are solely payments of principal and interest on the outstanding balance. Loans are listed at the value of their outstanding principal, less unearned interest and commissions (if applicable) and impairment losses, except in the case of loans for which the fair value option has been selected. Unearned interest and commissions are recognized as income during the life of the loan, using the effective interest method.

The Group measures the following types of loans using the straight line method of amortization.

Type of Loan	Repayment Period
Credit Card	• Permanence in the Bank • Average period of the installments during which use is deferred. • Considering the term of the card is never exceeded. The cost begins to be amortized once the credit card is active, regardless of whether or not it is used.
Revolving Credit	During the enforceability of the allocation
Overdrafts	During the enforceability of the allocation
Loans in UVR, with granting costs in Colombian pesos	During the term of the loan
Loans in foreign currency, with granting costs in Colombian pesos	During the term of the loan

The cost of granting loans is not calculated for lines of credit with maturity of six months or less.

The Loan portfolio is classified into four (4) categories:

Commercial	Consumer	Home Mortgages	Microcredit
Loans granted to natural or legal persons for developing organized economic activities, other than the loans granted in the microcredit category.	Loans of any amount granted to natural persons for financing the acquisition of consumer goods or payment of services for non-commercial or business purposes, as opposed to those granted under the microcredit category.	These loans, regardless of their amount, are granted to individuals for the purchase of a new or existing home, or for the construction of an individual home. According to Law 546 / 1999, home loans are denominated in constant value units (UVR) or Colombian pesos, and are backed by a first mortgage on the property being financed. A mortgage may be for as much as seventy-percent (70%) of the value of the property, as determined by the purchase price or by a professional appraisal done within six (6) months before the loan is granted. Loans to finance low-income housing may be for as much as eighty percent (80%) of the value of the property. The repayment period ranges from a minimum of five (5) years to a maximum of twenty (20) years.	These are the loans referred to under Article 39 of Law 590 / 2000, or in the regulations that amend, replace or add the same, as well as those granted to small businesses wherein the main source of repayment comes from the income deriving from their commercial activities. A micro-business is understood as an economic exploitation unit operated by a natural or legal person regarding entrepreneurial, agricultural and livestock, industrial, commercial or services, whether rural or urban. The staff may not exceed ten (10) workers and total assets must be less than five hundred (500) times the legal minimum monthly wage in effect at the time. The debtor's indebtedness balance cannot exceed one hundred and twenty (120) times the legal minimum monthly wage in force when the respective active operation is approved.

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2.7.3.1 Write-offs and Accounts Receivable

A credit or receivable account may be written-off and charged to impairment in the Loan portfolio or accounts receivable, as appropriate, when all possible means of collection have been exhausted and the loan is considered unrecoverable. The Board of Directors sets periodic dates for authorizing write-offs.

Once a financial asset or a group of similar financial assets has been provisioned as a result of an impairment loss, interest income continues being recognized, using the same original contractual interest rate over the credit book value after having registered the allowances.

Financial assets are removed from the balance sheet when they are considered unrecoverable, charged to impairment allowances. Recoveries of previously written-off financial assets are recorded as income from recovery.

2.7.3.2 Restructured Financial Assets with Collection Issues

Restructured financial assets with collection issues are those for which the Group grants a concession to the debtor that would not have been considered in any other situation. These concessions generally involve interest-rate reductions, an extension of payment deadlines or reductions in the balance due. Restructured financial assets are recorded at the present value of expected future cash flows, discounted at the original rate of the asset prior to restructuring.

2.8 Non-current Assets Held for Sale

Assets the Group intends to sell in a period of less than one year, and it is considered highly probable that they will be recovered primarily through sale rather than through continuing use, are recognized as "non-current assets held for sale". These assets are measured at the lower of their carrying value at the time of transfer and fair value, less estimated costs of disposal; the difference between both is recognized in income.

The Group does not depreciate (or amortize) non-current assets as long as they are classified as held for sale or as long as they are part of a group of assets for disposal that are classified as held for sale.

Impairment losses due to initial or subsequent reductions in the value of the asset (or the group of assets for disposal) up to the fair value less sale costs are recognized in the income statement.

2.9 Property, Plant and Equipment for Own-Use

Property, plant and equipment includes own assets or those leased by the Group for current or future use provision of services or for administrative purposes that are expected to be used for more than one period.

Property, plant and equipment are measured in the statement of financial position at their acquisition or construction cost. The Group chose as an accounting policy the cost model for the subsequent measurement of assets classified as property, plant and equipment, which includes their cost less their accumulated depreciation and any accumulated impairment losses.

Depreciation in property, plant and equipment is calculated by applying the straight-line over the acquisition cost of the assets, less the residual value thereof, during the estimated useful life of the asset. It is

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understood that the lands on which buildings and other constructions are built have an undetermined useful life; therefore, it is not subject to depreciation.

Depreciation is charged to income and calculated according to useful life:

Category	Useful life
Buildings:	
Foundations - structure and cover	50 to 70 years
Walls and divisions	20 to 30 years
Finishing	10 to 20 years
Machinery and equipment	10 to 25 Years
Computers – Infrastructure IT:	
PC / Laptops / Mobile Devices	3 to 7 years
Servers	3 to 5 years
Communications equipment	5 to 8 years
Specific amplifying equipment	5 to 7 years
ATMs	5 to 10 years
Medium and high-capacity equipment: Power Plant > 40 KW / UPS > 30 kVA / Air Conditioning > 15 T.R.	10 to 12 years
Electrical generator/UPS/Air conditioning in headquarters	5 to 10 years
Office equipment, furniture and fixtures	3 to 10 years
Vehicles	5 to 10 years

a. Derecognition

The book value of an item classified as property, plant and equipment is derecognized when no further future economic benefits are expected. Any gain or loss from such derecognition is recognized in the statement of profit or loss.

b. Impairment of Elements of Property, Plant and Equipment

At the end of each period, the Group analyzes whether there is any internal or external evidence that an asset is impaired. If there is evidence of impairment, it determines if the impairment exists by comparing the net value of the asset recorded with its recoverable amount (the recoverable amount is defined as the higher of the fair value, less costs to sell, and the value in use). When the carrying value exceeds the recoverable amount, the carrying value is adjusted to the recoverable amount by modifying future depreciation charges to bring them in line with the remaining useful life of the asset.

Likewise, if there are indications that the value of an asset has been recovered, the Group estimates the recoverable value of the asset and recognizes it in the statement of income for the period, reversing the impairment loss recorded in previous periods and adjusting future charges for depreciation. In no case the reversal of an impairment loss on an asset may result in an increase in its book value above the value it would have had if impairment losses had not been recorded in previous periods.

2.10 Investment Properties

Investment properties are the land or buildings - considered all or in part - that are held for rent, valuation of the asset, or both, rather than for the Group's own use.

Investment properties are measured initially at cost. This includes the purchase price, plus import costs and non-deductible taxes, once commercial discounts and any costs directly attributable to bringing the asset to the site and the conditions required for it to operate as foreseen by management have been deducted.

Some assets may have been acquired in exchange for one or more non-monetary assets. In such cases, the cost of the asset will be measured at its fair value, unless:

a) The exchange transaction is not commercial in nature and / or
b) The fair value of the asset received or delivered cannot be measured reliably.

The Group selected the fair value model for subsequent measurement. Fair value measurement is done through technical appraisals, and the gains or losses deriving from changes in fair value are included in income for period, when they arise.

2.11 Assets on Lease

a) Assets Delivered on Lease

Assets delivered by the Group on lease are classified as assets on financial lease or operational lease. This is done at the moment the agreement is signed.

A lease is classified as a financial lease when all of the property's advantages and risks are substantially transferred. A lease is classified as an operational lease if all of the property's advantages and risks are not substantially transferred.

Lease agreements that are classified as financial leases are included in the balance sheet under "loans and financial leases" and are recorded the same way as other loans granted by the Group. Lease agreements classified as operational leases are included in the account for property, plant and equipment, and are recorded and depreciated the same way as other assets of this type.

b) Assets Received on Lease

At their initial recognition, leases are classified as finance or operating lease.

Financial leases that substantially transfer the risks and benefits inherent to ownership of the leased asset are recognized at the commencement of the lease and are included in the balance sheet as property, plant and equipment for own use or as investment properties, as appropriate. Initially, they are entered on the books simultaneously under assets and liabilities for a value equal to the fair value of the asset received on lease or the present value of the minimum lease payments, whichever is lower.

The present value of minimum lease payments is determined using the interest rate implicit in the lease agreement or, if there is no rate, the average interest rate on bonds placed by the Group is used. Any initial direct cost incurred by the lessee is added to the amount recognized as an asset. The amount entered as a liability is included in the financial liabilities account and recorded the same way as other liabilities.

Payments accrued under operational leases are recognized linearly under income over the term of the lease.

2.12 Business Combinations and Goodwill

Business combinations are accounted for by using the “acquisition method” when control is transferred. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. If there are non-controlling interests during the acquisition of control of the entity, such non-controlling interests are recognized at either fair value or at the proportionate interest in the recognized amount of the identifiable net assets of the acquire. The difference between the price paid, plus the value of the non-controlling interest, and the net value of the acquired assets and liabilities, determined as described above in this paragraph, is recorded as goodwill.

Goodwill is measured as the excess of the aggregate of consideration transferred, over the amount of any interest previously acquired and the net of identifiable assets (including intangible assets) and liabilities assumed at acquisition date. Goodwill acquired in a business combination is assigned to each of the groups of cash-generating units from which a benefit is expected as a consequence of the acquisition. Goodwill is not subsequently amortized but it shall be subject to an annual assessment of impairment of the cash-generating unit to which goodwill has been assigned, from which benefits are expected deriving from the synergies of business combinations.

A loss due to impairment recognized on Goodwill cannot be reversed in subsequent periods. In addition, statement of income of the acquire in Group consolidated financial statements is included from the acquisition date.

2.13 Other Intangible Assets

The Group's intangible assets consist of non-monetary assets that have no physical appearance and come about as a result of a legal transaction or are developed internally. These are assets whose cost can be estimated reliably, and the future economic benefits are considered likely to flow into the Group.

Such assets consist mainly of computer software. They are measured initially by the cost incurred in their acquisition or during their internal development phase. The costs incurred in the research phase are entered directly under earnings. After initial recognition, these assets are amortized over their estimated useful life. In the case of computer software, this is up to 10 years, based on technical opinions and the Group's experience.

Licenses and intangible assets related with clients have been defined as assets with a finite useful life, which is amortized during their useful life. Amortization is recognized on a straight-line basis, according to the estimated useful life, which is up to five (5) years.

Intellectual property rights, patent and other property rights have been defined as assets with a finite useful life, which is amortized during their useful life. Amortization is recognized on a straight-line basis, according to the estimated useful life, which is up to ten (10) years.

At each reporting date, the Group analyzes whether there are indications, both external and internal, that an asset may be impaired. If there is evidence of impairment, the Group analyzes whether such impairment actually exists by comparing the net book value of the asset with its recoverable value (the higher of its fair value less disposal costs and its value in use). When the book value exceeds the recoverable value, the book value is adjusted to its recoverable value, modifying the future charges for depreciation, in accordance with its remaining useful life.

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2.14 Financial Liabilities

A financial liability is any contractual obligation the Group has to deliver cash or other financial assets to an entity or person, or to exchange financial assets or financial liabilities under conditions that are potentially unfavorable for the Group or an agreement that can or will be settled using equity instruments owned by the entity. Financial liabilities are initially recognized at fair value less transaction costs that are directly attributable to their issuance. Subsequently, financial liabilities are measured at amortized cost in accordance with the effective interest rate method, recognizing the financial expense in the result (except for the derivatives that are measured at fair value).

Financial liabilities are derecognized from the consolidated balance sheet only when, it has been extinguished, that is, when the obligation specified in the corresponding contract has been paid or canceled or has expired.

The Group's financial liabilities include deposits, bonds and financial obligations, financial derivatives, other liabilities and financial guarantee agreements.

2.15 Financial Guarantees

Financial guarantees are those contracts requiring that the issuer carries out specific payments to reimburse the creditor for losses incurred when a specific debtor defaults its payment obligation, in accordance with the original or modified conditions, of a debt instrument; regardless of its legal form. A financial guarantee can take various forms, including bonds and sureties.

In its initial recognition, a financial guarantee is recorded as a liability at fair value, which is generally the current value of commissions and returns to be earned over the life of the agreement. The balancing entry in assets is the amount of the commissions and assimilated returns charged at the start-up of operations and the accounts receivable for the current value of the future cash flows pending receipt.

Financial guarantees, regardless of the guarantor, instrumentation or other circumstances, are analyzed regularly to determine the credit risk to which they are exposed and, if applicable, to estimate the need to constitute an allowance for them, which is determined by applying criteria similar to those established to quantify impairment losses on financial assets.

The provisions established over financial guarantee agreements classified as impaired, are recognized as liabilities under “Provisions – other provisions” and recognized in profit or loss.

The income obtained from the financial guarantees is recorded in the income from commissions on results and is calculated taking into account the term established in the respective contract.

2.16 Employee Benefits

The Group grants its employees the following benefits as consideration in exchange for their services:

a. Short-term Benefits

These are benefits the Group expects to pay within 12 months after the end of the reporting period. Under Colombian law and pursuant to existing labor agreements, these benefits include severance pay, interest on severance pay, annual leave, vacation bonuses, legally required and discretionary bonuses, assistance, social security and payroll taxes. They are measured at their face value, recognized through an accrual accounting system and charged to income.

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b. Post-employment Benefits

These are benefits the Group pays to its employees upon retirement or completion of their period of employment. They are different from dismissal indemnities and pertain to retirement pensions and severance pay assumed directly by the Group for employees who are still covered by the labor laws that were in force prior to Law 100/1993. They also include bonuses granted to employees who leave because of retirement.

The post-employment benefit liability for defined benefit plans (payment of contributions made by the Group to pension fund managers) is measured on an undiscounted basis, and an accrual charged to income is recorded. Defined contribution plans do not require the use of actuarial assumptions to measure liabilities or expenses; so, they do not generate gains or losses.

The post-employment liability in defined benefit plans for severance and retirement bonuses is determined based on the present value of estimated future payments to employees. These are calculated on the basis of actuarial studies done according to the projected unit credit method, using actuarial assumptions of mortality rates, salary increases and staff turnover, as well as interest rates determined by prevailing bond market returns at the close of period on Colombian government issues or on high-quality corporate bonds. With the projected unit credit method, future benefits to be paid to employees are assigned to each accounting period during which the employee provides service. Therefore, the respective cost of these benefits is entered in the Group's statement of income and includes the present cost of the service assigned in the actuarial calculation, plus the calculated financial cost of the liability.

According to the exception foreseen in Decree 2496/2015, the liability for this post-employment benefit is determined by applying the parameters established in Decree 2783/ 2001 as the best approximation to the market. These parameters are outlined below.

1. Future increases in wages and pensions are to be included explicitly. This is done by using a rate equal to the average rate of inflation registered by the National Bureau of Statistics (DANE) for the last ten (10) years, determined on January 1 of the tax year wherein the calculation must be done.

2. A real technical interest rate equivalent to the average rate on fixed term deposits (DTF) registered by Banco de la República (the Central Bank of Colombia) for the last ten (10) years, determined on January 1 of the tax year wherein the calculation must be done.

3. The anticipated increase in income at the start of the second half of the first year must be taken into account for active and retired personnel.

Variations in the liability due to changes in actuarial assumptions are recorded in equity in the "other comprehensive income" account (OCI).

c. Other Long-term Employee Benefits

These include all employee benefits other than short-term employee benefits, post-employment benefits and severance pay. According to collective bargain agreements and the rules and regulations of the Group, said benefits fundamentally involve seniority bonuses.

Liabilities pertaining to long-term employee benefits are determined the same way as the post-employment benefits described in (b) above. The only difference is that changes in actuarial liabilities due to changes in the actuarial assumptions are also registered in the statement of income.

d. Work Contract Termination Benefits

These are payments the Group is required to make due to a unilateral decision to terminate the contract of an employee or due to an employee's decision to accept an offer from the Group in exchange for terminating his or her work contract.

These benefits correspond to the number of days of compensation for dismissal required under labor rules and other additional days the Group unilaterally decides to grant its employees in such cases.

Termination benefits are recorded as a liability charged to income on the following dates, whichever comes first:

- Upon formal notice to the employee of the Group's decision to terminate the contract.
- When provisions are recognized for the cost of restructuring by a subsidiary or business in the Group that involves the payment of termination benefits.

Therefore, if termination benefits are expected to be fully settled within twelve months after the reporting period, the Group applies the requirements of the policy on short-term employee benefits. However, if termination benefits are not expected to be fully settled within twelve months after the reporting period, the Group applies the requirements of the policy on other long-term employee benefits.

2.17 Levies

a. Income tax

Income tax expenses include current and deferred tax. Tax expenses are recognized in profit or loss except for items recognized in Other Comprehensive Income or directly in equity.

Current Tax

The current tax includes expected payable or receivable tax on income or losses for the year and any adjustments for previous years. It is measured using the tax rates that have been approved or are likely to be approved by the balance-sheet date. The current tax also includes any taxes arising from dividends.

The Group recognizes current taxes as a liability if they are unpaid or as an asset if payment has been made and has resulted in a tax credit.

Deferred Tax

Deferred taxes are recognized on temporary differences that arise between the tax bases for assets and liabilities and the amounts recognized in the consolidated financial statements. These differences result in amounts that are deductible or taxable when determining tax gains or losses corresponding to future periods when the asset's carrying value is recovered or the liability is settled. However, deferred tax liabilities are not recognized if they come from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction,

does not affect accounting or tax gain or loss. Deferred tax is calculated using the tax rates that are in force on the balance sheet date and are expected to apply when the deferred tax asset is realized or when the deferred tax liability is settled.

Deferred tax assets are recognized only when future tax income is likely to be available against which temporary differences can be deducted.

Deferred tax liabilities are allowances to cover temporary taxable differences, except for deferred tax liabilities relating to investments in subsidiaries, associates and Joint Arrangements when the opportunity to reverse the temporary difference is controlled by the Group and it is not likely to be reversed in the near future.

Deferred tax assets and liabilities are offset when there is a legal right to offset current deferred taxes against current tax liabilities and when the deferred tax assets and liabilities relate to taxes levied by the same tax authority on the same entity or on different entities when the legal right exists and is intended to offset the balances on a net basis.

b. Wealth Tax

Law 1739, adopted by the Colombian government in December 2014, created a wealth tax on all entities in Colombia with a net worth of more than $1 billion. For accounting purposes in Colombia, the law stipulates the tax is incurred annually as from January 1, 2015 to 2018 and may be charged to equity reserves, as part of equity. The Group decided to take advantage of this exception and charged the wealth tax incurred on January 1 of each year to its equity reserves.

c. Levies and contributions other than income tax

Levies and contributions to the government, other than income tax, are recorded as liabilities when they occur or when the activity originating tax payment, according to the legislation in force.

2.18 Provisions and Contingencies

a. Provisions

Provisions are liabilities about which there is uncertainty as to their amount or maturity. They are recognized as follows in the statement of financial position if:

- The Group has a current obligation (legal or implicit) namely the result of a past event.

- Likelihood of necessary disposal of resources that include economic benefits in order to settle that obligation.

- The Group can make a reliable estimate of the amount of the obligation.

The amount recognized as an allowance is determined at the end of the reporting period, based on the best estimate. In cases where the obligation is likely to be settled in the long term, the expenditures expected to settle the same are discounted at present value, provided the discount is significant and the costs of providing this estimate do not exceed the benefits.

Provisions are updated regularly, at least at the end of each period, and are adjusted to reflect the best estimate available at the time. The updating of a provision to reflect the passing of time is recognized in

income for the period as a financial expense. In the event an outflow of resources to settle the obligation is not longer probable, the provision is reversed and the contingent liability is disclosed, as appropriate. If there is any change in the estimates, it is accounted for prospectively as a change in the accounting estimate.

b. Contingent Liabilities

A contingent liability is any potential obligation arising from past events. Confirmation of the existence of that obligation will depend on the outcome of one or more uncertain future events that are beyond the control of the Group. Contingent liabilities are to be disclosed and are to be recognized as allowances to the extent that they become potential obligations.

c. Contingent Assets

Assets of a possible nature, arising out of past events, whose existence is to be confirmed only by the occurrence or by the non-occurrence of one or more uncertain events in the future that are not entirely under the control of the Group, are not recognized in the statement of financial position. Instead, they are disclosed as contingent assets when their occurrence is probable. When the contingent event is certain, the asset and the associated income are recognized in earnings for the period.

2.19 Income

Income is measured by the fair value of the consideration received or receivable, and represents the amounts to be collected for goods delivered or services rendered, net of discounts, devolutions and the value added tax (VAT). The Group recognizes income when the amount can be measured reliably, when it is likely that future economic benefits will flow to the Group, and when the specific criteria for each of the Group's activities have been met.

a. Services Rendered

Income from services is recognized at the time it can be estimated reliably, considering the extent to which the service being rendered is finished or complete.

Income from ordinary activities is recognized in the accounting period when the service is rendered. When services are provided through an unspecified number of acts during a specific period of time, income from ordinary activities is recorded on a straight-line basis throughout the period agreed.

b. Customer Loyalty Program

The financial entities of the Group operates a number of customer loyalty programs in which customers accumulate points for purchases made with credit cards and can redeem reward points in accordance with the policies and rewards plan in effect at the time of redemption. Points for rewards are recorded as an identifiable component separate from the initial sale transaction, with the fair value of the compensation received being assigned between the reward points and other sale components in such a way that the loyalty points are initially recognized as deferred income at their fair value. Income from the reward points is recognized when these points are redeemed.

c. Income from Commissions

Recognition of income deriving from commissions or fees is deriving from the foregoing. They are:

- Commissions that are an integral part of the effective interest rate on a financial instrument are generally treated as an adjustment of the effective interest rate.
- Commissions that are gains, insofar as a service is rendered, are recognized in results to the extent the rendering of the service are evidenced.
- Commissions that are gains when a significant act is carried out shall be recognized when the significant act has occurred.

d. Interest and Dividend Income

Income from interest and dividends is recognized on the following basis:

- Interest is recognized according to the effective interest rate method.
- Dividends are recognized when the Group's right to receive them is established, and only for those shares over which it has no control or significant influence, namely investments less than 20% not classified as Joint Arrangements investments.

e. Other Income

When the definition of income is met, as outlined in the Framework for Financial Reporting, income not included in the foregoing categories is recognized by the Group under earnings for the period.

2.20 Basic and diluted earnings per share

Earnings per basic share are determined by dividing net income for the period attributable to the Group's shareholders by the weighted average number of common shares outstanding during the period. Diluted earnings per share are determined on net income in the same way, and the weighted average number of outstanding shares is adjusted to account for the potential dilutive effect, if applicable. The Group does not have financial instruments with potential voting rights.

NOTE 3 - NEW AND AMENDED IFRS´s

Decrees 2496 of December 2015, 2131 of December 2016 and 2170 of December 2017 introduced to the technical regulations framework new regulations, modifications or amendments issued by the International Accounting Standard Board (IASB) to the International Financial Reporting Standards between 2014 and 2016, for assessing their application in financial exercises starting on or as from January 1, 2018, although their application could be carried out in advance.

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The following is a summary of the new pronouncements on international accounting standards issued by the International Accounting Standards Board (IASB) after January 1, 2014, which the Group has yet to apply since they have not taken force in Colombia.

New or Amended Standard	Title of the Standard or Amendment	Effective for Annual Periods On or After
IFRS 9	Financial Instruments.	January 1, 2018
IFRS 15	Revenue from Ordinary Activities Coming from Contracts with Customers.	January 1, 2018
IFRS 16	Leases.	January 1, 2019
Amendment to IAS 12	Income Taxes: Clarification on the recognition of deferred tax assets for unrealized losses.	January 1, 2018
Amendment to IFRS 15	Clarifications to IFRS 15 Revenue from Ordinary Activities from Contracts with Customers.	January 1, 2018
Amendment to IAS 7	Initiative on Information to be disclosed - Modifications to IAS 7	January 1, 2018
Amendment to IAS 40	Investment Properties: "Transfers of Investment Properties".	January 1, 2019
Amendment to IFRS 2	Share-based Payments: "Classification and Measurement of Transactions with Payments Based on Shares".	January 1, 2019
Amendment to IFRS 4	Insurance Contracts: "Application of IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts".	January 1, 2019
Annual Improvements Cycle 2014-2016	It includes modifications to the following standards: IFRS12 – information to be disclose about participations in other entities, IFRS 1 - Adoption for the First Time of the International Financial Reporting Standards and IAS 28 - Investments in Associates and Joint arrangement.	January 1, 2019
Amendment to IFRS 9	Financial Instruments: "Early Cancellation with Negative Compensation".	Date to be determined with the issuance of a decree
Amendment to IAS 28	Investments in Associates and Joint Ventures: "Long Term Participations in Associates and Joint arrangement ".	Date to be determined with the issuance of a decree
Annual Improvements Cycle 2015-2017	It includes amendments to the following standards: IFRS 3 - Business Combinations, IFRS 11 - Joint Agreements, IAS 12 Income Tax and IAS 23 Loan Costs.	Date to be determined with the issuance of a decree
Amendment to IFRS 10 and IFRS 28	Sale or contribution of assets between an investor and its associate or joint arrangement.	Indefinite effective date (postponed by the IASB)

a. IFRS 9 - Financial Instruments

In July, 2014, the International Accounting Standard Board (IASB) issued the final version of the International Financial Reporting Standards No. 9 (IFRS 9) “Financial Instruments” for its mandatory application on the annual periods starting on or as from January 1, 2018; this standard replaces the Accounting International Standard No. 39 (IAS 39) and in Colombia it replaces the previous version of IFRS 9 “Financial Instruments” issued in 2010 which was included in decree 2420 / 2015.

Based on the assessments carried out to this date, the total estimated adjustment net of taxes for adopting the new IFRS 9 on the initial balance of the consolidated equity of the Group is approximately $620,000 represented in:

- A reduction approximately of $862,000 Referred to financial assets impairment

- A reduction approximately of $5,000 relating to the changes in classification and measurement of financial assets others tan impairment.

- An increase approximately of $247,000 relating to the impact in deferred tax.

The foregoing is a preliminary assessment, since not all the transition work has been completed. The current impact of adopting the new IFRS 9 may change because:

- IFRS 9 requires the revision of its accounting internal control and processes by the Group and these changes have not been yet completed.

- Although parallel tests have been carried out in the systems during the second semester of 2017, the modifications to the system and associated controls implemented have not been operational for a greater period of time.

- The Group has not yet completed the assessment and testing of the controls of its new technology systems and changes of its control environment.

- The Group is refining and completing its models for calculating provisions with the expected loss impairment model.

- The new accounting policies, assumptions and judgments are subject to change, until the Group prepares its first intermediate financial statements as of March 31, 2018 which shall include the date of initial application.

Classification and Measurement – Financial Assets

The new IFRS 9 contains a new approach for the classification and measurement of financial assets, that reflects the business model wherein the assets are managed and its cash flow characteristics.

The new IFRS 9 includes three main classification categories for financial assets measured at amortized cost (AC), at fair value with changes in other comprehensive income (FVCOCI), and at fair value with changes in income (FVCI).

The new standar complements the two existing categories in the previous IFRS 9 of AC and FVCI that are currently in force in Colombia for the consolidated financial statements, adding the FVCOCI category.

Financial assets are measured at amortized cost and not at fair value with changes in income if it meets both of the following conditions:

1. The asset is held within a business model whose purpose is to hold assets for obtaining contractual cash flows; and
2. The contractual terms of the financial asset establish specific dates for cash flows solely deriving from payment to principal and interest over the outstanding balance.

Debt instruments are measured at FVCOCI only if it meets both of the following conditions and has not been classified as FVCI:

1. The asset is held within a business model whose purpose is accomplished at the collection of contractual cash flows and selling such financial assets; and
2. The contractual terms of the financial asset establish specific dates for the cash flows deriving solely from payments of principal and interest over the outstanding balance.

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During the initial recognition of investments in equity instruments not held for trading, the Group may irrevocably elect to record subsequent changes in fair value as part of other comprehensive income in the equity. Such election shall be made on an instrument per instrument basis.

All financial assets not classified as measured at amortized cost or at fair value with changes in OCI as described above, are measured at fair value with changes in income.

In addition, in the initial recognition, the Group may classify a financial asset in an irrevocable manner which complies with the measurement requirements at AC or FVCOCI to be measured at FVCI if while doing so the accounting asymmetry is suppressed or significantly reduced, which could happen if not doing so. The Group will not use this option for the time being.

A financial asset is classified in one of the categories mentioned at the time of its initial recognition.

Under the new IFRS 9 derivative contracts implicit in other contracts wherein the principal contract is a financial asset under the scope of IFRS 9 are nor separate and instead the financial instrument is measured and registered jointly as an instrument at fair value with changes through income statement.

Business Model Assessment

The Group shall assess the objectives of the business models where it holds different financial instruments at a portfolio level for best reflecting the manner in which it manages the business with each subsidiary and how the information is provided to the management. The information considered included:

- The policies and objectives pointed out for each financial instruments portfolio and the practical operation of such policies. These include the fact if the management strategy focuses in charging income for contractual interest, maintaining a concrete interest profitability profile or coordinating the duration of financial assets with the duration of liabilities financing the same or the cash outflows expected or carrying out cash flows through the sale of assets;

- How they are assessed and informs in this respect to the key management staff of the Group regarding profitability in portfolios;

- The risks affecting the profitability of business models (and the financial assets held in the business model) and the manner in which such risks are managed;

- How the business manager are remunerated (for example, if the compensations is based on the assets fair value managed or over contractual cash flows obtained); and

- The frequency, amount and sales calendar in previous periods, the reasons of those sales and the expectations about the activity of future sales. However, the information about the sales activity is not considered independently but as part of an assessment of how the Group objectives are attained for managing financial assets and how the cash flows are carried out.

Financial assets held for trading and those whose profitability is assessed or managed on the basis of fair value are measured at fair value with changes in income, since these are not held within the business model for charging contractual cash flows nor for obtaining contractual cash flows and selling such financial assets.

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Assessment of if the contractual cash flows are solely for principal payment and interest.

For purposes of this assessment, “principal” is defined as the fair value of the financial asset at the time of initial recognition. “Interest” is defined as the consideration of the value of money in time and the credit risk associated to the amount of principal outstanding for a particular term of time and for other basic risks of a loan agreement and other associated costs (example. Liquidity risk and administrative costs), as well as profitability margin.

While assessing if the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes the assessment for determining if the asset is subject to contractual terms that could change the term or amount of cash flows such that it may not comply with this condition. For such assessment the Group considers:

- Contingent events that will change the amount and periodicity of cash flows;
- Leverage conditions;
- Advance payment terms and extension;
- Terms limiting the Group for obtaining specific cash flows (example, agreements of assets without resources); and
- Characteristics modifying the considerations for the value of Money in time; example, periodical revision of interest rates.

Interest rates of certain consumption and commercial loans are based on variable interest rates established at the Group’s discretion. Variable interest rates generally established in Colombia based on the DTF (DTF published by the Central Bank), and in other countries in accordance with local practices, plus certain additional discretional points. In these cases, the Group shall assess if the discretional characteristic is consistent with the sole payment of interest considering a number of factors including if:

- The debtors are in conditions to prepay the loans without significant penalties. In Colombia, applying charges for prepayments of credits is forbidden by law.
- Competitive market factors assure that the interest rates are consistent among Banks;
- Any protection regulatory provision in favor of the clients in the country where the Banks are required to treat the clients in a fair manner.

A prepayment characteristic is consistent with the criterion of sole capital and interest if the prepaid amounts substantially represent unpaid amounts of principal and interest over the outstanding principal, which could include a reasonable compensation for early termination of the contract.

In addition, a prepayment characteristic is treated as consistent with this criterion, if a financial asset is acquired or originates with a premium or discount of its nominal contractual amount, and the prepaid amount substantially represents the contractual amount plus interest accumulated contractually but not paid (which may include a reasonable compensation for early termination), and the fair value of the prepayment characteristic is insignificant in its initial recognition.

Assessment of Preliminary Impact of Financial Assets Classification.

Based on the preliminary high-level assessment of possible classification changes and measurement of financial assets held as of December 31, 2017, the results were as follows:

- Assets for trading and derivatives held to manage risks that are classified at fair value through profit or loss under the previous IFRS 9, will mainly maintain this classification and measurement under the new IFRS 9; however, financial assets classified and measured at fair value with changes in results of approximately $ 4,408,000 will be reclassified at fair value with changes in ORI.

- Certain debt instruments classified and measured at amortized cost under the previous IFRS 9 for an approximate value of $ 5,540,000 will be classified and measured at fair value with changes in OCI under the new IFRS 9, because their business model is to collect the contractual fund and sell financial assets.

- Investments in equity instruments classified and measured at fair value with changes in OCI under the previous IFRS 9, will maintain this classification and measurement under the new IFRS 9.

- Loans to Group customers that are classified as loan portfolio and accounts receivable and measured at amortized cost under the previous IFRS 9, will maintain this measurement under the new IFRS 9.

The Group has estimated that in the adoption of the new IFRS 9 as of January 1, 2018, the effect of these changes in pre-tax classification is a reduction of the Group's equity of approximately $ 5,000.

Impairment of Financial Assets

The new IFRS 9 replaces the ‘incurred loss’ model of AIS 39 for a ‘expected credit loss’ (ECL). This new model shall require the application of a considerable judgment regarding how the economic factors affect the ECL, which shall be determined based on a weighted average basis.

The new impairment model shall be applicable to the following financial assets not measured at FVCI:

- Debt instruments;
- Leases receivable;
- Other accounts receivable
- Loans portfolio
- Financial guarantee contracts issued; and
- Commitments of loans issued

The new IFRS 9 requires the recognition of a provision for impairment of financial assets at amortized cost and at fair value with changes in OCI of an amount equal to an expected impairment loss in the twelve month term subsequent to the cutoff date of the financial statements or during the remaining life of the loan. The expected loss in the remaining life of the loan is the expected loss resulting from all possible impairment events over the life expected of the financial instrument, while the expected loss of the twelve month period is the portion of expected losses that shall result from possible impairment events within the twelve months subsequent to the financial statements reporting date.

Under the new IFRS 9, for losses shall be recognized in an amount equal to the ECL during the lifetime of the asset, except in the following cases wherein the amount recognized is equivalent to the ECL of the 12 months subsequent to the measurement date:

- Investments in debt instruments which are determined to reflect the credit risk under the reporting date; and

- Other financial instruments (different than other short term accounts receivables) over which the credit risk has not increased significantly as from their initial recognition.

The impairment requirements of IFRS 9 are complex and require judgments, estimates and management assumptions in the flowing areas in particular:

✓ Assess if the credit risk has increased significantly as from its initial recognition, and
✓ Incorporate the prospective information in the measurement of expected losses due to impairment.

Measurement of ECL

ECL is the estimated weighted probability of credit loss and is measured as follows:

- Financial assets not showing credit impairment as of the reporting date: the present value of all delays of contractual payments of cash (i.e. the difference between adequate cash flows to the Group pursuant to the contract and the cash flows expected to be received by the Group);

- Financial assets impaired as of the reporting date: difference between the book value and the present value of estimated future cash flows;

- Commitments of pending loans: the present value of the difference between contractual cash flows owed to the Group in case the commitment is executed and the cash flows expected to be received by the Group; and

- Financial guarantees contracts: expected payment for reimbursing the holder less any amount that the group expects to recover.

Financial assets impaired are defined by IFRS 9 in a similar manner than impaired assets under IAS 39.

Definition of Default

Under IFRS 9, the Group shall deem a financial asset in default when:

- It is unlikely that the debtor pays all of its credit obligations to the Group, without resources of the Group for taking actions such as realizing the guarantee (in case they hold); or

- The debtor is in default for more than 90 days in any material credit obligation. Overdrafts are deemed as in default once the client has exceeded the limit recommended or a lower limit has been recommended with respect to the actual balance. With the exception of housing portfolios where the 90 days of default were refuted to consider an unfulfilled credit and it was defined as more than 180 days.

- Clients in bankruptcy proceedings, such as Law 1116 for the case of the Republic of Colombia.

- Fixed income financial instruments include the following concepts, among others:
  - Certain losses in the external rating of the issuer.
  - Contract payments are not made on the due date or within the stipulated period or grace period.
  - There is a virtual certainty of suspension of payments.
  - It is likely to go bankrupt or a bankruptcy petition or similar action is filed.
  - The financial asset no longer has an active market given its financial difficulties.

While assessing if a debtor is in default, the Group shall consider the following indicators:

- Qualitative -ex. Breach of contractual clauses

- Quantitative -ex. status of delay and non-payment of another obligation of the same issuer to the Group; and

- Based on data developed internally and obtained from external sources

The inputs utilized for the assessment of the fact that the financial instruments are in default and its importance may vary throughout time for reflecting changes in circumstances.

Significant Increase in Credit Risk

Under IFRS 9, when it is determined that the credit risk of an asset has increased significantly as from its initial recognition, the Group shall consider relevant reasonable and sustainable information available without cost or disproportionate effort, including both quantitative and qualitative information and analysis, based on the historic experience, as well as the expert assessment of the credit by the Group, including information with future projection.

The Group expects to identify if a significant increase of credit risk has occurred comparing:

- The likelihood of default (LD) during the remaining life as of the reporting date; with

- The LD during the remaining life to this point in time, which was estimated at the time of initial recognition of the exposure.

- Also, qualitative aspects are considered as well as the rebuttable presumption of the standard (30 days).

The assessment of the fact that the credit risk has significantly increased as from the initial recognition of a financial asset requires identifying the instrument's initial date of recognition. For certain revolving credits (credit cards, overdrafts, others), the date when the credit was first delivered could be a long time ago). Modifying the contractual terms of a financial asset can also affect this assessment, which is discussed below.

Rating for Credit Risk Categories

El Group shall assign a credit risk rating to each exposure based on a variety of data determined as predictive of the LD and applying expert credit judgment, the Group expects to use these ratings for purposes of identifying significant increases in credit risk under the new IFRS 9. Credit risk ratings are

defined utilizing qualitative and quantitative factors indicating risk of loss. These factors may vary depending on the nature of the exposure and type of borrower.

To Each exposure is assigned to a credit risk rating at the time of initial recognition based on the debtor's information available. Exposures shall be subject to continued monitoring, that may result in displacement of an exposure to a different credit risk rating.

Generating the term structure of the LD

Risk ratings are expected to be the main input for determining the term structure of LD for different exposures. The Group intends to obtain performance and loss information about credit risk exposures analyzed by jurisdiction or region, type of product and debtor, as well as by credit risk rating. For some portfolios the information compared with external credit reference agencies can also be utilized.

The Group shall use statistical models for analyzing the data collected and shall generate probability estimates of impairment of remaining life of exposures and how such impairment probabilities changed as a result of time elapsing.

Such analysis includes the identification and tuning of the relationships among changes in impairment rates and key macroeconomic factors, as well as an in depth analysis of certain factors of impairment risk (for example, portfolio write-offs). For most credits, key economic factors probably include gross domestic product growth, changes in market interest rates and unemployment.

For exposures of specific industries and/or regions, the analysis may extend to relevant products and/or prices of real estate.

The Group has established a general framework which includes qualitative and quantitative information for determining if the credit risk of a financial asset has increased significantly as from its initial recognition.

The initial framework is aligned with the internal Group process for managing credit risk.

The criterion for determining if the credit risk has increased significantly will vary for each portfolio and shall include limits based on defaults.

The Group shall assess credit risk of a particular exposure as form the initial recognition if, based on the Group's quantitative model the likelihood of expected impairment of the remaining life increases. While determining the increase of credit risk of impairment loss in the remaining life is adjusted due to expiration changes.

In some circumstances, using credit expert judgment and relevant historic information as possible, the Group may determine that an exposure has significantly increased its credit risk if particular quantitative factors indicate so and such factor may not be completely captured by quantitative analyses carried out periodically. As a limit, required by IFRS 9, the Group shall assume that a significant increase in credit risk occurs at the latest when the asset is in default for more than 30 days.

The Group shall monitor the effectiveness of the criterion used based on regular revisions for confirming that:

- The criteria enable to identify significant increases in credit risk before an exposure becomes impaired.
- The criterion is not aligned with a point in time when the asset shows more than 30 days of expiration.

- The time average in identifying a significant credit risk increase and compliance appear as reasonable.
- Exposures are not generally transferred directly from the group of expected impairment probability in the remaining life of the credits.
- The is no unjustified probability in the provision due to impairment of transfers between groups with expected likelihood during the following twelve months and the probability of loss expected in the remaining life of the credits.

Modified Financial Assets

Credit contractual terms may be modified for a number of reasons, including changes in market conditions, client retention and other factors not relating to a current or potential impairment of the client's credit.

When the terms of a financial asset are modified under IFRS 9 and the modification does not result in a withdrawal of the asset in the balance sheet, determining if the credit risk has significantly increased reflects comparisons of:

- ✓ The probability of default in the remaining life as of the date of the balance sheet based in the terms modified with
- ✓ The probability of default in the remaining life estimated based on the date of initial recognition.

The Group re-negotiates loans with clients having financial difficulties for maximizing collection opportunities and minimizing default risk. Under re-negotiation policies of the Group, clients with financial difficulties are granted concessions that generally correspond to decreases in interest rate, extension of payment terms, rebates in the balances owed or a combination of the foregoing.

For financial assets modified as part of the Group policies for re-negotiation, the estimate of LD shall reflect if the modifications have improved or restored the ability of the Group for collecting interest and principal, as well as the previous experiences of the Group in similar actions. As part of this process the Group assesses the defaults in payments of the debtor against the modified terms of the debt and considers several behavior indicators of such group of modified debtors.

Generally, restructuring indicators are a relevant factor for increasing credit risk. Consequently, a restructured debtor needs to demonstrate a consistent payment behavior over a period of time before being deemed as an impaired credit or that the LD has decreased in such a manner that the provision may be reverted and the credit measured for impairment in a twelve month period of time subsequent to the closing date of the financial statements.

Inputs for Measuring the ECL

The key inputs for measuring ECL are usually the structures of the terms of the following variables:

- Likelihood of default (LD)
- Loss due to default (LDD)
- Exposure due to default (ED)

The aforementioned parameters derive from internal statistical models. These models shall be adjusted for reflecting the prospective information as described below:

The LDs are estimated as of a given date, calculated based on classification statistical models and assessed using classification tools adjusted to the different counterparty categories and exposures. These statistical models are based on data internally collected comprising both, qualitative as quantitative factors. If a counterparty o exposure migrates between different ratings then this shall give rise to a change of the estimated LD. LDs are estimated considering the contractual terms of expiration of the exposures and the estimated rates of prepayments.

The LDD is the magnitude of the probable loss in case of a default. The Group shall estimate the LDD parameters based on the history of the recovery rates of losses against the non-complying parties. LDD models consider the structure, collateral and prevalence of the debt loss, the counterparty's industry and the recovery costs of any collateral integrated to the financial asset. For loans guaranteed with properties, the indexes regarding the amount of the guarantee in connection with the loan probably will be the parameters utilized for determining the LDD. Such loans are calculated based on discounted cash flows using the effective interest rate of the credit.

ED represents the exposure expected in case of default. The Group derives the current ED exposure of the counterparty as well as potential changes in the current amount allowed under the terms of the contract including amortization and prepayments. The ED of a financial asset shall be the gross value at the time of default. For commitments of loans and financial guarantees, the ED shall consider the amount withdrawn as well as potential future amounts that could be withdrawn or collected under the contract, which are estimated based on historic observations and in prospective information projected. For some financial assets, the Group determines the ED modeling a range of possible results of exposures in several points in time using scenarios and statistical techniques. As described above, and subject to utilizing a maximum LD for the twelve months for which the credit risk has increased significantly, the Group will measure the ED considering the risk of default during the maximum contractual period, (including options of debt extension for the client) over which there is a credit risk exposure, even if for purposes of risk management the Group deems a longer period of time. The maximum contractual period shall extend to the date in which the Group is entitled to require the payment of the loan or terminating the loan commitment or a guarantee granted.

For consumption overdrafts, balances of credit cards and revolving corporate credits which include a loan as well as a component of a loan not withdrawn by the client, the Group shall measure the EDs over a period of time greater than the maximum contractual period, if the contractual ability of the Group for demanding payment and cancelling the payment commitment not withdrawn does not limit the Group's exposure to credit losses to the contractual period of time. These conditions do not have a fixed term or collection structure and are managed on a collective basis. The Group may cancel the same with immediate effect, but such contractual right is not forced within the normal management of the Group on a daily basis, but only when the Group is aware of an increase in the credit risk of each loan. The larger period of time is estimated taking into account the actions for credit risk management expected to be taken by the group and useful for mitigating the ED. These measures include the reduction of limits and cancelling the credit contracts.

In general, where the modeling of parameters is carried out on a collective basis, financial instruments are grouped on the basis of characteristics of shared risks, including:

- Type of instrument
- Credit risk rating
- Guarantee
- Date of initial recognition

- Remaining term for expiration
- Industry
- Geographic location of the debtor

The foregoing groups are subject to regular revisions for assuring that the exposures of a particular group remain properly homogeneous.

Forecast of future economic conditions

Under the new IFRS 9 the Group will include information with a projection of future conditions both for assessing if the credit risk of an instrument has increased significantly as from its initial recognition as well as its ECl measurement. Based on the recommendations of the Group's Market Risk Committee, use of economic experts and considering multiple external current and projected information, the Group will formulate a "base case" of the projection of relevant economic variables as well as a representative range of other possible projected scenarios. This process involves the development of two or more additional economic scenarios and considers the probabilities relating to each result.

External information may include economic data and publications of projections by governmental committees and monetary authorities in those countries where the Group operates, Supranational organizations such as de OCDE and the International Monetary Fund, and academic projections as well as of the private sector.

The base case is expected to represent the most probable result aligned with the information utilized by the Group for other purposes, such as strategic planning and budget. Other scenarios would represent a more optimistic and pessimistic results. The Group also plans to perform periodical stress tests for tuning the determination of these other representative scenarios.

The Group is under the process of identifying and documenting key guides of credit risk and credit losses for each portfolio of financial instruments, and estimate the relationships between macroeconomic variables, credit risk and credit losses, using a historic data analysis

Preliminary Assessment of the Impact of the Change of Model for Provisions of Losses due to Impairment of Financial Instruments.

The most significant impact of implementing IFRS 9 in the Group is expected to result from the new impairment requirements. Losses due to impairment will increase and become more volatile for financial assets within the scope of IFRS 9 impairment models.

The Group estimates that adopting IFRS 9 as of January 2018 will increase the provisions for impairment of financial assets in $862,000. Provisions for impairment of credit products without guarantee with longer expected life, such as overdrafts and credit cards shall be the most affected by the new impairment requirements.

Hedge Accounting

During the initial application of IFRS 9, the Group can choose as accounting policy to continue applying the accounting requirements of hedging of IAS 39 instead of those included in IFRS 9. The Group elected to continue applying hedging accounting IAS 39. However, the Group will provide extended accounting disclosures introduced by amendments of IFRS 9 to IFRS 7 "Financial Instruments Disclosures", since the election of accounting policies does not provide an exception for the disclosure requirements.

Disclosures

IFRS 9 will require new extensive disclosure requirements, especially in hedge accounting, credit risk and provisions for expected credit losses.

Transition

Changes in accounting policies resulting from the IFRS adoption are generally applied retroactively except as described below:

- The Group shall not re-express comparative information of previous periods with respect to classificatio006E and measurement changes (including impairment); differences in the amounts of financial instruments resulting from the adoption of IFRS 9 shall be recognized in retained earnings not appropriated in equity as of January 1, 2018. Except in the case of adjustments in impairment of credit portfolio that, under instructions of the Financial Superintendence of Colombia, will be recognized in other comprehensive income.

- The following assessments were carried out on the basis of facts and circumstances existing as of the date of the initial application:

  ✓ Determination of the business models over which the financial assets are held.
  ✓ Designation of certain investments in equity instruments not held for trading at fair value with adjustment to OCI.

- If an investment in a debt instrument has a low credit risk as of January 1, 2018, the Group shall determine that the asset's credit risk has not increased significantly as from the initial recognition.

b. IFRS 15 - Revenue from Contracts with Customers

In July 2014 the IASB issued the IFRS 15 "revenue from contracts with customers" which replaces several former standards, but especially IAS 11 "Construction Contracts" and IAS 18 "Revenue". This new standard with mandatory application as from January 1, 2018, requires that the revenues from ordinary activities of clients different than those originating in financial instruments and lease contracts are recognized with specific standards for their registration, IFRS 15 sets forth that revenues are recognized in such a manner for reflecting the transfer of control of goods or services committed with clients in exchange of an amount expressing the consideration to the Group expects to be entitled. Under this new premise the Group recognizes revenues of ordinary activities, different than financial yields such as banking services commissions, sale of goods or services of different items, and revenues of construction contracts through the application of the following stages:

1. Identifying the contract with the client.
2. Identifying the obligations of performance in the contract.
3. Determining the transaction price
4. Assigning the transaction Price within the performance obligations.
5. Recognizing revenue to the extent that Group satisfies its clients regarding each of its performance obligations.

In accordance with the former criteria, the main changes that apply to Group in determining other revenues different than financial yields and revenues from construction contracts correspond to the revaluation made to the assignment of the transaction price based on fair values of the different services or in costs plus profit margin instead of utilizing the residual value method, especially in the assignment of revenues from construction contracts and operation of goods of the Colombian Government in concession contracts.

The preliminary high level assessment carried out by the Group shows that implementing IFRS 15 will not have a material impact in timeliness or amount of recognition of other income of the Group corresponding to the aforementioned operations.

The Group intends to adopt the standard utilizing the retrospective modified approach, which means that the aggregate impact of the adoption shall be recognized in the retained profits as from January 1, 2018, and that the comparative figures will not be re-expressed.

The Group estimates the effect of IFRS 15 implementation as of January 1, 2018 will increase (decrease) the equity net taxes in $21,595.

c. IFRS 16 Leases

IFRS 16 was issued by the IASB in 2016 with effective application date by the entities as from January 1 2019, with early application allowed.

IFRS 16 replaces the existing guidelines for accounting leases, including IAS 17 Leases, IFRIC 4 determining if a contract includes a lease, SIC 15 incentives in operation of operating leases and SIC 27 evaluating the substance of transactions involving the legal form of a lease.

IAS 16 introduces a sole model of accounting record of lease contracts in the statement of financial position for lessees. A lessee recognizes an asset for right of use representing the right to use the asset taken under lease and a liability for lease representing the obligation of making lease payments. There are optional exceptions for short term leases or leases of goods with very low amounts. The accounting treatment of lease contracts for lessees remains similar to the current accounting standards wherein the lessor classifies the lease contracts as financial or operation leases.

The Group has begun a potential evaluation of the impacts in its consolidated financial statements, up to now, the most significant impact identified is the recognition of a new asset, and a liability in its operating leases contracts especially of properties used for the operation of the offices. Furthermore, the nature of the expenses corresponding to operating leases contracts in the capacity as lessee will change with IFRS 16, from expenses of leases to charges of depreciation of the right to use the asset and financial expenses in the liabilities for leases. Up to date, the Group advances the evaluation and determination of the impacts of adopting this new standard.

d. Other Amendments

- IAS 12 – Income Taxes: "Recognition of Assets for Deferred Taxes due to Unrealized Losses ". Clarification for recognizing assets for deferred taxes due to unrealized losses.
- IFRS 15 - Revenue from Ordinary Activities Resulting from Contracts with Customers: "Clarifications to IFRS 15". It contains modifications, clarifying how to identify a performance obligation, if an entity acts

as principal or agent and if the income from the granting of a license must be recognized at a point in time or over time.

- Annual Improvements Cycle 2014 - 2016. Modifications to IFRS 12, IFRS 1 and IAS 28.
- Modifications to IAS 7 – Initiative on Information for Disclosure.
- IFRIC 22 - Transactions in Foreign Currency and Advance Considerations: Interpretation on how to determine the exchange rate related to prepayments in foreign currency. In this interpretation, the date of the transaction is clarified in order to determine the rate of change in the initial recognition of the related asset, expense or income, when an entity has received or paid an advance consideration in foreign currency. Said transaction date is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the payment or collection of the advance consideration. The international effective date is from January 1, 2018.
- IAS 40 - Investment Properties: "Transfers of Investment Properties". Modifications related to property transfers to, or from, investment properties.

The application of the following amendments issued by IASB in 2017 shall take place when the government issues a decree regulating its implementation. No significant impact on the financial statements of the Group is expected.

a. IFRIC 23 – Uncertainty regarding tax treatment, with international application date for annual periods beginning on or after January 1, 2019. To reduce the various treatments in practice, the interpretation clarifies the recognition and measurement of a tax liability or an asset when there is uncertainty in the treatment of taxes.

b. IFRS 9 - Financial Instruments: "Early Cancellation with Negative Compensation". This amendment issued in October 2017, with an international application date for annual periods beginning on or after January 1, 2019, includes modifications on characteristics of early cancellation with negative compensation, allowing lenders to measure some of the debt instruments. With characteristics of early payment at amortized cost.

c. IAS 28 - Investments in Associates and Joint Ventures: "Long Term Participations in Associates and Joint Ventures". This amendment clarifies the accounting for companies that have long-term interests in an associate or joint venture that do not apply the equity method and use IFRS 9. Effective internationally as of January 1, 2019, allowing early application.

d. Annual Improvements Cycle 2015 - 2017. Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23.

NOTE 4 - USE OF ACCOUNTING JUDGMENTS AND ESTIMATES WITH SIGNIFICANT EFFECT ON THE FINANCIAL STATEMENTS

The Group's management makes estimates and assumptions that affect the amounts recognized in the consolidated financial statements and the carrying value of assets and liabilities within the next fiscal year. These judgments and estimates are assessed continuously and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Management also makes certain judgments apart from those involving estimates in the process of applying accounting policies. The judgments that have the most significant impact on the amounts recognized in the consolidated financial statements and the estimates that can cause a significant adjustment in the carrying value of assets and liabilities within the next year include the following:

(Continued)

4.1 The Business Model

The Group applies significant judgment for determining its business model for managing financial assets and to assess whether financial assets meet the conditions defined in the business model, so as to be classified at fair value or at amortized cost. Financial assets at amortized cost may be sold only in limited circumstances, specifically in transactions that are infrequent and immaterial with respect to the total portfolio and in situations where, for example, the asset no longer complies with the Group's investment accounting policies, adjustments are made in the maturity structure of its assets and liabilities, major capital outlays need to be financed, or there are seasonal liquidity needs.

4.2 Loan portfolio Impairment (Allowance)

The Group regularly reviews its Loan portfolio for assessing impairment. In determining if any impairment must be recorded against the year's income, management judges whether or not there is observable data indicating a decrease in the estimated cash flow from the Loan portfolio before the decrease in that flow can be identified for a particular loan in the portfolio.

The process used for calculating impairment includes an analysis of specific, historical and subjective components.

The methods used by the Group are the following:

- A regular, detailed analysis of the Loan portfolio
- A system of assessment of loans by risk level
- A regular review of the summary of loan-loss impairment
- Identification of loans to be assessed individually for impairment
- Consideration of internal factors such as our size, organizational structure, the structure of the Loan portfolio, the loan management process, a trend analysis of non-performing loans and historical loss experiences
- Consideration of the risks inherent in different types of loans
- Consideration of external factors (local, regional and national), as well as economic factors

In the process of calculating impairment allowances for loans deemed individually significant, based on the discounted cash flow method, the management of each financial entity makes assumptions about the amount to be recovered from each customer and the time it will take to do so. Any change in this estimate can generate significant changes in the value of the impairment determined. When calculating impairment allowances for loans regarded as individually significant, based on their collateral, management estimates the fair value of that collateral, with the help of independent expert appraisers. In turn, any variation in the price ultimately obtained in recovering the collateral can give place to significant changes in the value of the impairment allowances.

In the process of calculating collective impairment allowances for loans that are not considered individually significant or those individually significant loans that are not impaired and are assessed collectively for impairment, the historical loss rates used in the process are updated regularly to include the latest data that reflect current economic conditions, trends in performance of the industry, geographic concentrations or concentrations of debtors in each portfolio segment, and any other relevant information that could have an impact on estimating the loan impairment allowance. Many factors can affect estimates of the allowance for

losses on loans granted by the Group, including volatility in the probability of impairment, migration and estimates of the severity of the losses.

The entities in the Group have calculation methods to quantify losses incurred on collectively assessed portfolios. These methods take into account four main factors; namely, exposure, probability of default, the loss identification period and the severity of the loss.

- Exposure at default (EAD) is the amount of risk incurred at the moment the counterpart defaults payment.
- Probability of default (PD) is the possibility the counterpart will default its obligations to pay principal and/or interest. The probability of default is associated with the rating/scoring or the level of default of each counterpart/transaction.

In the specific case of loan default, the assigned PD is 100%. A loan is rated as "doubtful" when it is 90 days or more past due, and in cases where, even without default, there are doubts about the counterpart's solvency (loans subjectively considered bad debts).

- Loss given default (LGD) is the estimated loss in the event of default. It depends mainly on the characteristics of the counterpart and the valuation of the collateral associated with the transaction.
- The loss identification period (LIP) refers to the time elapsed between the occurrence of the event that generates a specific loss and the time that the loss becomes clearly evident at the individual level. LIPs are analyzed based on loans with similar risk.

	December 31, 2017			
	Sensitivity		Increase	Decrease
Loans assessed individually:		$		
Probability of default on estimated future cash flows	10%		219,393	(219,393)
Loans assessed collectively				
Probability of default	10%		115,367	(125,990)
Severity of the estimated loss	10%		83,375	(113,665)
Loss identification period	1 Month	$	144,758	(144,624)

	December 31, 2016			
	Sensitivity		Increase	Decrease
Loans assessed individually:				
Probability of default on estimated future cash flows	10%	$	162,953	163,388
Loans assessed collectively				
Probability of default	10%		101,835	(109,703)
Severity of the estimated loss	10%		72,623	(99,104)
Loss identification period	1 month	$	125,222	(125,241)

4.3 Fair Value of Financial Instruments

The fair value of financial instruments is estimated according to the fair value hierarchy, which is classified according to three levels that reflect the importance of the input used in measuring fair value.

Information on the fair value of financial instruments classified by level, using observable data for levels 1 and 2 and unobservable data for level 3, is disclosed in Note 5.

Determining what constitutes "observable" requires significant judgment on the part of the Group.

The observable data are those that are available in the market, distributed or regularly updated, reliable and verifiable, and that reflect the assumptions that market participants would use when setting the price of the asset or liability.

4.4 Deferred Income Tax

The Group evaluates the possibility of realizing deferred income tax assets over time. These represent taxes on earnings that can be recovered through future deductions from taxable income, and are recorded in the statement of financial position. Deferred tax assets are considered to be recoverable when the relative tax benefits are regarded as probable. Future tax income and the amount of tax benefits considered to be probable in the future are based on the mid-term plans prepared by management. The business plan is based on management's expectations that is believed to be reasonable under the circumstances.

As of December 31, 2017 and 2016, the Group's management estimates the deferred income tax asset items would be recoverable, based on its estimates of future taxable gains. Deferred tax liabilities regarding investments in subsidiaries are recorded based on temporary taxable differences except when the Group controls the time of reversion and it is likely that such temporary difference will not be reversed in a foreseeable future. See Note 21.

4.5 Initial recognition of transactions with related parties

The Group enters into transactions with related parties in the normal course of its business, which requires initial recognition of financial instruments based on their fair value. Judgment is applied in determining whether or not transactions are carried out at market rates of interest when there is no active market for such transactions.

The basis for judgment consists of valuing similar transactions with unrelated parties and analyzing effective interest rates. The terms and conditions of transactions with related parties are outlined in Note 36.

4.6 Evaluating Impairment of Goodwill

The Group's management evaluates impairment of Cash-generating Units with Distributed Goodwill recorded on its consolidated financial statements. It does so on an annual basis at September 30 and when there are indications that any of the cash generating units (CGU) to which goodwill was allocated might be impaired, based on studies to that effect conducted by independent experts engaged for this purpose.

These studies are conducted based on valuations of the cash-generating units to which goodwill was assigned upon its acquisition. This is done by the discounted cash flow method, taking into account a number of factors, such as the economic situation of the country and the sector where the Group operates, historical financial information, and projections on growth of the company's revenues and expenses in the next five years and, subsequently, growth in perpetuity considering its profit capitalization rates discounted at risk-free interest rates that are adjusted according to the risk premiums that are required given the circumstances of each company.

The assumptions used for the valuations are outlined in Note 19.

4.7 Provisions for contingencies

The Group calculates and records an estimate for provisions to cover possible losses in labor, civil and commercial judgments and tax assessments or others, depending on the circumstances, which in the opinion of external legal counsel and / or in-house counsel are considered a probable loss and can be reasonably estimated. Given the nature of many of the complaints, cases and / or processes, it sometimes is not possible to arrive at an accurate prognosis or to quantify the amount of loss reasonably. Accordingly, the actual amount of the payments made for claims, cases and / or processes is consistently different from the amounts estimated and provisioned originally. These differences are recognized in the year when they are identified. See Note 25.

4.8 Employee Benefits

The measurement of post-employment benefit obligations (severance and retirement bonuses) and other long-term obligations (seniority bonuses) is in accordance with the requirements of IAS 19 - Employee Benefits. They depend on a wide variety of long-term term actuarial assumptions, including estimates of the present value of future pension payments projected for pension plan participants, considering the likelihood of potential future events, such as increases in the minimum wage and demographic experience. These premises and assumptions can have an effect on the amount and on future contributions, if there is any variation.

The discount rate makes it possible to ascertain future cash flows at present value on the measurement date. The Group determines a long-term rate that represents the market rate for high-quality fixed income investments or for government bonds denominated in the currency wherein the benefit will be paid, and considers the timing and amounts of future benefit payments. The Group has selected government bonds for this purpose.

Pursuant to Decree 2496/ 2015, the market parameters established in Decree 2783/ 2001 were used as the best approximation to the market, so as for determining the liability for this post-employment benefit (See Note 2.16).

NOTE 5 - ESTIMATE OF FAIR VALUE

The fair value of financial assets and liabilities traded in active markets (such as financial assets in debt securities, equity instruments and derivatives quoted actively on securities exchanges and interbank markets) is based on dirty prices supplied by an official pricing service authorized by the Financial Superintendence of Colombia. The pricing service determines dirty prices based on the weighted averages of the transactions that took place during the trading day.

An active market is that wherein transactions for assets or liabilities are carried out with sufficient frequency and in enough volume to provide a steady stream of information on prices.

A dirty price is a pricing quote that includes the interest accrued and pending as from the date of issue or the last interest payment up to the date of completion of the sale transaction or until the appraisal date.

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques that are defined by the pricing service or by the Group. The valuation techniques used for non-standardized financial instruments such as options, currency swaps and over-the-counter derivatives include interest-rate or currency valuation curves. Price suppliers construct these curves using

(Continued)

market data extrapolated to specific conditions of the instrument being valued. They also employ discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market players who take maximum advantage of market data and rely as least as possible on entity-specific information.

The Group calculates the fair value of derivative instruments on a daily basis, using information on prices and/or input supplied by the officially designated official pricing service (Infovalmer Proveedor de Precios para la Valoración S.A.) and Bloomberg. This supplier was authorized following its compliance with the standards applicable to valuation pricing services in Colombia, including their purpose, operational regulations, the valuation-method approval process, and required technological infrastructure, to name but a few. After assessing the pricing service's methodologies, it was concluded that the fair value calculated for derivative instruments based on the prices and input supplied by Infovalmer S.A. is adequate.

The Group is able to use models developed internally for instruments that do not have active markets. Generally, these models are based on valuation methods and techniques that are standard in the financial sector. Valuation models are employed primarily to assess unlisted equity instruments, debt securities and other debt instruments. Some of the data used for these models are not observable in the market and, consequently, are estimated on the basis of assumptions that are founded on the market conditions existing at each reporting date.

The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and the valuation techniques used may not fully reflect all the factors relevant to the Group's position. Therefore, valuations are adjusted, as needed, to accommodate additional factors such as model risk, liquidity risk and counterpart risk.

For the purpose of determining customer loan impairment and investment properties, the fair value of non-monetary assets such as loan collateral is based on appraisals by independent expert appraisers who are sufficiently experienced and knowledgeable about the real estate market or the asset being valued. Generally, these assessments are made with reference to market data or on the basis of the replacement cost, when market figures are insufficient.

The fair value hierarchy includes the following levels:

- Level 1 entries are prices quoted (with no adjustment) on active markets for assets or liabilities identical to those the entity can access on the date of measurement.
- Level 2 entries are different from the quoted prices at Level 1 and are observable directly or indirectly for the respective assets or liabilities.
- Level 3 entries are non-observable for the assets or liabilities.

The cases where the entry data used for measuring fair value may be classified indifferent hierarchical levels. The measurement of fair value is classified in whole at the same level of fair value of the input data of the lowest level which is significant for the whole measurement.

Market-listed financial instruments that are not considered assets, but are valued according to quoted market prices or those supplied by pricing services, or by alternative pricing sources supported by observable entries, are classified at Level 2.

If a measurement of fair value uses observable input requiring a significant adjustment based on unobservable inputs, that measurement is a Level 3 assessment. Evaluating the significance of a particular entry to a measurement of fair value in its entirety requires professional judgement, taking into account specific factors of the asset or liability.

Determining what qualifies as "observable" requires significant judgment by the management. The Group deems as observable data can be defined as readily available market data that is regularly distributed or updated, are reliable and verifiable, are free of ownership rights, and provided by independent sources actively involved in the reference market.

5.1 Measurements of Fair Value on a Recurring Basis

Fair value measurements are those required by accounting regulations or allowing the statement of financial position at the end of each accounting period.

The following table shows the Group's assets and liabilities (by type) measured at fair value on a recurring basis:

		December 31, 2017			
		Level 1	Level 2	Level 3	Total
Assets					
Investments in debt securities at fair value, issued and secured					
Colombian government	$	53,510	92,363	0	145,873
Other of the Colombian government entities		0	411,224	0	411,224
Foreign governments		0	1,330,443	0	1,330,443
Central banks		0	1,041,875	0	1,041,875
Other financial entities		62,894	2,338,232	0	2,401,126
Entities of the Non-financial sector		0	18,595	0	18,595
Others		0	57,500	0	57,500
		116,404	**5,290,232**	**0**	**5,406,636**
Equity instruments whit changes in OCI		6,865	0	53,947	60,812
Equity instruments whit changes in income		24,471	1,335,303	155,376	1,515,150
Investments in equity instruments		**31,336**	**1,335,303**	**209,323**	**1,575,962**
Trading derivatives					
Currency forwards		0	125,149	1,568	126,717
Interest rate swaps		0	30,696	0	30,696
Currency swaps		0	19,772	0	19,772
Currency options		0	5,930	0	5,930
		0	**181,547**	**1,568**	**183,115**
Hedging derivatives					
Currency forwards		0	50,107	0	50,107
Securities forwards		0	1,270		1,270
		0	**51,377**	**0**	**51,377**
Non-financial assets					
Investment properties (1)		0	0	254,945	254,945
		0	**0**	**254,945**	**254,945**
Total assets at fair value on, recurring		**147,740**	**6,858,459**	**465,836**	**7,472,035**
Liabilities					
Trading derivatives					
Currency forwards		0	71,255	1,803	73,058
Interest rate swaps		0	17,370	0	17,370
Currency swaps		0	72,788	0	72,788
Currency options		0	11,488	0	11,488
		0	**172,901**	**1,803**	**174,704**
Hedging derivatives					
Currency forwards		0	13,298	0	13,298
Securities forwards		0	2,533		2,533
		0	**15,831**	**0**	**15,831**
Total liabilities at fair value, recurring	**$**	**0**	**188,732**	**1,803**	**190,535**

(Continued)

	December 31, 2016			
	Level 1	Level 2	Level 3	Total
Assets				
Investments in debt securities at fair value, issued and secured				
Colombian government	$ 93,911	64,096	0	158,007
Other of the Colombian government entities	0	394,235	0	394,235
Foreign governments	0	1,475,329	0	1,475,329
Central banks	0	409,191	0	409,191
Other financial entities	120,440	2,114,975	0	2,235,415
Entities of the Non-financial sector	0	99,273	0	99,273
Others	0	107,306	0	107,306
	214,351	**4,664,405**	**0**	**4,878,756**
Equity instruments whit changes in OCI	4,305	1,688	58,238	64,231
Equity instruments whit changes in income	51	1,161,433	125,622	1,287,106
Investments in equity instruments	**4,356**	**1,163,121**	**183,860**	**1,351,337**
Trading derivatives				
Currency forwards	0	175,349	0	175,349
Interest rate swaps	0	31,592	0	31,592
Currency swaps	0	30,553	0	30,553
Currency options	0	15,696	0	15,696
	0	**253,190**	**0**	**253,190**
Hedging derivatives				
Currency forwards	0	119,678	0	119,678
Securities forwards	0	3,340		3,340
	0	**123,018**	**0**	**123,018**
Non-financial assets				
Investment properties (1)	0	0	169,004	169,004
	0	**0**	**169,004**	**169,004**
Total assets at fair value on, recurring	**218,707**	**6,203,734**	**352,864**	**6,775,305**
Liabilities				
Trading derivatives				
Currency forwards	0	143,227	0	143,227
Interest rate swaps	0	18,503	0	18,503
Currency swaps	0	147,990	0	147,990
Currency options	0	19,607	0	19,607
	0	**329,327**	**0**	**329,327**
Hedging derivatives				
Currency forwards	0	41,596	0	41,596
Securities forwards		2,840		2,840
	0	**44,436**	**0**	**44,436**
Total liabilities at fair value, recurring	**$ 0**	**373,763**	**0**	**373,763**

(1) Reconciliation between the opening and closing balances, disclosing separately the level 3 hierarchy changes during the period, as detailed in Note 18 on investment property.

5.2 Non-recurrent Measurements of Fair Value

Following is a breakdown of the assets that remained assessed at fair value, as a result of assessment for impairment using the IFRS standards applicable to each account, but do not require measurement at fair value on a recurring basis:

	December 31, 2017			
	Level 1	Level 2	Level 3	Total
Financial instruments from the collateralized Loan portfolio	$ 0	0	218,027	218,027
Non-current assets held for sale	0	0	78,059	78,059
	$ **0**	**0**	**296,086**	**296,086**

(Continued)

		December 31, 2016			
		Level 1	Level 2	Level 3	Total
Financial instruments from the collateralized Loan portfolio	$	0	0	243,820	243,820
Non-current assets held for sale		0	0	210,707	210,707
	$	**0**	**0**	**454,527**	**454,527**

5.3 Determining Fair Value

The fair value of the financial instruments classified at Level 1 was determined according to the market prices supplied by the pricing service authorized by the price supplier. These prices are determined based on liquid markets complying with Level 1 requirements.

Financial instruments fair value classified as Level 2 is based on alternate assessment techniques for valuation of discounted cash flow, using observable market data from the price supplier. Generally, transfers between level 1 and 2 of investments portfolios correspond mainly to changes in liquidity levels of securities in the markets.

Level 3 investments have non-observable significant inputs. They include investments in equity securities which are not traded publicly.

Since observable prices are not available for these securities, the Group uses valuation techniques such as discounted cash flows for determining their fair value.

The following are the most common methods applicable to derivatives:

Valuation of foreign currency forwards: The price supplier publishes assigned curves according to the currency of origin of the underlying asset. These curves are comprised of the nominal rates in arrears associated with exchange rate forwards.

Valuation of forwards on bonds: The future theoretical value of the bond, based on its price on the valuation date and the risk-free rate of the reference country of the underlying asset, is calculated for determining the value of the forward up to a specific date. The present value of the difference between the future theoretical value and the bond price agreed in the forward contract is then obtained. The risk-free rate of the reference country of the underlying asset at the number of days to contract expiration is used for the discount.

Valuation of swap operations: The price supplier publishes assigned curves according to the underlying assets, in addition to swap base curves (exchange of associated payments at variable interest rates), domestic and foreign curves, and implicit curves associated with exchange rate forwards.

Valuation of OTC options: The price supplier publishes curves assigned according to the functional currency of the underlying asset, in addition to forward exchange curves for the domestic currency of the transaction, implicit curves associated with exchange forwards, assigned swap curves according to the underlying asset, and matrix and implicit volatility curves.

Valuation techniques used in measuring level 2 and level 3 fair values as well as the significant unobservable inputs used are described as follows:

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a. Equity Securities

The Group's equity investments are in a number of entities where its equity share is less than 20%. Some of this ownership interest was received as payment for customer obligations in the past and some was acquired because it is necessary to develop the Group operations and those of its subsidiaries. ACH Colombia S.A. and the Camara de Riesgo Central de Contraparte are two examples of the latter. In general, not all these companies are listed on the stock exchange and, consequently, their fair value has been determined with the help of outside consultants. They have used the discounted cash flow method for this purpose, constructed on the basis of the appraiser's own projections with respect to income, costs and expenses for each entity assessed during a five-year period. Historical information obtained from the companies and their residual value, with determined growth rates for perpetuity established by the appraisers based on their own experience, are the basis for this process. These projections and residual values were discounted, based on interest rates constructed with curves from the pricing services, adjusted for estimated risk premiums based on the risks associated with each company being valued.

The following table summarizes the range of the main variables used in the valuations.

Variable	Range
Inflation growth (1)	Between 3% and 4%
Growth in gross domestic product (1)	Between 2% and 4%
During the five years of the forecast	Between 3% and 4% annually, in constant terms
Income	Between 3% and 4%
Costs and expenses	Inflation
Growth in perpetuity after five years	Between 1% and 3%
Discount interest rate	50 BP
Equity Rate of cost	50 BP

1) Information obtained from the National Department of Planning

The table below contains a sensitivity analysis of the changes in these variables in the Group's equity, considering that the variations in the fair value of these investments are recorded in equity.

Methods and Variables	Change	Favorable impact	Unfavorable impact
Discounted cash flow method			
Growth during the five years of the forecast			
Net income	+/ - 1%	770	(762)
Growth in residual values after ten years	+/ - 1%	40	(37)
Growth in residual values after five years	+/ - 1% +/-30 PB	1,685 13	(1,323) (17)
Discount interest rate	+/- 50 PB	335	(315)
Equity Rate of cost	+/- 50 PB	1,310	(1,191)
Net asset method			
Assets most relevant variable	+ /- 10 % +/- 1%	32 24	(46) (24)

b. Investment Properties

Investment properties are reported in the statement of financial position at their fair value, as determined in reports prepared by independent expert appraisers at the end of each reporting period. The frequency of property transactions is low due to current conditions in the country. However, management estimates there is sufficient market activity to provide comparable prices for orderly transactions with similar properties when determining the fair value of the Group´s investment property (see Note 18).

(Continued)

The preparation of investment property assessment reports excludes foreclosure transactions. The Group has reviewed the assumptions used in assessments by independent expert appraisers and deems that factors such as inflation, interest rates, etc., have been determined appropriately, considering market conditions at the end of the reporting period. Notwithstanding the foregoing, management believes investment property assessment currently is subject to a high degree of judgment and an increased probability that current income from the sale of such assets may differ from their book value. Assessments of investment property are considered at hierarchy Level 3 in fair-value measurement.

With investment properties, an increase (decrease) of 1% on their market value would result in an increase (decrease) of $2,549 in their fair value, as the case may be.

The following table shows the movement of the balances with the fair value measurements classified at Level 3.

		December 31, 2017		
		Derivatives	Equity instruments	Investment Properties
Balance at the beginning of the period	$	**0**	**183,860**	**169,004**
Valuation adjustments with effect on income		0	19,488	6,123
Valuation adjustments with effect on OCI		0	4,430	0
Additions		0	2,578	6,000
Sales/disposals		0	0	(4,244)
Reclassifications		(235)	(1,131)	78,062
Exchange difference		0	98	0
Balance at end of period	$	**(235)**	**209,323**	**254,945**

		December 31, 2016			
		Equity instruments	Financial assets in concession arrangements	Biological assets	Investment Properties
Balance at the beginning of the period	**$**	**187,467**	**1,891,692**	**240,212**	**292,916**
Valuation adjustments with effect on income		0	0	0	4,755
Valuation adjustments with effect on OCI		5,198	0	0	0
Additions		125,785	0	0	3,003
Sales/disposals		(15,457)	0	0	(15,768)
Reclassifications		(3,052)	0	0	16,433
Net income for the period from continuing operations		(48,008)	86,988	26,127	10,094
Decline due to loss of control Corporacion Financiera Colombiana S.A		(67,048)	(1,978,680)	(266,339)	(142,429)
Exchange difference		(1,025)	0	0	0
Balance at end of period	**$**	**183,860**	**0**	**0**	**169,004**

c. Fair Value of Financial Assets and Liabilities Recorded at Amortized Cost for Disclosure Purposes Only

The following describes how the financial assets and liabilities were valued, recorded at amortized costs and measured at fair value solely for the purpose of this disclosure.

- **Fixed-income Investments at Amortized Cost**

The fair value of fixed-income investments at amortized cost was determined using the dirty price supplied by the pricing service. Securities having an active market and a market price on the day of the valuation are classified as Level 1 assets. Those without an active market and/or a price provided by the pricing service; namely, an estimated price (the present value of the cash flows generated by a security, discounted at the reference rate and the respective margin) are classified as Level 2 assets.

(Continued)

- **Loan portfolio at Amortized Cost**

The fair value of the Loan portfolio at amortized cost was determined using cash flow models discounted at the interest rates offered by banks on new loans, taking into account the credit risk and maturity period. This is considered to be a Level 3 valuation.

- **Customer Deposits**

The fair value of demand deposits is equal to their book value. In the case of term deposits maturing in less than 180 days, their fair value was considered to be equal to their book value. For time deposits over 180 days, the fair value was estimated using a cash flow model discounted at the interest rates offered by banks, according to the maturity period. This is regarded as a Level 2 valuation.

- **Financial Obligations and Other Liabilities**

The book value of financial obligations and other short-term liabilities is regarded as their fair value. The fair value of long-term financial obligations was determined using discounted cash flow models at risk-free interest rates adjusted to account for the particular risk premiums of each entity. The fair value of bonds issued is determined by their prices quoted on the stock market, in which case the valuation is Level 1 and Level 2 for the other obligations.

The following table contains a summary of the Group's financial assets and liabilities recorded at face or amortized cost solely for disclosure purposes and their corresponding book value:

		December 31, 2017				
			Estimate of fair value			
		Book value	Level 1	Level 2	Level 3	Total
Assets						
Investments at amortized cost	$	6,930,289	2,385,267	4,563,285	0	6,948,552
Loan portfolio		104,243,805	0	0	104,817,388	104,817,388
Liabilities						
Customers deposits		100,947,245	0	100,258,549	0	100,258,549
Financial obligations	$	25,294,735	8,286,081	17,493,574	0	25,779,654

		December 31, 2016				
		Book value	Estimate of fair value			
			Level 1	Level 2	Level 3	Total
Assets						
Investments at amortized cost	$	6,378,126	2,743,122	3,533,073	0	6,276,195
Loan portfolio		97,169,520	0	0	100,798,008	100,798,008
Liabilities						
Customers deposits		93,676,673	0	93,679,282	0	93,679,282
Financial obligations	$	25,863,311	7,233,807	18,037,597	0	25,271,404

It is not considered necessary to calculate the fair value of investments in associate companies and Joint Arrangements recorded using the equity participation method, since the cost of their valuation exceeds the benefits of disclosure.

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NOTE 6 - FINANCIAL RISK MANAGEMENT

Banco de Bogotá S.A. and its subsidiaries in the financial sector, such Leasing Bogotá Panamá, which consolidates with Grupo BAC Credomatic, including its subsidiaries in Central America, Administradora de Fondos de Pensiones y Cesantías Porvenir S.A. and Fiduciaria Bogotá S.A., among others, manage risk according the Group's internal policies and the regulations applicable in each country.

The Bank's non-financial sector subsidiaries have lower exposure to certain financial risks, although they are exposed to adverse changes in the prices of their products and to operational and legal risks.

6.1 Description of Risk Management Objectives, Policies and Processes

The Group's objective is to maximize returns for its investors, through proper risk management. Following are the guiding principles in that respect:

- Provide customers security and continuity in the services offered.
- Make risk management a part of every institutional process.
- Arrive at collective decisions within each of the Group's boards of directors for granting commercial loans and other investment operations.
- Possess extensive, in-depth knowledge of the market, as a result of management's leadership and experience.
- Establish clear risk policies , based on a top-down approach with respect to:
  - ✓ Compliance with "know-your-customer" policies, and
  - ✓ Structures for granting commercial loans based on a clear identification of sources of repayment and the debtor's capacity to generate a cash flow.
- Diversify the commercial loan portfolio in terms of industries and economic groups.
- Specialize in consumer product niches
- Make extensive use of credit rating and scoring models that are updated on a permanent basis so as to ensure an increase in consumer loans with high credit ratings.
- Employ conservative policies with respect to:
  - ✓ Composition of the trading portfolio biased toward lower-volatility instruments,
  - ✓ Proprietary trading, and
  - ✓ Variable remuneration for the trading staff.

6.2 Risk Culture

The Group's risk culture is based on the principles indicated in the section above. It is conveyed to every entity and unit within the Group and is backed by the following guidelines:

- Risk management within the Group is independent and monitored at the level of individual entities and for the Group as a consolidated whole.

- The structure for delegating powers at the Group level requires a large quantity of transactions to be sent to decision-making centers, such as the risk or credit committees. The large number and high frequency of the meetings held by these committees assures proposals are resolved quickly and guarantees that senior management is constantly involved in managing the various risks.

- The Group has detailed manuals on actions and policies for risk management.

- The Group has implemented a risk limit system updated on a regular basis to address new conditions in the markets and the risks to which the Group is exposed.

- Adequate information systems have been implemented to monitor risk exposure on a recurring basis. The idea is to make sure the approval limits are systematically met and, if necessary, to take appropriate corrective action.

- The main risks are not analyzed only when they arise or when problems occur during the normal course of business, but also on a permanent basis.

- The Group offers adequate and continuous training on the risk culture, at every level within the organization.

6.3 The Corporate Structure for Risk Management

According to the guidelines set by the Group, the corporate structure for risk management at the level of the Bank and its subsidiaries is comprised of the following:

- Board of Directors
- Risk Committees
- Vice President for Risk and Credit Management
- Administrative Processes for Risk Management
- Internal Auditing Department

a. Board of Directors

The boards of directors of the Bank and of each subsidiary are responsible for adopting the following decisions, among others, with respect to the proper organization of each entity's risk management system:

- Define and approve general policies and strategies concerning the internal control system for risk management.

- Approve policy on the management of different risks.

- Approve trading and counterpart limits, according to defined attributions.

- Approve exposure and limits for different types of risks.

- Approve the procedures to be followed when established limits are exceeded.

- Approve the procedures and methods for risk management.
- Approve the allocation of human, physical and technical resources for risk management.
- Create the committees that are needed to make sure operations that generate exposure are organized, controlled and monitored properly, and define the duties of such committees.
- Indicate the responsibilities and attributes of the different positions and areas in charge of risk management.
- Approve internal control systems for risk management.
- Require management to submit a variety of periodic reports on the levels of exposure to different risks.
- Evaluate the recommendations and corrective actions proposed for risk management processes.
- Conduct follow-up at regular board meetings, through periodic risk-management reports submitted by the Audit Committee on risk management within the Group and the measures taken to control or mitigate the more relevant risks.
- Approve the nature and scope of the strategic businesses and markets wherein the Group will operate.

b. The Risk Committees

The Comprehensive Risk Management Committee

The objective of this committee is to establish policies, procedures and strategies for the comprehensive management of credit risk, market risk, liquidity risk, operational risk and the risk of money laundering and terrorism financing. Its main duties include:

- Measuring the comprehensive risk profile of the Bank and its subsidiaries.
- Designing systems to monitor and follow up on levels of exposure to the different risks facing the Bank and its subsidiaries.
- Reviewing and proposing to the Board of Directors the level of tolerance and degree of exposure to risk the Group is willing to assume in the course of its business.
- This implies evaluating alternatives to align the appetite for risk in the various risk management systems, both at the Bank and in its subsidiaries.
- Assessing the risks posed by involvement with new markets, products, segments and countries, among others.

Credit and Treasury Risk Committee

The Group has a credit and treasury risk committee, among others. It is comprised by members of the Board of Directors, who meet regularly to discuss, measure, control and analyze credit risk management (SARC) and treasury risk management (SARM). The primary duties of this committee involve:

- Monitoring the credit and treasury risk profile of the Group to ensure the level of risk remains within established parameters, pursuant to the Group's limits and policies on risk.

- Evaluating incursions into new markets and new products.

- Assessing policies, strategies and rules of procedure on commercial activities with respect to both treasury and loan operations.

- Ensuring that risk management and risk measurement methods are appropriate, given the Group's characteristics and activities.

Assets and Liabilities Committee

The Assets and Liabilities Committee (ALCO or ALICO Committee) is intended to help senior management define policies and limits, monitor, control and measure systems to support the management of assets and liabilities, and manage liquidity risk through the different liquidity risk management systems (SARL).

Its main duties include:

- Establishing adequate procedures and mechanisms for liquidity risk management.
- Monitoring reports on liquidity risk exposure.
- Identifying the origin of exposure and using sensitivity analysis to identify the probability of lower returns or the need for resources, due to movements in cash flow.

Auditing Committee

The purpose of this committee is to evaluate and monitor the internal control system.

Its main duties include:

- Proposing to the Board of Directors, for approval, the structure, procedures and methods that are required for the internal control system to operate properly.

- Assessing the entity's internal control structure for determining if the designed procedures reasonably protect its assets and those managed for third parties or having custody over, and for verifying whether controls are in place to make sure transactions are authorized and recorded appropriately. To that end, the Statutory Auditor, the Auditing Department and the areas that are responsible for managing the different risk systems submit mandatory periodic reports to the Auditing Committee, along with any others they might be asked to prepare.

- Follow-up of risk exposure levels, implications for the Group, and measures taken to control and mitigate risk.

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c. Vice President for Risk and Credit Management

The duties of the Vice President for Risk and Credit Management within the organizational chart are the following, among others.

- Overseeing proper compliance with the risk-management policies and procedures established by the Board of Directors and by the different risk committees.
- Designing risk-management methods and procedures to be followed by management.
- Establishing permanent monitoring procedures for timely identification of any deviations from risk-management policy.
- Preparing regular risk-compliance reports for the risk committees, the board of directors of each subsidiary and for the Colombian government agencies that are responsible for surveillance and control.

d. Administrative Processes for Risk Management

Pursuant to its business models, the Group has structures and procedures that are well defined and documented in manuals on the administrative processes to be followed for risk management. It also has a number of technological tools to monitor and control risk. These will be discussed later on, in detail.

e. Internal Auditing Department

The internal audits done by the Group are independent from management and depend directly on the auditing committees. In line with their duties, these committees conduct periodic assessments of compliance with the risk-management policies and procedures to be followed by the Group. Their reports are submitted directly to the risk committees and to the committees in charge of monitoring management of the Group in terms of the corrective measures taken. The Group also receives regular visits from in-house auditing to track compliance with risk management policies at the Group level. The reports on these visits are submitted directly to management and to the Group's auditing committees.

BAC Credomatic Group

As for the subsidiaries, Leasing Bogotá Panamá consolidates with BAC Credomatic Group, which is located in Central America. Grupo BAC Credomatic has its own policies, functions and procedures for risk management; however, they are aligned with the guidelines set forth by Banco de Bogotá.

Risk is managed and monitored regularly through the following corporate-governance bodies, which are established at the regional level and in the countries where BAC Credomatic Group operates: Comprehensive Risk Management Committee, Assets and Liabilities Committee (ALICO), Compliance Committee, Credit Committee, the Audit Committee and the Investment Committee.

In terms of credit risk management, BAC has a centralized structure with a National Risk Director who reports to the CEO of BAC. In turn, the CEO of BAC leads the Regional Credit Committee, which is responsible for establishing applicable growth strategies, policies and procedures, pursuant to each country's level of risk. Although the local risk management units report to the CEO of the company in each country, compliance with policies and procedures is reported to the Regional Risk Director.

With regard to market risk, BAC has a regional unit to manage policy on investment and on the management of assets and liabilities. It defines guidelines on establishing country and counterpart risk limits, limits on monetary positions in foreign currency, and guidelines on how to manage liquidity, interest-rate and exchange risks. The establishment of regional risk management policies is the responsibility of the Regional Assets and Liabilities Committee, which is made up of the BAC Board members.

6.4 Individual Risk Analysis

The Group is exposed to a range of financial, operational, reputational and legal risks that arise during the course of its business.

Financial risks include: i) market risk (trading and price risks, as described later) and ii) structural risks due to the composition of the assets and liabilities on the Group's consolidated balance sheet. The major ones are credit risk, the risk of variations in the exchange rate, liquidity risk and interest-rate risk.

Following is an analysis of each of these risks:

a. Credit Risk

The Group assumes credit risk daily on two fronts. One involves lending activity, which includes commercial, consumer, mortgage and microcredit operations. The other is treasury activity, which involves interbank operations, investment portfolio management, transactions in derivatives and foreign exchange trading, among other operations. Although these are independent businesses, the nature of counterpart insolvency risk is comparable and, therefore, the criteria being applied are the same.

The principles and rules for managing loans and credit risk within the Group are outlined in the Credit Manual, which is conceived for traditional banking activity, as well as for treasury operations. The assessment criteria applied to measure credit risk are aligned with the main guidelines set by the Credit and Treasury Risk Committee.

In terms of treasury operations, it is the Board of Directors of the Bank and the boards of each subsidiary who approve operational and counterpart limits.

Risk control is carried out essentially through three mechanisms: annual allocation of operational allocations and daily control; regular assessment of solvency per issuer; and reports on the concentration of investments, by economic group.

Loan approval also takes into account probability of default, counterpart allocations, the recovery rate on collateral received, the terms of loans and loan concentration by economic sectors, among other considerations.

Consolidated Exposure to Credit Risk

The Group is exposed to credit risk, which consists of the debtor causing a financial loss by not fulfilling its obligations in a timely manner and in the full amount of the debt. The Group is exposed to credit risk due to its lending activities and transactions with counterparties that result in the acquisition of financial assets.

The Group's maximum exposure to credit risk at the consolidated level is reflected in the book value of the financial assets listed in the consolidated statement of financial position at December 31, 2017 and 2016 as indicated below:

		December 31, 2017	December 31, 2016
Cash and cash equivalents (1)	$	**13,073,924**	**14,363,054**
Financial instruments at fair value		**5,641,128**	**5,254,964**
Government		1,476,316	1,633,336
Central Banks		1,041,875	409,191
Financial entities		2,401,126	2,235,720
Other sectors		487,319	600,509
Derivative instruments		234,492	376,208
Financial instruments at amortized cost		**6,930,289**	**6,378,126**
Government		3,292,664	3,536,175
Central Banks		349,432	203,597
Financial entities		1,514,943	923,506
Other sectors		1,773,250	1,714,848
Loan portfolio		**107,470,783**	**99,541,294**
Commercial		66,358,671	61,375,603
Consumer		28,318,599	26,364,834
Mortgage portfolio		12,392,696	11,411,148
Microcredit		400,817	389,709
Other accounts receivable		**1,652,321**	**1,534,053**
Total financial assets with credit risk		**134,768,445**	**127,071,491**
Off-balance sheet financial instruments with credit risk, at fair value			
Financial guarantees and letters of credit not used		3,638,732	3,546,810
Credit commitments		17,652,522	18,411,609
Total off-balance sheet credit risk exposure		**21,291,254**	**21,958,419**
Total maximum exposure to credit risk	$	**156,059,699**	**149,029,910**

(1) Does not include the funds guarded by the entity because they have no credit risk to be in power own.

For collateral and commitments to extend the amount of a loan, the maximum exposure to credit risk is the amount of the commitment. See Note 34.1 to that effect. Credit risk is mitigated through guarantees and collateral, as described below:

Mitigation of Credit Risk, Collateral and Other Improvements in Credit Risk

In most cases, the Group's maximum exposure to credit risk is reduced by collateral and other credit enhancements, which reduce credit risk. The existence of collateral can be a necessary measure; however, in and of itself, collateral is not enough to accept credit risk. The Group's credit risk policies require, first and foremost, an assessment of the debtor's ability to pay and its capacity to generate sufficient sources of funding to allow for the debt to be paid.

The methods used to assess collateral are aligned with the best practices in the market. They involve the use of independent real estate appraisers, the market value of securities or valuation of the companies issuing the securities. All collateral must be legally assessed and processed according to the parameters for its provision, pursuant to applicable legislation.

See Note 11 for details on collateral received to back loans extended by the Group at the consolidated level.

Policies to Prevent Excessive Concentrations of Credit Risk

The Group has maximum risk-level concentration rates that are updated at the individual level, by country and economic sector. The limit to the Group's exposure in a loan commitment for a specific customer depends on the customer's risk rating.

(Continued)

Under Colombian law, the Group cannot grant individual loans that exceed 10% of its regulatory capital, if the loans lack collateral namely acceptable according to the legal standards established for such purpose. In the case of loans secured with acceptable collateral, the limit is no more than 25% of the regulatory capital of each bank.

A breakdown of Group-wide credit risk in the different geographic areas is provided in Note 11. These areas are determined according to the debtor's country of residence, without taking into account the debtor credit-risk impairment allowances that were established or the Loan portfolio, by economic sector.

Sovereign Debt

As of December 31, 2017 and 2016 financial assets in debt instruments consisted largely of securities issued or endorsed by the Colombian government or foreign governments. These accounted for 49.93% and 51.37% respectively of the total portfolio.

Following is a breakdown of sovereign debt exposure, by country:

	December 31, 2017		December 31, 2016	
	Amount	Share	Amount	Share
Investment grade (1)	$ **3,248,708**	**52.74%**	**3,546,232**	**61.33%**
Colombia	2,578,400	41.86%	2,991,114	51.73%
Panamá	617,637	10.03%	530,310	9.17%
Estados Unidos	27,516	0.45%	24,808	0.43%
Chile	25,155	0.41%	0	0.00%
Speculative (2)	**2,911,579**	**47.26%**	**2,209,484**	**38.21%**
Costa Rica	1,227,105	19.92%	1,076,946	18.62%
Guatemala	932,766	15.14%	530,628	9.18%
Honduras	526,489	8.55%	393,339	6.80%
Nicaragua	148,675	2.41%	122,970	2.13%
El Salvador	76,544	1.24%	85,601	1.48%
No rating or unavailable	**0**	**0.00%**	**26,584**	**0.46%**
Honduras	0	0.00%	26,584	0.46%
Total sovereign risk	$ **6,160,287**	**100.00%**	**5,782,300**	**100.00%**
Others (3)	**6,176,638**		5,474,582	
Total debt instruments	**12,336,925**		**11,256,882**	

(1) Investment grade includes F1 + F3 credit ratings from Fitch Ratings Colombia S.A., BRC 1+ to BRC 3 from BRC de Colombia, and A1 to A3 from Standard & Poor's.
(2) Speculative grade includes B to E credit ratings from Fitch Ratings Colombia S.A., BRC4 to BRC 6 from BRC de Colombia, and B1 to D from and Standard & Poor's.
(3) These pertain to other instruments representative of the debt with corporations, central banks, financial institutions and other public and multilateral entities.

The Process for Granting Counterpart Loans and Allocations

The Group has a credit risk management system (SARC), which is run by the Credit and Treasury Risk Management Office at Banco de Bogota and by the Office of the Vice President in Charge of Credit at BAC Credomatic. Among other aspects, SARC focuses on designing, implementing and assessing the risk policies and tools defined by the risk committees and the boards of directors.

Credit management is done according to policies that are clearly defined by the Board of Directors. These policies are reviewed and amended regularly in light of changes and expectations in the markets where the Group operates, in regulations and in other factors to be considered when formulating guidelines of this type.

(Continued)

For granting credits, the Group has different credit-risk assessment models, such as the financial-rating models for commercial loans. These models are based on the customer's financial information and its financial history with the Group or with the financial system in general. There are also scoring models for massive portfolios (consumption, home mortgages and microcredit). These models are based on information regarding behavior with the Bank and with the system, as well as sociodemographic and customer profile variables. Additionally, an analysis of the financial risk of the operation is done, based on the debtor's ability to pay or to generate funds in the future.

Credit Risk Monitoring Process

The process the Group uses to monitor and follow-up credit risk is carried out in several stages. These include monitoring and management of daily collections, based on an analysis of non-performing loans according to the amount of overdue time; classification of clients by risk level; continuous follow-up of high-risk customers; the restructuring process; and the receipt of foreclosed assets.

The Group evaluates the risk of each of its debtors on a monthly basis, in accordance with their financial information and/or behavior. This information is used to classify customers at different risk levels. The following categories are used for that purpose: Category A-Normal, B- Acceptable, C-Deficient, D- Doubtful Collection and E-Uncollectable.

For the consumer portfolio, all the elements in the credit cycle, from design and origin to the collection process and cross-selling, are examined continuously, and there is a set of standard reports and a series of committees for regular monitoring for facilitating this process.

In the case of commercial loans, Banco de Bogota evaluates 25 macro-economic sectors individually, on a quarterly basis, to track portfolio concentration and the level of risk in each sector.

It also has designed a system of financial alerts that lead to individual customer analysis in situations of possible increased credit risk. These studies are analyzed by assessment committees that meet regularly. Default, risk, hedging allowances and portfolio concentration levels are monitored constantly through a system of reports that are transmitted to senior management.

BAC Credomatic structures acceptable credit-risk levels by setting limits on the amount of risk accepted with respect to one debtor or a group of debtors and a geographic segment. These loans are controlled constantly and subject to periodic review.

Exposure to credit risk is managed by regularly analyzing the ability of debtors and potential debtors to pay principal and interest. Exposure to credit risk is also mitigated, in part, by obtaining different types of collateral, both corporate and personal.

The Group uses a number of credit reports to evaluate the performance of its portfolio, to assess provisioning requirements and, above all, to anticipate events that might affect the condition of it debtors.

A breakdown of the non-performing loans as of December 31, 2017 and 2016, by age and risk rating, is provided in Note 11.

Credit Operations Restructuring

The Group periodically restructures the debts of customers who have problems fulfilling their loan obligations. This restructuring is done at the debtor's request and usually consists of extending terms, lowering interest rates or a new restructuring in accordance with the client's needs.

The base policy for granting refinancing is to provide customers with the financial feasibility that enables them to adapt debt payment conditions to a new situation for generating funds. The Group does not allow restructuring to be used solely for the purpose of delaying the constitution of allowances.

When a loan is restructured due to financial problems on the part of the debtor, the debt is flagged in the Group's files as a restructured loan, according to the regulations established for such purpose by the Financial Superintendence of Colombia. The restructuring process has a negative impact on the debtor's risk rating. After restructuring, the risk rating will improve only if the customer honors the terms of the agreement, within a reasonable period of time, and its new financial situation is adequate, or additional collateral is provided.

Restructured loans are included for impairment assessment and for determining impairment allowances. However, flagging a restructured loan does not necessarily mean it is classified as impaired, since new collateral to secure the obligation is obtained in most cases:

Restructured loans		December 31, 2017	December 31, 2016
Local	$	1,369,192	1,242,284
Foreign		643,756	526,703
Total restructured loans	$	**2,012,948**	**1,768,987**

Receipt of Foreclosed Assets

When persuasive collection or loan restructuring processes do not produce satisfactory results within a reasonable period of time, legal collection is carried out or agreements are reached with the customer to receive foreclosed assets. Each entity has clearly established policies for receiving foreclosed assets and has separate departments that specialize in handling these cases, for receiving foreclosed assets, and the subsequent sale thereof.

Following is a breakdown of the foreclosed assets received and sold as of the periods ended on December 31, 2017 and 2016:

		December 31, 2017	December 31, 2016
Foreclosed assets received	$	77,276	197,503
Assets sold	$	62,364	114,998

b. Market Risks

The Group participates in monetary, exchange and capital markets seeking to meet its needs and those of its customers. This is done pursuant to established policies and risk levels. In that regard, the Group manages numerous portfolios of financial assets, within the limits and the risk levels allowed.

(Continued)

Market risk originates with the Group's open positions in investment portfolios comprised of debt securities, equity instruments and operations with derivatives registered at fair value. It is due to adverse changes in risk factors such as prices, interest rates, foreign currency exchange rates, share prices, credit margins on instruments and their volatility, as well as liquidity in the markets where the Group operates.

Trading Risk

The Group trades financial instruments for a variety of purposes, but primarily to:

- Offer products tailored to the customer's needs. One such function, among others, is to hedge the customer's financial risks.

- Structure portfolios to take advantage of arbitrage between different curves, assets and markets, and to obtain high returns with limited use of equity.

- Conduct operations with derivatives to hedge asset and liability risk positions on its balance sheet, to act as a broker with customers, or to capitalize on opportunities for exchange and interest rate arbitrage on local and foreign markets.

As of December 31, 2017 and 2016 the Group reported following financial assets and liabilities registered at fair value and subject to trading risk:

		December 31, 2017	December 31, 2016
Assets			
Investments in debt securities at fair value	$	5,406,636	4,878,756
Trading derivatives		183,115	253,190
Hedging derivatives		51,377	123,018
Total assets		**5,641,128**	**5,254,964**
Liabilities			
Trading derivatives		174,704	329,327
Hedging derivatives		15,831	44,436
Total liabilities		**190,535**	**373,763**
Net position	**$**	**5,450,593**	**4,881,201**

Description of objectives, policies and processes for trading risk management

The risks assumed in bank book and treasury book operations are consistent with the Bank's overall business strategy and its risk appetite, based on the depth of the market for each instrument, its impact on risk-weighted assets and capital adequacy, the profit budget established for each business unit, and the structure of the balance sheet.

Business strategies are established on the basis of approved limits, in an effort to balance the risk / return ratio. Moreover, there is a structure of limits consistent with the Group's general philosophy; it is based on its capital levels, earnings performance and tolerance for risk.

The Market Risk Management System (SARM - Spanish acronym) allows the Group and its financial subsidiaries to identify, measure, control and monitor the market risk it might be exposed to, according to the positions assumed in carrying out their operations.

There are several scenarios in which its Group is exposed to trading risks.

(Continued)

- **Interest Rates**

The Group's portfolios are exposed to interest-rate risk when a change in the market value of its asset positions compared to a change in interest rates that does not match the change in the market value of its liability positions, and this difference is not offset by a change in the market value of other instruments, or when the future margin depends on interest rates, due to pending operations.

- **Exchange Rates**

The Group's portfolios are exposed to exchange risk when the current value of its asset positions in each currency does not match the current value of its liability positions in the same currency, and the difference is not offset. Positions are taken in derivative products where the underlying asset is exposed to exchange risk and the sensitivity of the value to variations in exchange rates has not been immunized completely. Positions are taken at interest-rate risk in currencies other than the reference currency; these can alter the parity between the value of asset positions and the value of the liability positions in said currency, which generates losses or profits, or when the margin depends directly on exchange rates.

For the purpose of analysis, market risk is segmented into categories; namely, trading risk and price risk in investments in equity securities.

Market Risk Management

Senior management and the Board of Directors of the Group play an active role in managing and controlling risk by analyzing a protocol of established reports and directing a number of committees that technically and fundamentally monitor, in a comprehensive way, all the different variables that influence domestic and foreign markets. This is done to support strategic decisions.

Analyzing and monitoring the various risks the Group incurs in its operations is essential for making decisions and evaluating earnings. Furthermore, an ongoing analysis of macroeconomic conditions is vital to achieving an ideal combination of risk, return and liquidity.

The risks assumed in doing business are reflected on a structure of limits to positions in different instruments, depending on the specific strategy, the depth of the markets where the Group operates, the impact on risk-weighted assets and capital adequacy, the structure of the balance sheet and assets and liability management -ALM. These limits are monitored daily and reported regularly to the Board of Directors of the Bank and to each subsidiary.

In addition, the Group uses hedging strategies to minimize interest-rate and exchange-rate risks to some of the items on the balance sheet. The Group implements hedging strategies by taking positions in derivative instruments such as non-deliverable (NDF) TES forwards, simultaneous operations, interest rate derivatives, FX derivatives and derivatives at fair value.

According to the Group’s risk management strategy, the exposure to FX risk generated by investments in foreign subsidiaries and agencies abroad is hedged through a combination of "non-derivative" instruments (debt issued in USD) and derivatives. These receive hedge accounting treatment, once they comply with the respective requirements.

The economic relationship between financial instrument and hedged item is contained in note 10, paragraph 10.5.1.

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Methods used to measure market risk

Market risks are quantified through the use of value-at-risk models (internal and standard), and measurements are made by means of the historical simulation method. The boards of directors approve a framework of limits based on the value-at-risk associated with the budget for annual earnings and establish additional limits, depending on the type of risk.

The Group uses the standard model to measure, control and manage market interest and exchange risk in both the treasury and bank books, as stipulated by the Financial Superintendence of Colombia. It also maps the asset and liability positions in the treasury book within zones and bands according to the duration of the portfolios, the investments in equity securities and the net position (asset minus liability) in foreign currency, both in the bank book and the treasury book. This process is consistent with the standard model recommended by the Basel Committee.

The entities of the Group have parametric and non-parametric models for internal management based on the value-at-risk (VaR) method. These models make it possible to supplement market risk management by identifying and analyzing variations in the risk factors (interest rates, exchange rates and price indexes) that affect the value of the different instruments that make up the Group's portfolios. JP Morgan Risk Metrics and the historical simulation method are two prime examples of such models.

These methods make it possible to estimate the profits and capital that are at risk, by comparing activities in different markets and identifying the positions that imply the most risk to the treasury business. This, in turn, facilitates the allocation of resources to the different business units. These tools also are used for determining limits on traders' positions and to review positions and strategies quickly, as market conditions evolve.

The methods used for measuring different types of risk are assessed regularly and back-tested to verify their efficiency. In addition, the Group has tools to carry out portfolio stress and/or sensitivity tests, using simulations of extreme scenarios. Comparisons are made between the scenarios provided for the Resistance Testing Scheme by the Financial Superintendency, compared to the historical scenarios used in the internal methodologies that have been used to set limits for the risk management of treasury portfolios, with the purpose to verify that they are contained in them.

There are also limits that depend on the "risk type" associated with each of the instruments that comprise the portfolios (sensitivity or impact on portfolio value due to interest rate fluctuations or respective factors - effect of variations in specific risk factors: interest rate (Rho), exchange rate (Delta) and volatility (Vega), among others.

The Group has counterpart and trading limits, per operator, for each trading platform in the markets where it does business. These limits are controlled daily by the back office and the middle office of the Group. The trading limits, per operator, are assigned to the different levels of hierarchy within the treasury business, based on the officer's experience in the market, in trading the type of product in question, and in portfolio management.

There is also a process to monitor the prices and valuation input published by INFOVALMER S.A. (the pricing supplier for identifying on a daily basis, process with significant differences compared to other financial information tools (e.g., the Bloomberg platform).

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This monitoring is done to contest the prices published by these services, if necessary. In the case of BAC, there is a process to monitor the clean prices in the international vector published by Bloomberg.

The Group also has a model to analyze the liquidity of fixed-income securities (bonds) issued abroad for determining the depth of the market for instruments of this type and their level in the fair value hierarchy.

Lastly, as part of the effort to monitor operations, the different aspects of trading are controlled, such as the terms agreed on, unconventional or off-market operations, operations with related parties, etc.

According to the standard model, following is the market value-at-risk (VaR) for the Group as of December 31, 2017 and 2016 for its main financial subsidiaries:

		Maximum, Minimum and Average VaR Values			
		December 31, 2017			
		Minimum	Average	Maximum	Latest
Interest rate	$	309,368	346,554	400,828	321,121
Exchange rate		12,424	69,799	304,429	304,429
Shares of stock		7,234	7,680	8,099	8,099
Mutual funds		187,698	191,411	196,197	196,197
Total VaR	$	**523,306**	**615,444**	**829,846**	**829,846**
		December 31, 2016			
		Minimum	Average	Maximum	Latest
Interest rate	$	324,908	349,076	361,788	346,304
Exchange rate		29,432	42,712	57,160	57,160
Shares of stock		5,271	5,533	6,002	6,002
Mutual funds		162,380	165,296	170,020	170,020
Total VaR	$	**550,562**	**562,617**	**580,751**	**579,486**

Following is a summary the VaR indicators for the Bank and its main financial subsidiaries for the semesters ended on December 31, 2017 and 2016:

Entity		December 31, 2017		December 31, 2016	
		Amount	**Basis points of regulatory capital**	**Amount**	**Basis points of regulatory capital**
Banco Bogotá S.A. and financial subsidiaries	$	829,847	109	579,486	81

The following is a sensitivity analysis of the impact the average portfolio of debt securities “held for trading” would have had on earnings if interest rates for Group had increased by 25 or 50 basis points (BP):

		December 31, 2017		
		Average value of the portfolio	25 basis points	50 basis points
Banco de Bogotá	$	585,389	732	1,463
Leasing Bogotá Panamá	$	3,721,236	4,652	9,303
		December 31, 2016		
		Average value of the portfolio	25 basis points	50 basis points
Banco de Bogotá	$	742,620	928	1,857
Leasing Bogotá Panamá		3,125,430	3,907	7,814

(Continued)

Investment Price Risk in Equity Instruments

Equity Investments

The group also is exposed to financial asset price risk in equity instruments (variable rate investments) listed on the stock exchange (mainly the Bolsa de Valores de Colombia). If the prices of these investments had been 1% higher or lower, the greater or lesser impact on the Group´s OCI, before taxes, would have been $69 as of December 31, 2017 and $1 as of December 31, 2016.

The Group also has equity investments that are not listed on the stock market, in which case their fair value is determined by the price supplier. A sensitivity analysis of the variables used by the price supplier is provided in Note 5.3.

- **Risk of Variation in the Foreign Exchange Rate**

The Group operates internationally and, therefore, is exposed to changes in the exchange rate for a number of currencies, primarily the US dollar and the Euro. Foreign currency exchange risk stems large from recognized assets and liabilities in investments in foreign subsidiaries and branches, from loan portfolios, from obligations in foreign currency, and from future commercial transactions in foreign currency.

Banks in Colombia are authorized by the country's central bank (Banco de la República) to trade foreign currency and to maintain balances in foreign currency in accounts abroad. Colombian law requires banks to hold a daily proprietary position in foreign currency, which is determined by the difference between foreign currency-denominated rights and obligations recorded on and off the balance sheet, the three-day average of which may not exceed the equivalent in foreign currency of twenty percent (30%) of their regulatory capital as indicated below in Note 35. The three-business-day average in proprietary foreign currency may be negative, provided it does not exceed five percent (5%) of regulatory capital, expressed in US dollars.

Likewise there is a limit to the proprietary cash position, determined by the difference between assets and liabilities denominated in foreign currency (excluding derivatives) and other assets and liabilities that are not considered for "immediate" settlement. The three-business-day average of this proprietary cash position cannot exceed fifty percent (50%) of the entity's adequate equity. The three-business-day arithmetic average of the proprietary cash position in foreign currency may be negative, without exceeding the equivalent of twenty percent (20%) of its regulatory capital.

There also are limits to the spot market proprietary position, which is defined as the sum of foreign currency-denominated rights and obligations in futures contracts, foreign-currency denominated spot transactions settled in one banking day or more, and exchange exposure associated with contingencies acquired in options trading and other exchange derivatives.

The three-business-day average of the gross leveraged position may not exceed the equivalent, in foreign currency, of five hundred fifty percent (550%) of the amount of the entity's regulatory capital.

The maximum and minimum amounts of the daily proprietary position and the spot market proprietary position in foreign currency are determined based on each bank's regulatory capital on the last day of the second preceding calendar month, converted at the exchange rate set by the Financial Superintendence of Colombia at the end of the previous month.

Following is a breakdown of its foreign currency assets and liabilities at the consolidated level and their equivalent in Colombian pesos at December 31, 2017 and 2016.

	December 31, 2017			
	Millions of US Dollars	Millions of Euros	Other Currencies Expressed in Millions of US Dollars	Total (in millions of Colombian pesos)
Assets				
Cash and cash equivalents	3,187.18	21.46	1,030.35	12,661,579
Debt securities at fair value	1,091.33	0.00	412.33	4,486,928
Debt securities at amortized cost	878.68	0.00	239.75	3,337,409
Equity securities	7.79	0.01	13.94	64,882
Trading derivatives	0.19	0.00	0.53	2,121
Loan portfolio financial assets at amortized cost, net	14,461.41	0.92	4,497.45	56,576,526
Hedging derivatives	0.43	0.00	0.00	1,269
Other accounts receivable	124.47	0.00	201.94	974,000
Other assets	1,047.11	(1.27)	1,025.41	6,179,885
Total assets	**20,798.59**	**21.12**	**7,421.70**	**84,284,599**
Liabilities				
Current accounts	4,596.81	12.86	1,910.20	19,462,735
Time certificates of deposit	6,850.14	3.59	1,967.00	26,323,129
Savings accounts	2,056.82	2.80	981.96	9,077,675
Other deposits	86.08	2.02	28.55	349,281
Interbank funds	280.41	0.00	153.92	1,296,028
Bank loans and other	4,460.01	0.91	354.07	14,368,447
Bonds issued	2,425.99	0.00	179.60	7,775,079
Borrowing from development entities	80.20	0.00	0.00	239,326
Trading derivatives	0.18	0.00	0.60	2,331
Hedging derivatives	1.98	0.00	0.00	5,920
Employee benefits	22.78	0.00	37.28	179,193
Provisions	1.65	0.00	(0.67)	2,953
Income tax liability	24.76	0.00	99.25	370,048
Other liabilities	210.32	0.02	243.08	1,353,002
Total liabilities	**21,098.13**	**22.20**	**5,954.84**	**80,805,147**
Net asset position	**(299.54)**	**(1.08)**	**1,466.86**	**3,479,452**

	December 31, 2016			
	Millions of US Dollars	Millions of Euros	Other Currencies Expressed in Millions of US Dollars	Total (in millions of Colombian pesos)
Assets				
Cash and cash equivalents	3,778.37	21.99	939.18	14,224,966
Investments in debt securities at fair value	1,003.83	0.00	373.82	4,133,938
Investments in debt securities at amortized cost	600.34	0.00	193.42	2,381,845
Investment in equity securities	5.57	0.06	4.05	29,069
Trading derivatives	0.17	0.00	0.00	519
Loan portfolio at amortized cost	13,274.52	5.83	4,041.04	51,977,273
Hedging derivatives	1.99	0.00	0.00	5,981
Other accounts receivable	198.58	0.02	121.94	961,856
Other assets	1,739.57	0.00	389.27	6,388,032
Total assets	**20,602.94**	**27.90**	**6,062.72**	**80,103,479**
Liabilities				
Current accounts deposits	4,408.36	12.31	1,776.34	18,597,088
Certificate of time deposits	6,417.05	3.59	1,730.82	24,460,661
Saving deposits	1,916.85	3.76	858.88	8,340,958
Other deposits	32.78	1.25	39.05	219,457
Interbank and overnight funds	87.93	0.19	91.11	537,855
Bank loans and other	4,655.15	1.22	307.56	14,895,494
Bonds issued	2,218.38	0.00	432.60	7,954,836
Borrowing from development entities	80.32	0.00	0.00	241,016
Trading derivatives	0.00	0.00	0.00	9
Hedging derivatives	2.93	0.00	0.00	8,792
Employee benefits	18.47	0.00	37.29	167,322

(Continued)

	December 31, 2016			
	Millions of US Dollars	Millions of Euros	Other Currencies Expressed in Millions of US Dollars	Total (in millions of Colombian pesos)
Provisions	0.70	0.00	0.00	2,110
Income tax liability	21.90	0.00	83.77	317,113
Other liabilities	156.26	0.00	250.38	1,220,211
Total liabilities	**20,017.08**	**22.32**	**5,607.80**	**76,962,922**
Net asset (liability) position	**585.86**	**5.58**	**454.92**	**3,140,557**

If the exchange rate increased by $10 Colombian pesos to US $ 1 US dollar, the effect on the net position of the group would increase $11,660 for December 31, 2017 and increase $10,466 for December 31, 2016.

The Group's objective with regard to transactions in foreign currency is to meet its customers' needs in terms of foreign trade and financing in foreign currency, and to hold positions within the authorized limits.

The Group has established policies requiring foreign exchange risk management for each of the functional currencies in the countries where its subsidiaries are located. Foreign exchange exposure is hedged economically through the use of derivatives and non-derivative instruments.

The Group has a number of investments in foreign subsidiaries and branches whose net assets are exposed to conversion risk from the conversion of their financial statements for consolidation purposes.

The exposure arising from net assets in operations abroad is hedged primarily with financial obligations and derivatives in foreign currency. (See Note 10.4)

Interest-rate structure risk:

The Group is exposed to the effects of fluctuations in the interest-rate market that impact its financial position and future cash flows. Interest differentials can increase as a result of changes in interest rates. However, they also can decrease and create losses in the event of unexpected fluctuations in those rates. In this respect, interest-rate risk is monitored regularly and limits are set on the extent of mismatch in the repricing of assets and liabilities due to changes in interest rates.

The following table shows the financial assets and liabilities subject to re-pricing bands at December 31, 2017 and 2016:

		December 31, 2017				
		Under one month	Between one and six months	From six to twelve months	More than one year	Total
Assets						
Cash and cash equivalents	$	16,924,630	0	0	0	16,924,630
Debt securities at fair value through profit or loss		5,406,636	0	0	0	5,406,636
Debt securities held to maturity		421,081	1,815,760	2,673,584	2,019,864	6,930,289
Commercial loans		19,658,510	17,041,989	5,360,596	24,297,576	66,358,671
Consumer loans		8,398,697	6,541,659	1,344,866	12,033,377	28,318,599
Mortgages		3,407,585	5,172,636	341,362	3,471,113	12,392,696
Microcredit loans		26,023	11,115	38,083	325,596	400,817
Total financial assets		**54,243,162**	**30,583,159**	**9,758,491**	**42,147,526**	**136,732,338**
Liabilities						
Current accounts		27,955,068	0	0	0	27,955,068
Time deposits		10,373,087	16,452,489	8,495,085	6,114,787	41,435,448
Saving deposits		31,206,574	0	0	0	31,206,574
Interbank and overnight funds		1,361,832	0	0	0	1,361,832
Borrowing from banks and other		2,808,943	5,976,793	1,385,568	4,207,794	14,379,098
Bonds issued		95,364	420,846	120,511	7,271,347	7,908,068
Borrowing from development entities		503,785	1,115,948	26,004	0	1,645,737
Total liabilities	$	**74,304,653**	**23,966,076**	**10,027,168**	**17,593,928**	**125,891,825**

(Continued)

	December 31, 2016				
	Under one month	Between one and six months	From six to twelve months	More than one year	Total
Assets					
Cash and cash equivalents	$ 17,400,744	0	0	0	17,400,744
Debt securities at fair value through profit or loss	4,878,756	0	0	0	4,878,756
Debt securities held to maturity	1,140,924	608,472	473,326	4,155,404	6,378,126
Commercial loans	17,765,406	30,252,941	2,830,727	10,526,529	61,375,603
Consumer loans	3,164,668	5,872,120	1,146,776	16,181,270	26,364,834
Mortgages	3,822,455	303,093	74,043	7,211,557	11,411,148
Microcredit loans	3,013	11,527	34,334	340,835	389,709
Total financial assets	**48,175,966**	**37,048,153**	**4,559,206**	**38,415,595**	**128,198,920**
Liabilities					
Current accounts	27,025,759	0	0	0	27,025,759
Time deposits	6,994,190	16,036,912	7,356,860	8,056,561	38,444,523
Saving deposits	27,983,667	0	0	0	27,983,667
Interbank and overnight funds	1,221,344	0	0	0	1,221,344
Borrowing from banks and other	2,367,489	6,135,527	1,005,801	5,394,000	14,902,817
Bonds issued	1,945,718	537,917	268,126	5,451,309	8,203,070
Borrowing from development entities	446,227	1,080,521	9,332	0	1,536,080
Total liabilities	$ **67,984,394**	**23,790,877**	**8,640,119**	**18,901,870**	**119,317,260**

If interest rates had been 50 basis points lower (higher) with all other variables held constant, the Group's net income for December 31, 2017 and 2016 would have increased (decreased) by $63,654 and $89,396 respectively. This is mainly due to a lower (higher) interest expense on financial obligations and customer deposits, lower (higher) interest on portfolio interest and lower (higher) investment valuation.

Following is a breakdown of the interest rate on financial assets and liabilities by type:

	December 31, 2017				
	Under one year		More than one year		Total
	Variable	Fixed	Variable	Fixed	
Assets					
Debt securities at fair value through profit or loss	$ 133,723	1,990,021	272,912	3,009,980	5,406,636
Debt securities held to maturity	1,334,111	1,384,838	186,548	4,024,792	6,930,289
Commercial loans	23,854,855	7,295,485	33,896,504	1,311,827	66,358,671
Consumer loans	230,472	11,491,982	8,147,438	8,448,707	28,318,599
Mortgages	9,394	174,395	9,419,755	2,789,152	12,392,696
Microcredit loans	30	206,051	0	194,736	400,817
Total financial assets	**25,562,585**	**22,542,772**	**51,923,157**	**19,779,194**	**119,807,708**
Liabilities					
Current accounts deposits	13,116,640	14,838,428	0	0	27,955,068
Certificate of time deposits	8,144,512	23,150,510	4,022,014	6,118,412	41,435,448
Saving deposits	9,073,267	22,133,307	0	0	31,206,574
Interbank and overnight funds	0	1,361,832	0	0	1,361,832
Borrowing from banks and other	2,315,373	5,958,701	2,098,585	4,006,439	14,379,098
Bonds issued	59,005	769,750	161,031	6,918,282	7,908,068
Borrowing from development entities	304,509	11,052	1,330,176	0	1,645,737
Total financial liabilities	$ **33,013,306**	**68,223,580**	**7,611,806**	**17,043,133**	**125,891,825**

	December 31, 2016				
	Under one year		More than one year		Total
	Variable	Fixed	Variable	Fixed	
Assets					
Debt securities at fair value through profit or loss	$ 90,689	1,479,715	285,558	3,022,794	4,878,756
Debt securities held to maturity	1,222,222	987,035	134,892	4,033,977	6,378,126
Commercial loans	16,320,510	9,948,324	24,918,963	10,187,806	61,375,603
Consumer loans	239,367	10,315,338	1,783,972	14,026,157	26,364,834

(Continued)

	December 31, 2016				
	Under one year		More than one year		Total
	Variable	Fixed	Variable	Fixed	
Mortgages	17,165	146,188	4,156,099	7,091,696	11,411,148
Microcredit loans	9,797	155,944	1	223,967	389,709
Total financial assets	**17,899,750**	**23,032,544**	**31,279,485**	**38,586,397**	**110,798,176**
Liabilities					
Current accounts deposits	0	27,025,759	0	0	27,025,759
Certificate of time deposits	9,496,699	20,915,698	2,793,799	5,238,327	38,444,523
Saving deposits	0	27,893,667	0	0	27,983,667
Interbank and overnight funds	0	1,221,344	0	0	1,221,344
Borrowing from banks and other	1,974,166	5,121,434	3,020,479	4,786,738	14,902,817
Bonds issued	62,088	2,877,635	75,328	5,188,019	8,203,070
Borrowing from development entities	315,100	11,022	1,209,958	0	1,536,080
Total financial liabilities	$ **11,848,053**	**85,156,559**	**7,099,564**	**15,213,084**	**119,317,260**

c. Liquidity Risk

Liquidity risk is related to the inability of the Group to fulfill obligations acquired with customers and financial market counterparts at any time, in any currency and any place, for which each entity reviews its available resources on a daily basis.

The Group manages liquidity risk according to the rules on liquidity risk management. This process adheres to the fundamental principles of the different liquidity risk management systems (SARL), which define minimum reasonable parameters the entities must monitor to effectively manage the liquidity risk to which they are exposed. To measure liquidity risk, a liquidity risk indicator (LRI) is calculated weekly for periods of 7, 15 and 30 days, as established in the standard model approved by the Financial Superintendence of Colombia.

In the case of BAC Credomatic, liquidity risk is managed according to the policies and guidelines issued by regional and local management and/ or the Board of Directors, complying in each case with the particular regulations of each country where the company operates and the contractual obligations acquired.

As part of liquidity risk analysis, the Group measures the volatility of deposits, debt levels, the structure of assets and liabilities, the extent of asset liquidity, the availability of lines of credit and the general effectiveness of the way assets and liabilities are managed. The idea is to have enough liquidity on hand (including liquid assets, guarantees and collateral) to deal with possible scenarios involving own or systemic stress.

Quantification of the funds obtained on the money market is an integral part of liquidity measurement within the Group. Based on technical studies, primary and secondary sources of liquidity are identified for identifying funding suppliers in order to guarantee funding stability and sufficiency and minimizing any concentration of funding sources. Once identified, sources of funding are assigned to the different lines of business, according to the budget, nature and depth of the markets.

The availability of resources is monitored daily, not only to meet float reserve requirements but also to forecast and/or anticipate possible changes in the Group's liquidity risk profile and for making strategic decisions, as required. In this sense, there are liquidity warning indicators to ascertain the current situation, as well as strategies to be implemented in each case. These indicators include the LRI, deposit concentration levels and use of the Central Bank's liquidity quotas, among other elements.

(Continued)

It is through the committees of assets and liabilities that the senior management of each entity knows the institution's liquidity situation and makes the necessary decisions. These decisions take into account the high-quality liquid assets that must be maintained; the float reserve requirements; the strategies for granting loans and deposit taking; the policies on placing surplus liquidity; any changes in the characteristics of new and existing products; diversification of funding sources to prevent a concentration of deposit-taking in a few investors or savers; hedging strategies; the Group's income; and changes in the structure of the balance sheet.

For controlling liquidity risk between assets and liabilities, the Group performs statistical analyses to quantify, with a predetermined level of confidence, the stability of deposits, both with and without contractual maturity.

For complying with the legal floating reserve requirements, entities both in Colombia and in Central America are required to keep cash on hand and in banks, including deposits in central banks, according to the percentages on customer deposits and other liabilities established in the regulations for each of jurisdiction where the Group operates.

The following is a summary of available liquid assets projected over a period of 90 days pursuant to the provisions established to that effect by the Financial Superintendence of Colombia:

	December 31, 2017				
	Available liquid assets at the end of the period (1)	**From 1 to 7 days (2)**	**From 8 to 15 days thereafter (2)**	**From 16 to 30 days thereafter (2)**	**From 31 to 90 days thereafter (2)**
$	9,883,150	9,446,780	8,436,530	7,161,523	1,082,066

	December 31, 2016				
	Available liquid assets at the end of the period (1)	**From 1 to 7 days (2)**	**From 8 to 15 days thereafter (2)**	**From 16 to 30 days thereafter (2)**	**From 31 to 90 days thereafter (2)**
$	10,058,552	8,732,532	5,604,879	3,786,496	786,898

(1) Liquid assets are those existing at the end of each period that may be converted quickly into cash given their nature. These assets include cash on hand and in banks, securities or coupons that have been transferred to the institution in development of the active money market operations it conducts and have not been used subsequently in borrowing operations on the money market, investments in debt securities at fair value, investments in open mutual funds with no permanence agreement, and investments at amortized cost, provided the latter involve forced or mandatory investments that are subscribed in the primary market and can be used for money market operations. When calculating liquid assets, all the aforementioned investments, without exception, are calculated at their fair market price on the date of the assessment

(2) This balance is the residual value of the entity's liquid assets in the days following the end of the period, after deducting the net difference between its cash inflows and outflows during that period. This calculation is done by analyzing the mismatch of contractual and non-contractual cash flows from assets, liabilities and off-balance sheet positions in 1-to-90 day time bands.

These liquidity calculations assume the existence of normal liquidity conditions, according to contractual flows and historical experience of each bank. For cases involving extreme liquidity events occurred by the withdrawal of deposits, each bank has contingency plans that include the existence of a line of credit with other institutions and access to special lines of credit with the Central Bank of Colombia, pursuant to current regulations. These lines of credit are granted when required and are backed by securities issued by the Colombian government and by a portfolio of high- quality loans, as provided for under the regulations of the Central Bank.

(Continued)

As of December 31, 2017 and 2016 the Group analyzed the maturities for financial assets and financial liabilities at the consolidated level. Following table shows the remaining contractual maturities which include estimated interest payments:

	December 31, 2017				
	Under one month	Between one and six months	From six to twelve months	More than one year	Total
Assets					
Cash and cash equivalents	$ 16,924,630	0	0	0	16,924,630
Debt securities at fair value through profit or loss	1,498,447	976,537	403,204	2,766,833	5,645,021
Debt securities held to maturity	621,212	974,946	1,471,511	4,984,786	8,052,455
Commercial loans and leases	8,708,425	17,158,923	8,139,987	39,172,795	73,180,130
Consumer loans and leases	3,766,624	8,559,788	3,652,730	17,584,611	33,563,753
Mortgages and housing leases	217,300	595,063	709,527	22,925,476	24,447,366
Microcredit loans and leases	49,866	116,981	119,120	260,494	546,461
Trading derivatives	183,115	0	0	0	183,115
Hedging derivatives	51,377	0	0	0	51,377
Total financial assets	**32,020,996**	**28,382,238**	**14,496,079**	**87,694,995**	**162,594,308**
Liabilities					
Current accounts	27,958,809	0	0	0	27,958,809
Time certificates of deposit	6,378,043	15,370,728	10,493,940	11,491,718	43,734,429
Savings accounts	31,206,619	0	0	0	31,206,619
Other deposits	350,155	0	0	0	350,155
Interbank funds	1,362,137	0	0	0	1,362,137
Bank loans and other	1,361,928	4,990,284	3,352,316	5,918,110	15,622,638
Bonds issued	47,338	519,402	311,580	10,053,577	10,931,897
Borrowing from development entities	28,049	176,814	184,242	1,600,799	1,989,904
Trading derivatives	174,704	0	0	0	174,704
Hedging derivatives	15,831	0	0	0	15,831
Total financial liabilities	**$ 68,883,613**	**21,057,228**	**14,342,078**	**29,064,204**	**133,347,123**

	December 31, 2016				
	Under one month	Between one and six months	From six to twelve months	More than one year	Total
Assets					
Cash and cash equivalents	$ 17,400,744	0	0	0	17,400,744
Debt securities at fair value through profit or loss	4,878,756	0	0	0	4,878,756
Debt securities held to maturity	383,589	880,932	1,063,189	4,537,289	6,864,999
Commercial loans and leases	8,206,309	14,706,586	9,281,903	38,294,222	70,489,020
Consumer loans and leases	4,503,270	7,849,043	3,328,320	17,857,893	33,538,526
Mortgages and housing leases	128,978	541,255	633,977	19,794,446	21,098,656
Microcredit loans and leases	38,791	113,006	126,468	260,152	538,417
Trading derivatives	253,190	0	0	0	253,190
Hedging derivatives	123,018	0	0	0	123,018
Total financial assets	**35,916,645**	**24,090,822**	**14,433,857**	**80,744,002**	**155,185,326**
Liabilities					
Current accounts	27,025,759	0	0	0	27,025,759
Time certificates of deposit	6,885,609	16,492,147	7,761,943	8,811,363	39,951,062
Savings accounts	27,983,667	0	0	0	27,983,667
Other deposits	220,432	2,292	0	0	222,724
Interbank funds	1,221,513	0	0	0	1,221,513
Bank loans and other	895,896	3,821,166	3,491,522	8,065,214	16,273,798
Bonds issued	1,923,702	622,720	439,992	7,782,034	10,768,448
Borrowing from development entities	25,977	203,295	194,464	1,583,931	2,007,667
Trading derivatives	329,327	0	0	0	329,327
Hedging derivatives	44,436	0	0	0	44,436
Total financial liabilities	**$ 66,556,318**	**21,141,620**	**11,887,921**	**26,242,542**	**125,828,401**

(Continued)

d. Operational Risk

The Group has an operational risk management system (SARO) implemented as directed in the guidelines established by the Financial Superintendence of Colombia. This system is managed by the operational risk units of the entities in the Group.

Thanks to SARO, the Bank and the subsidiaries have strengthened the understanding and control of risks in processes, activities, products and operational lines; has managed to reduce errors and identify opportunities for improvement that support the development and operation of new products and / or services.

The Operational Risk Manual of each entity outlines the policies, standards and procedures that have been adopted to guarantee business management within adequate levels of risk. There is also a manual on the Business Continuity Management System, which contains guidelines for operations in the event basic resources are not available.

Each financial entity keeps a detailed log of incidents that involve operational risk. These incidents are recorded in the assigned expense accounts to ensure proper accounting follow-up.

The Operational Risk Units (GRO) take part in the organization's activities through their involvement in the committees foreseen to monitor management and compliance with the entity's rules and regulations. These committees can be strategic, tactical and preventive in nature, or designed to monitor risk indicators, complaints and claims. This has been accomplished by using the SARO methodology (risk identification, measurement, control and monitoring) when implementing standards and regulations, such as the Sarbanes-Oxley Law (SOX), ISO 27001 (Information Security), Law 1328 on financial consumer protection, the Anti-corruption and Anti-fraud Act, and Law 1581 on data protection. As a result, it has been possible to obtain important synergies for the entities in the Group.

The operational risk profile as of December 31, 2017 includes risks and controls for all the processes used by the entities in the Group. The updating model is dynamic and takes into account tests run on controls, risk debugging and ineffective controls (according to auditing reports), changes in structure, job titles, applications and procedures (updating), as well as any new processes documented by the Systems and Operations Division.

With regard to BAC Credomatic, which is part of Leasing Bogotá Panama, the company has established a minimum framework for operational risk management within its entities. The goal, in this case, is to provide general guidelines to make sure operational risks and actual events that can affect the company are identified, assessed, controlled, monitored and reported, so as to guarantee the proper management, mitigation or reduction of managed risks and to provide reasonable assurance regarding achievement of the organization's objectives.

The operational-risk management model takes into account the best practices outlined by the Basel Committee on Banking Supervision and by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Regionally speaking, it also meets the regulatory requirements that were designed for that purpose by the supervisory bodies in the countries where the company operates.

Taking the foregoing as a reference, operational risk is defined as the possibility that events resulting from people, information technology or inadequate or failed internal processes, as well as those produced by external causes, generate negative effects that go against fulfillment of the entity's objectives. Given its nature, operational risk is presumed to be present in all activities of the organization.

(Continued)

The priority is to identify and manage the primary risk factors, regardless of whether or not they might result in monetary loss. This measurement also helps to establish priorities in managing operational risk.

The operational risk management system is duly documented in The Guidelines and Manual on Operational Risk. It is an ongoing, multi-phase process that has various stages; namely,

- Identification and assessment of operational risks
- Treatment and mitigation of operational risks
- Risk monitoring and risk review
- Recording and posting losses caused by incidents that involve operational risk

The Group also has formally established policies to manage information security, business continuity and fraud prevention. Likewise, there is an ethics code to support the proper management of operational risks within the organization.

There is an Operational Risk Management System within the region and in all the countries where the company operates. The objective is to monitor, assist and assess management's efforts to deal with operational risks. Likewise there is a committee specialized in operational risk (OR Committee). Comprised by members of the management team, it monitors efforts to oversee business continuity, reports to the Comprehensive Risk Management Committee, supervises management, and ensures that all identified operational risks are kept within levels that are acceptable to the company.

Compliance with the company's standards is supported by a program of periodic reviews conducted by the Internet Auditing Department, which reports its findings to the audit committee of each entity where the company operates.

Following table shows the figures from each update of the operational risk profile of each entity in the Group:

	December 31, 2017				December 31, 2016			
	Processes	Risks	Causes	Controls	Processes	Risks	Causes	Controls
Banco de Bogotá S.A	261	1,793	2,211	4,328	215	1,594	2,251	4,320
BAC S,A	131	3,076	0	2,511	267	2,725	0	1,883
Banco de Bogota Panamá S.A	60	440	357	432	61	355	354	397
Fiduciaria Bogota S.A	20	257	1,342	1,664	20	207	1,509	1,960
Almaviva S.A	21	108	415	424	7	41	168	166
Porvenir S.A	16	441	708	960	15	441	701	936
Total	**509**	**6,115**	**5,033**	**10,319**	**585**	**5,363**	**4,983**	**9,662**

Following are losses incurred and registered by the Group due to incidents involving operational risk.

Entity		December 31, 2017	December 31, 2016
BAC S,A	$	25,033	28,083
Banco de Bogotá S.A		13,824	13,841
Porvenir S.A		6,412	5,128
Almaviva S.A		1,490	2,204
Fiduciaria Bogota S.A		285	555
Banco de Bogota Panamá S.A		18	4
Total	$	**47,062**	**49,815**

*Figures in millions of pesos. Calculated values for BAC S.A and Banco de Bogotá S.A. Panama with TRM as of December 31, 2017.

(Continued)

Pursuant to the risk classification of Basel the losses are distributed as follows:

Basel Risk		Valor	%
External Fraud	$	4,507	23,732
Proceeding Development and Administration		7,025	17,634
Labor Relationships		38	3,274
Technological Faults		4,441	1,734
Internal Fraud		59	795
Client		214	422
Damages to physical assets		65	(529)
Total	**$**	**16,349**	**47,062**

This classification shows that 88% of the total losses of the group are consolidated in external fraud and proceedings development and administration.

Risk of Money Laundering and Terrorism Financing

Efforts to support the Group's Money Laundering and Terrorist Financing Risk Management System (SARLAFT) have produced good results and fall within the regulatory framework established to that effect by the Financial Superintendence of Colombia, particularly the instructions outlined in Part, I, Heading IV, Chapter IV of Basic Legal Circular. What has been accomplished is in keeping with prevailing regulations, with the policies and methods adopted by the Group's maximum decision-making body, and with the recommendations outlined in international standards on the matter

- **Managing the Risk of Money Laundering and Terrorism Financing**

The activities carried out in terms of SARLAFT took into account the methodologies adopted by the Group, which allowed the mitigation of risks to continue. This was accomplished thanks to the application of controls designed for each of the risk factors (Customers, Products, Distribution Channels and Jurisdiction), while maintaining an acceptable profile. This last aspect is corroborated by the absence of events or situations that were contrary to the good reputation Group has maintained with respect to SARLAFT.

In addition, as part of the management model focused on combatting the risk of money laundering and terrorist financing, Banco de Bogotá, in its capacity as the parent company, continues to receive indications from the members of the Group on how the various stages and elements of SARLAFT are progressing. These indicators make it possible to monitor a variety of factors such as risks, controls, inherent and residual measurements, risk-factor segmentation, technological infrastructure, the management of high-risk transactions, changes in standards and regulations, and reports to the authorities who are responsible for control and oversight.

The guidance and orientation visits to Central America continued during 2017. Banco de Bogota's Compliance Officer visited Panamá, Costa Rica, Nicaragua, Guatemala, Honduras, El Salvador and the Regional Compliance Management as part of our policy on good corporate governance. These trips were used to follow up on and verify the various SARLAFT activities and to address topics that have a bearing on the SARLAFT culture.

This management model also calls for setting up risk committees in the national affiliates (Almaviva, Porvenir and Fiduciaria Bogotá) and participating in the compliance committees at BAC Credomatic, Banco de Bogota Panama, Banco de Bogotá Nassau, Banco de Bogota Miami and Banco de Bogotá New York. The following committees were developed during 2017:

- 11 committees at the national affiliates

- 6 BAC Credomatic compliance committees
- 6 Banco de Bogota Panama compliance committees
- 6 Banco de Bogotá Nassau compliance committees
- 12 Banco de Bogota Miami compliance committees
- 12 Banco de Bogota New York compliance committees

- **Stages in the Money Laundering and Terrorism Financing Risk Management System**

In response to international recommendations and Colombian law on SARLAFT, the approach to dealing with what the Bank has identified as the risks of money laundering and terrorist financing (ML/TF) is based on the idea of continuous improvement and on minimizing the existence of such risks, insofar as is reasonably possible.

Methods for solid risk management have been adopted successfully to develop the stages that frame SARLAFT. As a result, the Bank has been able to pinpoint and analyze ML/TF risks within the organization and to design and effectively apply policies and procedures consistent with those risks. In that respect, all relevant, inherent and residual risk factors in the banking sector and in commerce, among other areas, have been taken into account on a nationwide basis, and even beyond, if necessary to determine the Bank's risk profile and the level of mitigation that is appropriate.

As for the identification stage, which is intended to detect the risks inherent in the development of our activities, sixteen (16) generic risks have been identified. They include the catalogue of fourteen (14) risks defined by Grupo AVAL.

As for the identification stage, the Group continues to perform periodic reviews and updates of the identified risks, without any relevant novelty being presented. In front of the measurement stage, the Group carried out the approval of the Impact and Probability tables that Grupo AVAL required for the SARLAFT through General Instruction Number 3 of March 30, 2017 in which it formalized the Risk Rating Criteria inherent to SARLAFT for the consolidation of the matrices of the entities. During 2017, as a result of the application of the methodology defined by Banco de Bogotá, the unification of a risk map Banco de Bogotá / BAC Credomatic was achieved.

As for the control stage, the Group has adopted the methodology defined by the parent company, to subsequently establish the residual risk profile of ML / TF. Currently, each Entity has the inventory of controls assigned to each risk, thus allowing to define the residual risk level of ML / TF.

Finally, in the monitoring stage, each entity continues to verify the evolution of the ML / FT risk profile. In this way, it can be established that the residual risk is calculated in Level 1, which translates into a frequency and an impact tending to zero, maintaining a stable behavior in comparison with the previous periods.

- **Elements of the Money Laundering and Terrorism Financing Risk Management System**

The Group orients its activities in line with the guiding principle on risk management, which indicate the institution's operations must comply with the highest ethical and control standards. Therefore, sound banking practices and compliance with the law are the top priority, above and beyond business goals. In practical terms, this translates into application of the criteria, policies and procedures used to manage SARLAFT, making it possible to mitigate these risks down to the lowest level of the organization, as is customary at the Group.

The Group submitted institutional reports to the Financial Information and Analysis Unit (UIAF). This was done in due course, as required by law and pursuant to the amounts and characteristics stipulated in Part I, Title IV, Chapter IV of the Basic Legal Circular issued by the Financial Superintendence of Colombia. The competent authorities with respect to for surveillance and control also were provided with the information required under the law. An important part of the Group´s policy is to give these authorities our support and cooperation, within the bounds of the law. In this same sense, the Foreign Entities complied with the presentation of reports to the entities of control and surveillance within the times established in each of the local regulatory frameworks.

The Money Laundering and Terrorism Financing Risk Management System (SARLAFT) supports the commercial activities of the Group, since control is part of business management. These processes are used to advantage in an effort to serve the customer's needs and requirements promptly and as best possible.

During 2017, the Group followed up on the SARLAFT reports submitted by the Control Entities, so as to address their recommendations for optimizing the system.

The Group remains dedicated to risk management and it has the technological tools to implement policies such as those focused on "knowing the customer" and "knowing the market". The objective is to single out unusual transactions and to report suspicious ones to the Financial Information Unit (UIAF), taking into account the objective criteria the organization has establish, as provided for by law. It is worth noting that the elements and mechanisms the Group has at its disposal to help SARLAFT operate successfully are being improved constantly, particularly in terms of applications and methods for analysis to monitor and avert ML/TF risk.

The ML/TF risk management system is bolstered by a process of segmentation the bank has developed through the use tools for data mining tools. This segmentation allows us to identify each risk factor (customer, product, channel and jurisdiction) and to monitor the Bank's operations to detect transactions that appear to be unusual in light of the profile established for each segment.

The Group also continues to operate an institutional training program that imparts guidelines to all employees on the regulatory framework and the control mechanisms that are being implemented to prevent and mitigate the risk of ML / TF within the organization, all of which helps to strengthening the SARLAFT culture.

The Group carried out the activities of the Risk Management System for Money Laundering and Financing of Terrorism, continuing with the management of the previous periods and accepting the recommendations made by the AVAL Group, the Parent Company, the Board of Directors and the Control Organs.

The risk of money laundering and terrorism financing is managed by adhering to each step in the SARLAFT system. The focus is on adequate risk management, as described herein, particularly management that reflects an undeviating commitment from our employees to be part of the SARLAFT culture the Bank has developed.

Finally, it should be noted that the Group maintains its commitment to risk management in relation to the topics of Money Laundering and Terrorism Financing, as part of its Corporate Responsibility, in the face of society and regulators.

(Continued)

f. Legal Risk

The Legal Division supports operational risk management in the Group's operations. Specifically, this division defines and drafts the necessary procedures to adequately control the legal risks inherent in banking operations, making sure these controls meet all legal standards and are properly documented. It also analyzes and drafts contracts for operations conducted by the different business units.

The Group created a provision for the claims brought against it, based on the opinions and assessments of the lawyers in charge, and established the necessary allowances to cover probable losses. This was done according to instructions issued by the oversight authority. The lawsuits pending against the Group, apart from those considered unlikely to succeed, are described in Note 34 to the financial statements.

NOTE 7 - OPERATIONAL SEGMENTS

An operational segments is defined as a component of an entity that: (a) develops business activities from which the entity can obtain income from ordinary activities and incur expenses; (b) generates operational income that is reviewed regularly by the highest operational decision-making authority within the firm; and (c) has differentiated financial information about its operations.

Based on this definition and given that the Board of Directors, which is the maximum operational decision-making authority, regularly reviews and assesses a wide range of information and key financial data for evaluating performance and adopting decisions related to investments and the allocation of funds, obtaining additional information from the subsidiaries, with an emphasis on financial data from the major institutions that are part of the consolidated entity, the operational segments were defined considering the business activities and geographic areas where each subsidiary conducts its activities.

The Group operates through three (3) segments. These involve Banco de Bogotá and its significant subsidiaries; namely, Leasing Bogotá Panama and Subsidiaries, and Porvenir and Subsidiary. Details on their primary activities and places of business are provided in Note 1.

Banco de Bogotá S.A.

Banco de Bogotá is a lending institution that provides different types of financial services at different terms, namely: financial leases, commercial loans, consumer loans, mortgages loans and micro-credit loans. Likewise, as part of its deposit-taking strategy, the Bank offers products such as savings accounts, checking accounts and certificates of time deposit, all tailored to meet the needs of the customer.

It maintains a portfolio of variable and fixed-income investments, including ownership interest in subsidiaries and other entities. It also operates in currency and derivative markets, where its Treasury Unit pursues two basic mandates: one is to manage the currency risk in the Bank´s balance sheet and the other is to penetrate different markets in order to meet the specific needs inherent in its position and to deliver innovative products to the customer.

Given the different needs that exist in the financial market, the Bank has specialized areas to develop and offer products and services that respond efficiently to those requirements.

Banco de Bogota has the following strategic units: Corporate Banking, Official Banking, Institutional, Social and Special Units, PMP Banking (SMEs, Microfinance, Individuals and the Network Officer), Credit Cards and the Treasury Unit.

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Leasing Bogotá Panama and Subsidiaries

Leasing Bogotá Panama is a financial holding company engaged in investment activities. It owns 100% of BAC Credomatic Inc., a financial institution with a presence in Guatemala, Honduras, El Salvador, Nicaragua, Costa Rica and Panama. The company has a broad portfolio of financial services for personal and corporate banking, such as sight and term deposits, loans, credit cards, payment services, mutual funds and electronic payments to suppliers, among other products. It also has a service-channel network that includes agencies, kiosks, offices, corporate funds, ATMs, an electronic branch, call centers and mobile banking, all of which make it possible to offer a comprehensive range of services to its customers.

Porvenir and Subsidiary

Porvenir manages mandatory pension funds, severance and voluntary pension funds, and independent third-party equity to cover pension liabilities.

The definition of the operational segments listed above is based on the way internal management is handled, taking into account the economic activity involved in the specialized financial services offered through the Bank and its subsidiaries.

As from June 2016 the Bank discontinued the operational segment “Corficolombiana and subsidiaries” as a consequence of de-consolidation (loss of control) of Corporación Financiera Colombiana S.A. (see Note 14). Thus, the comparative information of such segment is shown as discontinued operations in Note 15.

On the other hand, the Bank lost control of Casa de Bolsa by virtue of a shareholders agreement signed in December 2016 with Corficolombiana, Banco de Occidente and Banco Popular. As a result of that agreement, Corficolombiana acquired direct controlling interest in Casa de Bolsa. Consequently, the company is not included in the information on that segment for the December 2016 period.

Following is the information, by segment, on the assets, liabilities, equity, revenue and expenses that must be reported:

Assets and Liabilities, by Segment

	December 31, 2017					
	Segments			Conciliations		
	Banco de Bogotá	Leasing Bogotá Panamá and subsidiaries	Porvenir and subsidiary	Other subsidiaries	Eliminations	Consolidated
Cash and cash equivalents	**$ 6,198,073**	**9,311,620**	**114,323**	**4,378,336**	**(3,077,722)**	**16,924,630**
Investments in financial assets	**4,966,651**	**5,595,490**	**2,179,158**	**1,549,296**	**(194,593)**	**14,096,002**
At fair value through profit and loss	**899,586**	**4,099,494**	**1,870,682**	**235,327**	**(188)**	**7,104,901**
Debt securities	563,380	4,072,585	647,897	122,962	(188)	5,406,636
Equity securities	155,212	25,341	1,222,232	112,365	0	1,515,150
Trading derivatives	180,994	1,568	553	0	0	183,115
At amortized cost	**4,025,148**	**1,481,158**	**308,476**	**1,115,507**	**0**	**6,930,289**
Debt securities	4,025,148	1,481,158	308,476	1,115,507	0	6,930,289
At fair value through other comprehensive income	**41,917**	**14,838**	**0**	**198,462**	**(194,405)**	**60,812**
Loan portfolio and finance leases transactions, net	**53,716,558**	**48,178,447**	**0**	**2,348,808**	**(8)**	**104,243,805**
Commercial	42,028,173	21,985,492	0	2,345,014	(8)	66,358,671
Consumer	10,843,485	17,471,318	0	3,796	0	28,318,599
Mortgage	2,963,802	9,427,910	0	984	0	12,392,696
Microcredits	400,817	0	0	0	0	400,817
Less: Allowance	(2,519,719)	(706,273)	0	(986)	0	(3,226,978)

(Continued)

BANCO DE BOGOTÁ S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

	December 31, 2017					
	Segments			Conciliations		
	Banco de Bogotá	Leasing Bogotá Panamá and subsidiaries	Porvenir and subsidiary	Other subsidiaries	Eliminations	Consolidated
Other accounts receivable, net	**535,088**	**932,204**	**27,735**	**111,466**	**(21,086)**	**1,585,407**
Hedging derivatives	**50,107**	**1,270**	**0**	**0**	**0**	**51,377**
Non-current assets held for sale	**23,339**	**54,720**	**0**	**0**	**0**	**78,059**
Investments in associates and Joint Arrangementss	**15,990,985**	**0**	**0**	**0**	**(12,599,526)**	**3,391,459**
Property, plant and equipment	**726,599**	**1,029,605**	**94,175**	**84,872**	**1,070**	**1,936,321**
Investment properties	**226,677**	**0**	**29,143**	**553**	**(1,428)**	**254,945**
Goodwill	**556,067**	**4,688,363**	**345,934**	**0**	**0**	**5,590,364**
Other intangible assets	**318,288**	**129,169**	**0**	**9,600**	**0**	**457,057**
Income tax	**532,104**	**76,810**	**0**	**12,089**	**0**	**621,003**
Current	532,104	35,213	0	10,813	0	578,130
Deferred	0	41,597	0	1,276	0	42,873
Other assets	**18,361**	**155,882**	**0**	**453**	**0**	**174,696**
Total assets	**$ 83,858,897**	**70,153,580**	**2,790,468**	**8,495,473**	**(15,893,293)**	**149,405,125**
Liabilities						
Financial liabilities at fair value						
Trading derivatives	**$ 172,373**	**1,803**	**528**	**0**	**0**	**174,704**
Financial liabilities at amortized cost	**64,170,897**	**56,933,990**	**555,264**	**7,659,739**	**(3,077,910)**	**126,241,980**
Customer deposits	**51,973,163**	**44,398,405**	**0**	**7,653,587**	**(3,077,910)**	**100,947,245**
Current accounts	12,407,415	15,641,028	0	2,942,308	(3,035,683)	27,955,068
Time certificates of deposit	16,956,783	19,979,280	0	4,499,574	(189)	41,435,448
Savings deposits	22,512,201	8,524,706	0	211,705	(42,038)	31,206,574
Others	96,764	253,391	0	0	0	350,155
Financial obligations	**12,197,734**	**12,535,585**	**555,264**	**6,152**	**0**	**25,294,735**
Interbank funds and overnight	519,480	842,352	0	0	0	1,361,832
Bank loans and others	3,319,903	10,497,779	555,264	6,152	0	14,379,098
Bonds issued	6,712,614	1,195,454	0	0	0	7,908,068
Borrowing from development entities	1,645,737	0	0	0	0	1,645,737
Hedging derivatives	**9,911**	**2,533**	**3,387**	**0**	**0**	**15,831**
Employee benefits	**318,335**	**180,477**	**20,978**	**30,049**	**0**	**549,839**
Provisions	**45,056**	**1,228**	**213,890**	**4,060**	**0**	**264,234**
Income tax	**169,738**	**370,184**	**94,007**	**11,778**	**0**	**645,707**
Current	5,678	147,854	30,797	8,924	0	193,253
Deferred	164,060	222,330	63,210	2,854	0	452,454
Accounts payable and other liabilities	**1,825,639**	**1,314,072**	**84,004**	**99,989**	**(21,095)**	**3,302,609**
Total liabilities	**$ 66,711,949**	**58,804,287**	**972,058**	**7,805,615**	**(3,099,005)**	**131,194,904**

	December 31, 2016					
	Segments			Conciliations		
	Banco de Bogotá	Leasing Bogotá Panamá and subsidiaries	Porvenir and subsidiary	Other subsidiaries	Eliminations	Consolidated
Assets						
Cash and cash equivalents	**$ 7,092,425**	**8,556,266**	**196,746**	**4,782,585**	**(3,227,278)**	**17,400,744**
Financial assets for investments	**5,044,190**	**4,979,425**	**1,680,243**	**1,350,822**	**(193,271)**	**12,861,409**
Financial assets at fair value through profit or loss	**986,331**	**3,370,039**	**1,504,212**	**558,657**	**(187)**	**6,419,052**
Debt securities	607,398	3,369,887	441,619	460,039	(187)	4,878,756
Equity instruments	125,895	0	1,062,593	98,618	0	1,287,106
Trading derivatives	253,038	152	0	0	0	253,190
At amortized cost	**4,026,576**	**1,582,249**	**176,031**	**593,270**	**0**	**6,378,126**
Debt securities	4,026,576	1,582,249	176,031	593,270	0	6,378,126
Financial assets at fair value through to OCI	**31,283**	**27,137**	**0**	**198,895**	**(193,084)**	**64,231**
Loan portfolio and finance leases transactions at amortized cost	**50,712,042**	**44,246,032**	**0**	**2,211,544**	**(98)**	**97,169,520**
Commercial	39,637,881	19,544,116	0	2,193,704	(98)	61,375,603
Consumer	9,983,538	16,363,460	0	17,836	0	26,364,834
Mortgage	2,452,520	8,957,633	0	995	0	11,411,148
Microcredit	389,709	0	0	0	0	389,709
Loan impairment allowance	(1,751,606)	(619,177)	0	(991)	0	(2,371,774)
Other accounts receivable	**483,963**	**887,100**	**24,500**	**103,977**	**(35,537)**	**1,464,003**

(Continued)

		December 31, 2016					
		Segments			Conciliations		
		Banco de Bogotá	Leasing Bogotá Panamá and subsidiaries	Porvenir and subsidiary	Other subsidiaries	Eliminations	Consolidated
Hedging derivatives		**117,036**	**3,340**	**2,642**	**0**	**0**	**123,018**
Non-current assets held for sale		**136,260**	**74,423**	**0**	**24**	**0**	**210,707**
Investments in associates and Joint Arrangementss		**14,766,041**	**0**	**0**	**0**	**(11,424,182)**	**3,341,859**
Property, plant and equipment		**752,844**	**1,062,252**	**97,373**	**88,548**	**1,082**	**2,002,099**
Investment properties		**141,585**	**0**	**27,729**	**821**	**(1,131)**	**169,004**
Goodwill		**556,067**	**4,714,617**	**345,934**	**0**	**0**	**5,616,618**
Other intangible assets		**272,303**	**153,271**	**0**	**8,133**	**0**	**433,707**
Income tax		**357,428**	**115,275**	**162**	**16,619**	**0**	**489,484**
Current		332,071	82,141	87	14,931	0	429,230
Deferred		25,357	33,134	75	1,688	0	60,254
Other assets		**22,258**	**186,454**	**0**	**547**	**0**	**209,259**
Total assets	$	**80,454,442**	**64,978,455**	**2,375,329**	**8,563,620**	**(14,880,415)**	**141,491,431**
Liabilities							
Financial liabilities at fair value	$	**329,318**	**9**	**0**	**0**	**0**	**329,327**
Trading derivatives		329,318	9	0	**0**	0	329,327
Financial liabilities at amortized cost		**61,592,295**	**52,857,781**	**558,373**	**7,759,000**	**(3,227,465)**	**119,539,984**
Customer Deposits		**49,258,554**	**39,893,407**	**0**	**7,752,177**	**(3,227,465)**	**93,676,673**
Current accounts		12,495,439	14,574,316	0	**3,008,247**	(3,052,243)	27,025,759
Time certificates of deposit		16,603,801	17,368,335	0	**4,472,574**	(187)	38,444,523
Savings accounts		20,108,158	7,781,480	0	**269,064**	(175,035)	27,983,667
Other deposits		51,156	169,276	0	**2,292**	0	222,724
Financial obligations		**12,333,741**	**12,964,374**	**558,373**	**6,823**	**0**	**25,863,311**
Interbank funds		947,958	273,386	0	**0**	0	1,221,344
Bank loans and other		2,944,749	11,392,872	558,373	**6,823**	0	14,902,817
Bonds issued		6,904,954	1,298,116	0	**0**	0	8,203,070
Borrowing from development entities		1,536,080	0	0	**0**	0	1,536,080
Hedging derivatives		**35,644**	**2,840**	**5,952**	**0**	**0**	**44,436**
Employee benefits		**294,823**	**165,724**	**18,182**	**27,692**	**0**	**506,421**
Provisions		**40,699**	**577**	**193,924**	**4,835**	**0**	**240,035**
Income tax liability		**5,952**	**317,585**	**26,414**	**16,521**	**0**	**366,472**
Current		5,952	171,338	23,129	**14,136**	0	214,555
Deferred		0	146,247	3,285	**2,385**	0	151,917
Accounts payables and other liabilities		**1,801,575**	**1,205,698**	**49,045**	**133,408**	**(35,636)**	**3,154,090**
Total liabilities	$	**64,100,306**	**54,550,214**	**851,890**	**7,941,456**	**(3,263,101)**	**124,180,765**

Statement of income for the Period, by Segment

		December 31, 2017					
		Segments			Conciliations		
		Banco de Bogotá	Leasing Bogotá Panamá and subsidiaries	Porvenir and subsidiary	Other subsidiaries	Eliminations	Consolidated
Results from continuing operations							
Interest income	$	**6,171,659**	**4,869,978**	**24,086**	**128,267**	**(39,013)**	**11,154,977**
Loan portfolio and finance leases transactions		6,017,054	4,795,233	5,766	125,670	(39,013)	10,904,710
Investments in debt securities, at amortized cost		154,605	74,745	18,320	2,597	0	250,267
Interest expenses		**2,808,390**	**1,697,789**	**29,554**	**97,384**	**(39,015)**	**4,594,102**
Customer deposits		**2,232,411**	**1,149,945**	**0**	**96,780**	**(39,013)**	**3,440,123**
Current accounts		166,334	101,746	0	27,149	(10)	295,219
Time certificates of deposit		1,161,711	942,157	0	68,765	(2)	2,172,631
Savings deposits		904,366	106,042	0	866	(39,001)	972,273
Financial obligations		**575,979**	**547,844**	**29,554**	**604**	**(2)**	**1,153,979**
Interbank funds		80,166	10,445	217	48	0	90,876
Bank loans and other		67,599	454,241	29,337	556	(2)	551,731
Bonds issued		334,050	83,158	0	0	0	417,208
Borrowing from development entities		94,164	0	0	0	0	94,164
Net income from interest loan portfolio and investments		**3,363,269**	**3,172,189**	**(5,468)**	**30,883**	**2**	**6,560,875**

BANCO DE BOGOTÁ S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

	December 31, 2017					
	Segments			Conciliations		
	Banco de Bogotá	Leasing Bogotá Panamá and subsidiaries	Porvenir and subsidiary	Other subsidiaries	Eliminations	Consolidated
Impairment on financial assets	**1,310,140**	**879,261**	**(1,718)**	**(476)**	**0**	**2,187,207**
Loan portfolio and accounts receivable, net	1,418,515	879,261	(1,718)	(476)	0	2,295,582
Investments in debt securities	(108,516)	0	0	0	0	(108,516)
Recoveries	141	0	0	0	0	141
Net interest income after impairment	**2,053,129**	**2,292,928**	**(3,750)**	**31,359**	**2**	**4,373,668**
Fees and commissions income	**955,518**	**2,063,750**	**896,577**	**280,527**	**(6,163)**	**4,190,209**
On banking services	459,326	1,458,000	41	8,754	(1,233)	1,924,888
On credit cards	435,029	577,517	0	0	0	1,012,546
Pension and severance fund management	0	28,233	896,536	0	0	924,769
Trust activities and portfolio managament	0	0	0	161,248	(760)	160,488
Storage services	0	0	0	110,025	(484)	109,541
On drafts, checks and checkbooks	33,191	0	0	500	(2)	33,689
Office network services	27,972	0	0	0	(3,684)	24,288
Fees and commissions expenses	**174,053**	**87,019**	**93,544**	**4,214**	**(7,758)**	**351,072**
Net income from fees and commissions	**781,465**	**1,976,731**	**803,033**	**276,313**	**1,595**	**3,839,137**
Net income from trading financial assets or liabilities	**250,764**	**105,658**	**176,578**	**30,176**	**(2)**	**563,174**
Loss on financial derivatives for trading, net	(53,989)	(19,137)	(107)	0	0	(73,233)
Gain (loss) on financial derivatives for hegding, net	261,782	(72,122)	(21,638)	0	0	168,022
Gain on investments, net	42,971	196,917	198,323	30,176	(2)	468,385
Other income	**1,623,943**	**405,944**	**9,438**	**33,717**	**(1,443,816)**	**629,226**
Gain on exchange difference, net	(4,480)	346,557	4,250	180	0	346,507
Others	1,628,423	59,387	5,188	33,537	(1,443,816)	282,719
Other expenses	**2,328,684**	**3,202,914**	**333,767**	**210,543**	**868**	**6,076,776**
Administrative expenses	1,429,978	1,450,637	167,317	99,733	(143,276)	3,004,389
Employee benefits	739,576	1,501,555	130,850	101,521	0	2,473,502
Depreciation and amortization intangible assets	136,295	205,405	10,091	9,818	12	361,621
Others	22,835	45,317	25,509	(529)	144,132	237,264
Profit before income tax	$ **2,380,617**	**1,578,347**	**651,532**	**161,022**	**(1,443,089)**	**3,328,429**
Income tax	288,665	477,461	221,558	44,263	0	1,031,947
Net income for the period from continuing operations	**2,091,952**	**1,100,886**	**429,974**	**116,759**	**(1,443,089)**	**2,296,482**

	December 31, 2016					
	Segments			Conciliation		
	Banco de Bogotá	Leasing Bogotá Panamá and subsidiaries	Porvenir and subsidiary	Other subsidiaries	Eliminations	Consolidated
Results from continuing operations						
Interest income	**$ 5,861,902**	**4,642,999**	**8,368**	**82,696**	**(13,005)**	**10,582,960**
Loan portfolio and finance leases transactions	5,647,179	4,554,110	7,028	80,646	(13,005)	10,275,958
Investments in debt securities, at amortized cost	214,723	88,889	1,340	2,050	0	307,002
Interest expenses	**2,928,951**	**1,567,899**	**30,789**	**53,835**	**(13,006)**	**4,568,468**
Customer deposits	**2,313,588**	**1,004,022**	**0**	**50,992**	**(13,007)**	**3,355,595**
Current accounts	150,083	93,552	0	1,076	(15)	244,696
Time certificates of deposit	1,122,700	804,538	0	49,713	(2)	1,976,949
Savings deposits	1,040,805	105,932	0	**203**	(12,990)	1,133,950
Financial obligations	**615,363**	**563,877**	**30,789**	**2,843**	**1**	**1,212,873**
Interbank funds	193,030	5,603	(1)	1,482	1	200,115
Bank loans and other	7,058	474,402	30,790	1,350	0	513,600
Bonds issued	289,487	80,119	0	0	0	369,606
Borrowing from development entities	125,788	3,753	0	11	0	129,552
Net income from interest loan portfolio and investments	**2,932,951**	**3,075,100**	**(22,421)**	**28,861**	**1**	**6,014,492**
Impairment on financial assets	**918,444**	**888,511**	**(7,034)**	**1,126**	**0**	**1,801,047**
Loan portfolio and accounts receivable, net	1,050,299	888,511	(7,034)	1,126	0	1,932,902

(Continued)

	December 31, 2016					
	Segments			Conciliation		
	Banco de Bogotá	Leasing Bogotá Panamá and subsidiaries	Porvenir and subsidiary	Other subsidiaries	Eliminations	Consolidated
Investments in debt securities	26	0	0	0	0	26
Recoveries	(131,881)	0	0	0	0	(131,881)
Net interest income after impairment	**2,014,507**	**2,186,589**	**(15,387)**	**27,735**	**1**	**4,213,445**
Fees and commissions income	**897,449**	**1,975,978**	**796,352**	**295,797**	**(6,903)**	**3,958,673**
On banking services	532,437	1,415,403	6,308	108,421	(1,288)	2,061,281
On credit cards	297,808	531,956	0	0	0	829,764
Pension and severance fund management	0	28,619	790,044	3,649	0	822,312
Trust activities and portfolio managament	0	0	0	53,829	(4)	53,825
Storage services	0	0	0	123,889	(514)	123,375
On drafts, checks and checkbooks	37,582	0	0	511	(4)	38,089
Office network services	29,622	0	0	0	(4,797)	24,825
Others	0	0	0	5,498	(296)	5,202
Fees and commissions expenses	**156,592**	**94,488**	**97,153**	**6,563**	**(7,404)**	**347,392**
Net income from fees and commissions	**740,857**	**1,881,490**	**699,199**	**289,234**	**501**	**3,611,281**
Net income from trading financial assets or liabilities	**260,095**	**120,451**	**116,082**	**54,309**	**0**	**550,937**
Loss on financial derivatives for trading, net	(38,406)	4,438	(354)	256	1	(34,065)
Gain (loss) on financial derivatives for hegding, net	259,236	(142,404)	(44,845)	0	0	71,987
Gain on investments, net	39,265	258,417	161,281	54,053	(1)	513,015
Gain from deconsolidation of (loss of control) subsidiaries	**2,180,350**	**0**	**0**	**0**	**0**	**2,180,350**
Other income	**1,566,768**	**380,941**	**75,869**	**50,034**	**(1,237,046)**	**836,566**
Gain on exchange difference, net	24,950	321,060	34,296	1,136	386	381,828
Others	1,541,818	59,881	41,573	48,898	(1,237,432)	454,738
Other expenses	**2,034,499**	**3,230,327**	**300,018**	**227,479**	**181**	**5,792,504**
Administrative expenses	1,221,914	1,428,814	165,587	103,947	(113,064)	2,807,198
Employee benefits	667,924	1,569,180	119,359	109,487	1	2,465,951
Depreciation and amortization intangible assets	123,102	199,243	20,150	10,112	12	352,619
Others	21,559	33,090	(5,078)	3,933	113,232	166,736
Profit before income tax	**4,728,078**	**1,339,144**	**575,745**	**193,833**	**(1,236,725)**	**5,600,075**
Income tax	551,651	389,706	193,356	45,077	0	1,179,790
Net income for the period from continuing operations (1)	**$ 4,176,427**	**949,438**	**382,389**	**148,756**	**(1,236,725)**	**4,420,285**

(1) Net income for the period does not include the discontinued operation of Corficolombiana corresponding to the first half of 2016 for $ 453,297.

The geographic zones defined by the Group are Colombia, Panama, Guatemala, Costa Rica and others (Nicaragua, Honduras, El Salvador, the United States, the British Virgin Islands and the Cayman Islands). These are distributed by income and assets at the consolidated level (property, plant and equipment, intangible assets, and deferred income tax).

Following is a geographic breakdown of the Group's consolidated income and assets, which must be reported:

	December 31, 2017						
	Colombia	Panama	Guatemala	Costa Rica	Others (2)	Eliminations	Consolidated
Income for the period (1)	$ 10,425,771	1,291,308	1,132,557	2,752,223	2,425,570	(1,489,843)	16,537,586
Non-current assets other than financial instruments							
Non- current assets							
Property, plant and equipment	866,696	203,012	98,778	366,800	399,965	1,070	1,936,321
Intangible assets	1,229,588	3,657,236	16,714	89,343	1,054,540	0	6,047,421
Deferred earnings tax assets	$ 1,276	39,767	28	575	1,227	0	42,873

(Continued)

		December 31, 2016						
		Colombia	Panama	Guatemala	Costa Rica	Others (2)	Eliminations	Consolidated
Income for the period (1)	$	11,462,095	1,238,580	1,094,468	2,593,895	2,321,737	(601,289)	18,109,486
Non-current assets other than financial instruments								
Non- current assets								
Property, plant and equipment		898,330	207,300	97,798	376,984	420,605	1,082	2,002,099
Intangible assets		1,181,841	3,681,756	14,110	113,009	1,059,608	1	6,050,325
Deferred income tax assets	$	27,120	31,356	48	81	1,649	0	60,254

(1) Corresponds to income from interest and income from commissions and other services.
(2) Nicaragua, Honduras, El Salvador, the United States and the British Virgin Islands, plus the Cayman Islands.

During the periods at December 31, 2017 and 2016, the Group reported no concentration of revenue in customers with more than a 10% share of revenue from ordinary activities. The Bank considers single clients, other than related parties, as those under common control, based on the information it has at hand. See Note 36 for details on income of related parties.

NOTE 8 - CASH AND CASH EQUIVALENTS

Following is a breakdown of cash and cash equivalents:

		December 31, 2017	December 31, 2016
Colombian Pesos			
Cash	$	2,153,919	1,622,259
Banco de la República (Central Bank of Colombia)		2,032,352	1,504,098
Banks and other financial entities		76,761	49,173
Exchange		19	247
		4,263,051	**3,175,777**
Foreign currency			
Cash		1,696,787	1,415,431
Banks and other financial entities		10,964,792	12,809,536
		12,661,579	**14,224,967**
	$	**16,924,630**	**17,400,744**

Following is a breakdown of the credit ratings determined by independent credit-rating agencies for the principal financial institutions wherein the Group has cash accounts:

		December 31, 2017	December 31, 2016
Credit rating			
Sovereign debt	$	2,032,352	1,504,098
Investment grade		4,731,001	1,911,443
Speculative		6,310,599	5,830,773
Not rated or no rating available		3,850,678	8,154,430
	$	**16,924,630**	**17,400,744**

The legal reserve requirement in Colombia at December 31, 2017 was 11% for deposits and exigibilities and 4.5% for certificates of deposit under 18 months.

The legal reserve required to satisfy the liquidity requirements for current and savings deposits came to $3,500,078 and $3,239,722 at December 31, 2017 and December 31, 2016 respectively.

The legal reserve required to satisfy the liquidity requirements for certificates of deposit under 18 months came to $257,471 and $315,788 at December 31 2017 and 2016, respectively.

There are no restrictions on cash and cash equivalents.

(Continued)

NOTE 9 - FINANCIAL ASSETS FOR INVESTMENT

9.1 At Fair Value

The following shows the balance of financial assets in debt securities and equity investments at fair value through profit or loss as of December 31, 2017 and 2016:

		December 31, 2017	December 31, 2016
Debt securities issued or secured			
In Colombian pesos			
Colombian government	$	142,931	104,990
Colombian government agencies		73,282	60,354
Other financial entities		639,494	377,132
Entities of the Non-financial sector		18,595	34,793
Others		24,942	46,066
		899,244	**623,335**
In foreign currency			
Colombian government		2,942	53,017
Colombian government agencies		337,942	333,881
Foreign governments		1,330,443	1,475,329
Central banks		1,041,875	409,191
Other financial entities		1,761,632	1,858,283
Entities of the Non-financial sector		0	64,480
Others		32,558	61,240
		4,507,392	**4,255,421**
Total debt securities		**5,406,636**	**4,878,756**
Equity instruments			
In Colombian pesos			
Corporate shares		130,035	125,622
Mutual funds		24,799	39,903
Mandatory investment funds		1,279,009	1,100,318
Private investment funds		31,440	21,213
		1,465,283	**1,287,056**
In foreign currency			
Mutual funds		55	50
Mandatory investment funds		49,812	0
Total equity instruments	$	**1,515,150**	**1,287,106**

The balance of financial assets represented by investments in equity instruments at fair value through other comprehensive income comprises the following as of December 31, 2017 and 2016:

		December 31, 2017	December 31, 2016
With adjustment to equity			
In Colombian pesos			
Corporate shares	$	45,797	31,499
In foreign currency			
Corporate shares		15,015	32,732
Total equity instruments	$	**60,812**	**64,231**

Following is a breakdown of the main equity instruments through other comprehensive income.

Entity		December 31, 2017	December 31, 2016
Bolsa de Valores	$	6,699	87
Depósito Central de Valores - DECEVAL S.A		0	3,713
A.C.H. Colombia S.A		28,457	21,194
Telered		0	12,543

(Continued)

Entity		December 31, 2017	December 31, 2016
Sociedad Portuaria Regional de Buenaventura S.A.		4,058	4,123
Transacciones Universales, S.A.		4,225	4,148
Others		17,373	18,423
Total	$	**60,812**	**64,231**

Collateral in Repo Operations

Following is a list of financial assets at fair value that are pledged as collateral in repo operations, as collateral in transactions with financial instruments, or pledged to third parties as collateral to secure financial obligations with other banks (See Note 23).

		December 31, 2017	December 31, 2016
Pledged in money market operations issued or secured			
Foreign governments	$	164,260	212,956
Central banks		5,217	5,612
Total	$	**169,477**	**218,568**

Following is a breakdown of the credit ratings determined by independent credit-rating agencies for the principal counterparties in debt securities and investments in equity instruments:

Debt securities		December 31, 2017	December 31, 2016
Speculative	$	2,194,505	1,915,494
Investment grade		3,166,475	2,806,591
No rated or rating not available		45,656	156,671
Total	$	**5,406,636**	**4,878,756**

Equity securities		December 31, 2017	December 31, 2016
Investment grade	$	303,611	1,314,143
No rated or rating not available		1,272,351	37,194
Total	$	**1,575,962**	**1,351,337**

Time Bands for Debt Investments at Fair Value

		December 31, 2017	December 31, 2016
Up to 1 month	$	173,607	297,265
Over 1 month and not more than 3 months		492,253	188,186
Over 3 months and not more than 1 year		1,102,018	1,084,953
Over 1 year and not more than 5 years		3,347,918	2,842,573
Over 5 years and not more than 10 years		262,339	447,469
Over 10 years		28,503	18,310
General total	$	**5,406,636**	**4,878,756**

Fundamentally, the changes in fair value reflect changes in market conditions, largely because of variations in interest rates and other economic conditions within the country where the investment is held. In the opinion of the Group, the fair value of financial assets reflected no significant losses as of December 31, 2017 and 2016 due to credit risk impairment.

An analysis of sensitivity to changes in interest rates on financial assets at fair value is disclosed in Note 5. Information on investments at fair value with related parties is disclosed in Note 36.

(Continued)

Financial assets in equity instruments at fair value with adjustment to other comprehensive income have been designated in view of the fact that they are strategic investments for the Group. As such, they are not expected to be sold in the near future and imply a greater degree of uncertainty when it comes to determining their fair value. This uncertainty generates significant fluctuations from one period to another.

As for dividends on these investments, $4,421 were recognized in the statement of income for the period ended as of December 31, 2017 ($1.779 for the period ended as of December 31, 2016). Moreover, no accumulated profits from the sale of those investments were transferred from the OCI account during that period.

9.2 At Amortized Cost

The balance of financial assets at amortized cost includes following:

		December 31, 2017	December 31, 2016
Debt securities issued or secured			
In Colombian pesos			
Colombian government	$	1,966,632	2,632,171
Colombian government agencies		1,357,393	1,231,025
Other financial entities		364,059	133,085
Entities of the Non-financial sector		1,109	0
		3,689,193	**3,996,281**
Debt securities			
In foreign currency			
Colombian government		465,895	200,935
Colombian government agencies		69,122	0
Other financial entities		1,150,884	790,422
Entities of the Non-financial sector		294,732	426,705
Central Banks		349,433	203,597
Foreign governments		860,137	703,069
Others		50,893	57,117
		3,241,097	**2,381,845**
Total debt securities	$	**6,930,289**	**6,378,126**

Collateral Pledged in Repo Operations

The following summary includes financial assets at amortized cost that are pledged as collateral in repo operations, those delivered to secure transactions with financial instruments, or those pledged to third parties as collateral to secure financial obligations with other banks (See Note 23):

		December 31, 2017	December 31, 2016
Pledged in money market operations issued or secured			
Foreign governments	$	39,434	137,507
Colombian government		65,920	752,474
		105,354	**889,981**

Credit Rating

The credit ratings determined by independent rating agencies for the principal counterparts in debt securities wherein the Group holds financial assets at amortized cost breakdown as follows:

		December 31, 2017	December 31, 2016
Speculative	$	1,320,600	1,410,890
Investment grade		5,592,808	4,817,732

(Continued)

		December 31, 2017	December 31, 2016
No rating or rating not available		16,881	149,504
Total general	$	**6,930,289**	**6,378,126**

Time Bands of Investments at Amortized Cost

		December 31, 2017	December 31, 2016
Up to 1 month	$	588,811	562,654
More than 1 month but not more than 3 months		147,987	149,126
More than 3 months but not more than 1 year		1,982,151	1,497,477
More than 1 year but not more than 5 years		3,326,690	2,592,752
More than 5 years but not more than 10 years		724,365	1,345,293
More than 10 years		160,285	230,824
Total general	$	**6,930,289**	**6,378,126**

NOTE 10 - FINANCIAL DERIVATIVES

10.1 Financial Derivatives for Trading

The fair value of forwards, futures and interest-rate and foreign currency swaps to which the Group is committed during periods under reference are shown in the table below:

		December 31, 2017		December 31, 2016	
		Notional amount	Fair value	Notional amount	Fair value
Assets					
Forward contracts (1)					
Foreign currency to buy	$	3,385,950	46,715	2,427,873	70,673
Foreign currency to sell		(4,863,369)	80,002	(4,642,900)	104,676
		(1,477,419)	**126,717**	**(2,215,027)**	**175,349**
Swaps					
Cross currency		379,844	19,772	235,742	30,553
Interest rate		4,678,219	30,696	4,710,567	31,592
		5,058,063	**50,468**	**4,946,309**	**62,145**
Futures contracts (2)					
Foreign currency to buy		1,191,392	0	1,068,253	0
Foreign currency to sell		(2,873,592)	0	(1,197,283)	0
		(1,682,200)	**0**	**(129,030)**	**0**
Options contracts					
Foreign currency to buy		426,591	5,930	739,512	15,544
Interest rate to buy		0	0	31,550	152
		426,591	**5,930**	**771,062**	**15,696**
Total assets		**2,325,035**	**183,115**	**3,373,314**	**253,190**
Liabilities					
Forward contracts (1)					
Foreign currency to buy		(4,357,112)	61,598	(4,687,892)	124,117
Foreign currency to sell		1,980,544	11,460	1,980,336	19,110
		(2,376,568)	**73,058**	**(2,707,556)**	**143,227**
Swaps					
Cross currency		745,648	72,788	612,663	147,990
Interest rate		3,579,739	17,370	3,103,406	18,503
		4,325,387	**90,158**	**3,716,069**	**166,493**
Futures contracts (2)					
Foreign currency to buy		(4,508,630)	0	(1,994,104)	0

(Continued)

	December 31, 2017		December 31, 2016	
	Notional amount	Fair value	Notional amount	Fair value
Foreign currency to sell	813,916	0	408,997	0
	(3,694,714)	**0**	**(1,585,107)**	**0**
Options contracts				
Currency to sell	**427,329**	**11,488**	**556,310**	**19,607**
Total liabilities	**(1,318,566)**	**174,704**	**(20,284)**	**329,327**

(1) The main change in the speculative portfolios corresponds to the strategic management of each portfolio due conditions created in the market by trading with respect to variations and high fluctuations in the representative market rate of exchange (TRM) and/or interest rates.

(2) With derivatives of this type, gains and losses are settled daily. The Central Counterpart Clearing House (CRCC) reports the results of settlement by the parties, then debits or credits the losses or gains that are made. This is done on a daily basis.

In the case of futures, the dollar / peso exchange rate at contract maturity is settled against the underlying price (TRM) published on the last trading day.

Since futures are cleared and settled daily, the amount of the obligation is equal to the amount of the right. These amounts are updated daily, according to the market price of the respective future, and the effect on profit and loss is equivalent to the change in the fair price of the future.

The derivatives net increase as of December 31, 2017 with respect to December 31, 2106 is shown through the change in fair value of the derivatives as a consequence of the increase of the peso dollar Exchange rate.

Financial derivatives contracted by the Group are traded in off-shore markets and in the domestic financial markets. The fair value of derivatives varies positively or negatively as a result of fluctuations in foreign exchange rates, interest rates or other risk factors, depending on the type of instrument and the underlying asset.

As of December 31, 2017 and 2016 the Group has obligations for delivering financial assets in treasury certificates or foreign currency with a fair value of $174,704 and $329,327 and receiving assets in treasury certificates or foreign currency with fair value of $183,115 and $253,190, respectively.

10.2 Financial Derivatives for Hedging

The financial derivatives used for hedging include following:

	December 31, 2017		December 31, 2016	
	Notional amount	Fair value	Notional amount	Fair value
Assets				
Forward contracts				
Foreign currency to buy	$ 0	0	474,412	3,914
Foreign currency to sell	(2,393,168)	50,107	(3,426,811)	115,764
Securities to sell	(227,790)	1,270	(307,003)	3,340
	(2,620,958)	**51,377**	**(3,259,402)**	**123,018**
Futures contracts (1)				
Foreign currency to buy	29,840	0	150,036	0
Securities to sell	(1,602,408)	0	(973,730)	0
	(1,572,568)	**0**	**(823,694)**	**0**
Total assets	**(4,193,526)**	**51,377**	**(4,083,096)**	**123,018**
Liabilities				
Forward contracts				
Foreign currency to buy	(717,651)	5,335	(954,226)	27,788
Foreign currency to sell	1,104,080	7,963	1,359,322	13,808
Securities to sell	524,825	2,533	757,628	2,840
	911,254	**15,831**	**1,162,724**	**44,436**

(Continued)

	December 31, 2017		December 31, 2016	
	Notional amount	Fair value	Notional amount	Fair value
Futures contracts (1)				
Foreign currency to buy	(387,920)	0	(363,086)	0
Foreign currency to sell	1,153,316	0	190,545	0
	765,396	**0**	**(172,541)**	**0**
Total liabilities	**1,676,650**	**15,831**	**990,183**	**44,436**

(1) Profits and losses are settled daily for derivatives of this type. The Central Counterpart Clearing House (CRCC) reports the results of the trade to the parties and then debits or credits the gains made or the losses incurred.

In the case of dollar / peso currency futures, when the contract matures, settlement is made against the underlying price (TRM) published on the last day of trading.

Since futures are off-set and settled daily, the value of the obligation is equal to the value of the right. These values are updated every day, according to the market price for the respective future, and the effect on profit and loss is equivalent to the change in fair value of future exchange.

The net change in fair value of the derivatives as of December 31, 2017 with respect to December 31, 2016 is shown as a consequence of the movement of the valuation curves (interest rates variations and fluctuations) and variation in the volume of them.

Following is a breakdown of the credit ratings determined by independent rating agencies for the principal counterparties in derivative assets:

		December 31, 2017	December 31, 2016
Investment grade	$	218,764	364,293
Speculative		503	248
No rating or rating not available		15,225	11,667
Total	$	**234,492**	**376,208**

10.3 Derivatives Guarantees

Following shows the nominal amounts of the derivatives delivered or received as collateral:

Type of collateral		December 31, 2017	December 31, 2016
Cash			
Delivered	$	33,182	69,556
Received		45,387	20,375
Total	$	**78.569**	**89,931**

10.4 Hedge Accounting

The Group has decided to use hedge accounting for its investments in foreign subsidiaries and agencies, with non-derivative instruments (obligations in foreign currency) and with derivative operations.

These operations are intended to protect the Group against the exchange risk (dollar/peso) in the structural positions of its subsidiaries and agencies abroad, which are denominated in US dollars.

At maturity, the hedging instruments are renewed successively, so as to comply with the strategy of reducing the rate risk the Group might have to a specific period.

Foreign exchange gains or losses on the investment in subsidiaries or the exchange gains or losses that are not completely eliminated in the consolidation with foreign branches are recorded in other comprehensive income (OCI).

(Continued)

Hedging Instruments

Non-derivatives: Financial asset or liability that is not a derivative may be designated as a hedging instrument only to hedge a risk in foreign currency. Likewise, a portion of a complete instrument for hedging, such as 50% of the notional amount, may be designated as a hedging instrument in a hedging relationship.

Due to the foregoing, external debt operations are liable of being designated as hedges against the investment in subsidiaries and agencies abroad.

The effects of variations in the peso/ US dollar exchange rate generated by debt in US dollars designated for hedging are recorded under “other comprehensive income”.

Derivatives: The Group uses financial derivatives (dollar - peso forwards) to cover the remaining amount of the balance of net foreign investment not covered by non-derivative instruments (debt). The idea is afford as much protection as possible against the spot effect of the net investments in subsidiaries and agencies abroad, which are expressed in dollars.

Derivative operations are valued daily, indicating the result attributable to the exchange risk. Also, the effect of the change in the exchange rate is determined daily on the portion of the net investment abroad that is hedged with derivative operations. In this way, the effectiveness of the hedging relationship that is established daily is calculated retrospectively from one day to the next.

Measuring Effectiveness and Ineffectiveness

A hedge is considered effective if, at the beginning of the period and in subsequent periods, the changes in the fair value or in the cash flows attributable to the hedged risk during the period for which the hedge has been designated are offset and effectiveness of the hedge is in a range of 80% to 125%.

The Group has documented the tests of the effectiveness of hedging its net foreign currency investments and the fair value. These are considered effective, since the critical terms and risks of the obligations that serve as hedging instruments are identical to those of the primary hedged position.

a) Effectiveness of Hedge Forward Contracts

The Group uses the forward rate method implied in forward contracts to evaluate the effectiveness of the hedge. In doing so, it measures hedge ineffectiveness by comparing the current value of the forward contracts being used for hedging to changes in the value of a hypothetical derivative of the same maturity.

b) Effectiveness of Hedging with Debt Instruments in Foreign Currency

For foreign currency debt designates as hedge instrument, the gain or loss arising from the conversion to debt in Colombian pesos is based on the current US dollar exchange rate for the Colombian peso, which is the functional currency of the Group. To the extent that the amount of the hedge instrument matches exactly the portion of the investment hedged in foreign operations, there is no ineffectiveness recorded in the statement of income.

(Continued)

10.4.1 Hedging Net Investments in Foreign Currency

The assets and liabilities of the hedging strategy are converted from dollars to the functional currency of the Group at the representative market rate certified daily by the "Superintendencia Financiera de Colombia", which generates a gain or loss on exchange difference.

According to the foregoing, the hedge on these investments, before taxes, breaks down as follows:

		December 31, 2017								
		Millions of US dollars					Millions of Colombian pesos			
Detail of Investment		Value of the investment	Notional amount	Value of the hedge in foreign currency obligations	Value of hedging with forward and futures contracts		Adjustment for conversion of the financial statements	Exchange difference in foreign currency obligations	Exchange difference in forward and futures contracts	Net OCI account
					Assets	Liabilities				
Leasing Bogotá Panamá	$	3,781	2,868	(2,067)	(1,191)	(512)	3,065,281	(896,424)	(2,155,488)	13,369
Other subsidiaries and agencies Banco de Bogotá (1)		114	81	0	(87)	(25)	92,891	0	(90,431)	2,460
Total	$	**3,895**	**2,949**	**(2,067)**	**(1,278)**	**(537)**	**3,158,172**	**(896,424)**	**(2,245,919)**	**15,829**

		December 31, 2016								
		Millions of US dollars					Millions of Colombian pesos			
Detail of Investment		Value of the investment	Notional amount	Value of the hedge in foreign currency obligations	Value of hedging with forward and futures contracts		Adjustment for conversion of the financial statements	Exchange difference in foreign currency obligations	Exchange difference in forward and futures contracts	Net OCI account
					Assets	Liabilities				
Leasing Bogotá Panamá	$	3,437	2,868	(2,074)	(1,240)	(107)	3,115,527	(931,288)	(2,171,234)	13,005
Other subsidiaries and agencies Banco de Bogotá (1)		101	81	0	(72)	(28)	94,139	0	(91,517)	2,622
Total	$	**3,538**	**2,949**	**(2,074)**	**(1,312)**	**(135)**	**3,209,666**	**(931,288)**	**(2,262,751)**	**15,627**

(1) Includes Banco de Bogotá Panama, Banco Bogotá Finance, Ficentro and investment in foreign branches Panamá and agencies in Miami and New York.

Hedging with Forwards Contracts

Forward sale contracts in US dollars were formally designated as hedging instruments for part of the net foreign investment of Leasing Bogotá Panama and the foreign subsidiaries of Banco de Bogotá. The forward contracts were executed with other financial sector counterparts and subsequently documented as a "dynamic hedging strategy" through which new forward contracts are entered into simultaneously when the previous ones expire.

Hedging with Financial Liabilities in Foreign Currency in US Dollars

Non-derivative financial debt instruments may be designated to hedge the risk of changes in the foreign exchange rate. Based on the foregoing, the Bank proceeded to designate debt securities as instruments to hedge its net investments abroad, doing so as follows:

- Bonds issued by the Bank on international markets under regulation 144A in February 2013, maturing in February 2023, were designated to hedge the net investment in Leasing Bogotá Panama for US$398.

- In May 2016, the Bank issued US$600 in bonds on international markets under regulation 144A. They were designated immediately as instruments to hedge Leasing Bogotá Panama's investment of US$581 to replace positions in forwards.

- In November 2016, the Bank issued US$500 in bonds on international markets under regulation 144A. They were designated immediately to hedge Leasing Bogotá Panama's investment.

- In August 2017 the Bank issued bonds on the international markets under regulation 144A maturing in August 2027, were designated to hedge the net investment in Leasing Bogotá Panama for US$588 to replace of the credit agreement granted in January 2017.

10.4.2 Fair Value Hedging

Leasing Bogotá Panamá uses forwards on securities to mitigate exposure to changes in the market value of fixed-income bonds. These forward operations are non-standardized derivatives carried out with related parties to sell a specific quantity of a particular security on a future date, establishing the price and the mode of delivery on the execution date. The instrument is settled on the date of maturity by settling the differences.

In this way, Leasing Bogotá Panama generates a profit on the portfolio at the purchase rate, by mitigating the exposure generated by changes in the price of the bonds that comprise the same.

Following table shows the gains or losses for current hedges and the items currently hedged.

December 31, 2017

		Notional value of hedged investment	Book value of hedged investment		Change in fair value	Accumulated income	Item in the statement of financial position
			Assets	Liabilities			
Hedging instrument - Forward contract - sale of securities	$	767,536	1,269	(2,533)	(1,263)	73,286	Other assets at fair value through profit or loss / Other liabilities
Hedging instrument - Government and corporate bonds	$	0	680,011	0	1,060	(71,184)	Investment available for sale

December 31, 2016

		Notional value of hedged investment	Book value of hedged investment		Change in fair value	Accumulated income	Item in the statement of financial position
			Assets	Liabilities			
Hedging instrument - Forward contract - sale of securities	$	1,064,631	3,340	(2,840)	500	(68,983)	Other assets at fair value through profit or loss / Other liabilities
Hedging instrument - Government and corporate bonds	$	0	948,538	0	(838)	71,951	Investments available for sale

(Continued)

NOTE 11 - LOAN PORTFOLIO AND FINANCIAL LEASES TRANSACTIONS

The balance sheet account listing financial assets in the loan portfolio, at amortized cost, is classified as commercial loans, consumer loans, home mortgages and microcredit. This is the same classification the Financial Superintendence of Colombia uses in the new Single Catalogue of Financial Information (CUIF). However, given the importance of capital leases at the Group level and for disclosure purposes, financial leases are listed separately in all the tables in this note, as per following reclassification:

Type of loan		December 31, 2017		
		Balance on the balance sheet	**Reclassification of leases**	**Balance according to the disclosure**
Commercial	$	66,358,671	(3,329,239)	63,029,432
Consumer		28,318,599	(215,667)	28,102,932
Mortgage		12,392,696	(336,970)	12,055,726
Microcredit		400,817	0	400,817
Financial leases		0	3,881,876	3,881,876
Total loan portfolio	$	**107,470,783**	**0**	**107,470,783**

Type of loan		December 31, 2016		
		Balance on the balance sheet	**Reclassification of leases**	**Balance according to the disclosure**
Commercial	$	61,375,603	(3,530,151)	57,845,452
Consumer		26,364,834	(200,135)	26,164,699
Mortgage		11,411,148	(309,349)	11,101,799
Microcredit		389,709	0	389,709
Financial leases		0	4,039,635	4,039,635
Total loan portfolio	$	**99,541,294**	**0**	**99,541,294**

Following is a breakdown of the portfolio, according to the different credit lines:

		December 31, 2017	December 31, 2016
General purpose loans	$	70,213,420	66,312,170
Mortgages		11,977,718	11,040,261
Credit cards		11,277,983	10,413,841
Financial leases out immovable property		2,504,683	2,225,408
Loans to micro - businesses and SMEs		2,320,924	1,983,898
Loans with resources from other institutions		1,612,918	1,528,692
Financial leases out movable assets		1,377,193	1,814,227
Home builder loans		888,112	908,769
Found in current banking account		415,978	491,486
Microcredit		400,817	389,709
Discounts		220,858	207,844
Employee loans		79,453	65,882
Letters of credit, hedged		78,422	99,403
Non-recourse factoring		20,930	25,347
Early recoveries		0	244,152
Others		4,081,374	1,790,205
Gross balance of financial assets from the Loan portfolio		**107,470,783**	**99,541,294**
Allowance for impairment of financial assets from the Loan portfolio		(3,226,978)	(2,371,774)
Net balance of financial assets from the Loan portfolio	$	**104,243,805**	**97,169,520**

(Continued)

The Loan portfolio is classified by risk, as follows:

		December 31, 2017	December 31, 2016
Commercial			
"A" Normal risk	$	58,360,977	54,313,626
"B" Acceptable risk		1,338,757	1,356,819
"C" Appreciable risk		1,851,325	1,411,470
"D" Significant risk		1,053,497	473,567
"E" Risk of Being Uncollectible		424,876	289,970
		63,029,432	**57,845,452**
Consumer			
"A" Normal risk		25,362,800	23,740,528
"B" Acceptable risk		966,123	881,806
"C" Appreciable risk		915,877	896,142
"D" Significant risk		685,834	519,334
"E" Risk of Being Uncollectible		172,298	126,889
		28,102,932	**26,164,699**
Mortgages			
"A" Normal risk		11,308,517	10,539,979
"B" Acceptable risk		267,505	202,936
"C" Appreciable risk		305,582	227,138
"D" Significant risk		58,965	54,204
"E" Risk of Being Uncollectible		115,157	77,542
		12,055,726	**11,101,799**
Microcredit			
"A" Normal risk		333,419	328,838
"B" Acceptable risk		11,746	11,454
"C" Appreciable risk		6,643	9,294
"D" Significant risk		7,254	7,417
"E" Risk of Being Uncollectible		41,755	32,706
		400,817	**389,709**
Financial leases			
"A" Normal risk		3,386,997	3,721,429
"B" Acceptable risk		153,420	192,761
"C" Appreciable risk		235,358	61,643
"D" Significant risk		98,929	56,451
"E" Risk of Being Uncollectible		7,172	7,351
		3,881,876	**4,039,635**
Total portfolio, by classification	$	**107,470,783**	**99,541,294**

11.1 Activity in Loan portfolio Impairment

Following shows the activity in Loan portfolio impairment:

		December 31, 2017					
		Commercial	Consumer	Mortgage	Microcredit	Financial leases	Total
Balance at beginning of the period	$	**1,129,790**	**1,041,755**	**56,676**	**61,824**	**81,729**	**2,371,774**
Write-offs for the period		(165,646)	(1,377,206)	(32,585)	(23,585)	(6,341)	(1,605,363)
Allowance for the period charged to statement of income		1,027,914	1,829,793	43,843	50,885	97,456	3,049,891
Recovery of allowances charged to statement of income		(384,106)	(306,658)	(9,314)	(13,989)	(40,879)	(754,946)
(Recovery) charged to allowances with offsetting entry in OCI for the period		76,822	79,864	12,316	(2,220)	(3,072)	163,710
Exchange difference		2,037	2,106	(438)	0	(1,793)	1,912
Balance at end of the period	$	**1,686,811**	**1,269,654**	**70,498**	**72,915**	**127,100**	**3,226,978**

(Continued)

		December 31, 2016					
		Commercial	Consumer	Mortgage	Microcredit	Financial leases	Total
Balance at beginning of the period	$	**1,070,414**	**898,986**	**37,404**	**47,213**	**80,581**	**2,134,598**
Write-offs for the period		(368,378)	(1,160,381)	(15,730)	(27,728)	(4,841)	(1,577,058)
Allowance for the period charged to statement of income		848,091	1,725,021	54,431	62,473	84,416	2,774,432
Recovery of allowances charged to statement of income		(405,224)	(348,656)	(15,548)	(22,699)	(58,388)	(850,515)
(Recovery) charged to allowances with offsetting entry in OCI for the period		17,401	(55,760)	(244)	1,406	2,136	(35,061)
Exchange difference		(13,087)	(17,454)	(3,636)	1,159	(3,315)	(36,333)
Decline due to loss of control of subsidiaries		(2,679)	(22,433)	0	0	(29,704)	(54,816)
Net movement of discontinued operations		(16,748)	22,432	(1)	0	10,844	16,527
Balance at end of the period	$	**1,129,790**	**1,041,755**	**56,676**	**61,824**	**81,729**	**2,371,774**

11.2 Loans Assessed Individually and Collectively

Following is a breakdown of credit risk impairment losses. It takes into account how they were determined: individually for loans above 2 billion and collectively for all other credits.

The impaired portfolio represents loans with associated credit risk, while the non-performing portfolio only considers the number of days overdue or customer default (without identifying if there is associated credit risk or not).

		December 31, 2017					
		Commercial	Consumer	Mortgage	Microcredit	Financial leases	Total
Impairment							
Individually assessed loans	$	893,569	60	781	0	73,155	967,565
Collectively assessed loans		793,242	1,269,594	69,717	72,915	53,945	2,259,413
Total impairment		**1,686,811**	**1,269,654**	**70,498**	**72,915**	**127,100**	**3,226,978**
Gross balance of financial assets in the Loan portfolio							
Individually assessed loans (1)		32,763,606	41,172	10,688	0	2,292,547	35,108,013
Collectively assessed loans		30,265,826	28,061,760	12,045,038	400,817	1,589,329	72,362,770
Total financial assets in the Loan portfolio	$	**63,029,432**	**28,102,932**	**12,055,726**	**400,817**	**3,881,876**	**107,470,783**

		December 31, 2016					
		Commercial	Consumer	Mortgage	Microcredit	Financial leases	Total
Impairment							
Individually assessed loans	$	459,267	47	827	0	33,398	493,539
Collectively assessed loans		670,523	1,041,708	55,849	61,824	48,331	1,878,235
Total impairment		**1,129,790**	**1,041,755**	**56,676**	**61,824**	**81,729**	**2,371,774**
Gross balance of financial assets in the Loan portfolio							
Individually assessed loans (1)		31,625,230	68,361	5,922	0	2,005,761	33,705,274
Collectively assessed loans		26,220,222	26,096,338	11,095,877	389,709	2,033,874	65,836,020
Total financial assets in the Loan portfolio	$	**57,845,452**	**26,164,699**	**11,101,799**	**389,709**	**4,039,635**	**99,541,294**

(1) Includes all loans assessed individually at more than $2,000, regardless of whether the assessment shows them as being impaired or not.

(Continued)

11.3 Loan portfolio, by Maturity

Following shows the distribution of the Loan portfolio, by maturity:

		December 31, 2017				
		Up to 1 year	Between 1 & 3 years	Between 3 & 5 years	More than 5 years	Total
Commercial	$	30,589,481	13,485,375	8,331,883	10,622,693	63,029,432
Consumer		11,713,663	5,463,141	4,521,393	6,404,735	28,102,932
Mortgages		168,267	328,807	431,962	11,126,690	12,055,726
Microcredit		206,081	172,931	17,317	4,488	400,817
Financial leases		584,188	1,009,569	936,890	1,351,229	3,881,876
Total	$	43,261,680	20,459,823	14,239,445	29,509,835	107,470,783

		December 31, 2016				
		Up to 1 year	Between 1 & 3 years	Between 3 & 5 years	More than 5 years	Total
Commercial	$	25,213,497	13,380,397	7,934,964	11,316,594	57,845,452
Consumer		10,545,839	5,344,551	4,327,782	5,946,527	26,164,699
Mortgages		118,588	297,438	358,839	10,326,934	11,101,799
Microcredit		165,741	201,119	18,993	3,856	389,709
Financial leases		1,108,869	955,046	840,189	1,135,531	4,039,635
Total	$	37,152,534	20,178,551	13,480,767	28,729,442	99,541,294

11.4 Loan portfolio, by Type of Currency

Following is a breakdown of the Loan portfolio by type of currency:

		December 31, 2017			December 31, 2016		
		Domestic	Foreign	Total	Domestic	Foreign	Total
Commercial	$	33,349,664	29,679,768	63,029,432	31,278,768	26,566,684	57,845,452
Consumer		10,822,488	17,280,444	28,102,932	9,959,031	16,205,668	26,164,699
Mortgages		2,626,832	9,428,894	12,055,726	2,143,172	8,958,627	11,101,799
Microcredit		400,817	0	400,817	389,709	0	389,709
Financial leases		2,958,888	922,988	3,881,876	3,144,706	894,929	4,039,635
Total Loan portfolio	**$**	**50,158,689**	**57,312,094**	**107,470,783**	**46,915,386**	**52,625,908**	**99,541,294**

11.5 Unimpaired Loans in Arrears

Following is a breakdown of loans that are in arrears but not impaired:

		December 31, 2017				
		From 1 to 30 days	From 31 to 60 days	From 61 to 90 days	Total customers in arrears but not impaired	Impaired
Commercial	$	478,478	77,427	67,176	623,081	2,396,713
Consumer		996,608	345,047	230,141	1,571,796	1,389,473
Mortgages		399,910	125,803	49,780	575,493	302,084
Microcredit		38,272	9,161	6,131	53,564	57,750
Financial leases		104,735	16,856	6,078	127,669	116,367
Total	$	**2,018,003**	**574,294**	**359,306**	**2,951,603**	**4,262,387**

(Continued)

		December 31, 2016				
		From 1 to 30 days	From 31 to 60 days	From 61 to 90 days	Total customers in arrears but not impaired	Impaired
Commercial	$	551,444	68,309	42,584	662,337	2,126,473
Consumer		875,961	307,161	192,593	1,375,715	1,168,677
Mortgages		406,941	94,608	41,140	542,689	210,736
Microcredit		43,796	8,570	6,338	58,704	54,788
Financial leases		146,957	10,462	8,700	166,119	85,941
Total	$	**2,025,099**	**489,110**	**291,355**	**2,805,564**	**3,646,615**

11.6 Loans Assessed Individually

Following is a breakdown of the loans assessed individually for impairment:

		December 31, 2017		
		Registered gross value	Collateral guarantees	Constituted impairment
No registered impairment				
Commercial	$	45,840	45,840	0
Subtotal		**45,840**	**45,840**	**0**
With registered impairment				
Commercial		2,328,427	147,293	893,569
Consumer		186	0	60
Mortgages		1,907	0	781
Financial leases		329,730	24,894	73,155
Subtotal		**2,660,250**	**172,187**	**967,565**
Totals				
Commercial		2,374,267	193,133	893,569
Consumer		186	0	60
Mortgages		1,907	0	781
Financial leases		329,730	24,894	73,155
Total	$	**2,706,090**	**218,027**	**967,565**

		December 31, 2016		
		Registered gross value	Collateral guarantees	Constituted impairment
No registered impairment				
Commercial	$	62,361	62,361	0
Subtotal		**62,361**	**62,361**	**0**
With registered impairment				
Commercial		2,056,058	164,225	459,267
Consumer		141	0	47
Mortgages		1,907	0	827
Financial leases		114,731	17,234	33,398
Subtotal		**2,172,837**	**181,459**	**493,539**
Totals				
Commercial		2,118,419	226,586	459,267
Consumer		141	0	47
Mortgages		1,907	0	827
Financial leases		114,731	17,234	33,398
Total	$	**2,235,198**	**243,820**	**493,539**

(Continued)

11.7 Loan portfolio, by Economic Sector

The Loan portfolio, by economic sector, breaks down as follows:

		December 31, 2017		December 31, 2016	
Sector		**Total**	**% Part**	**Total**	**% Part**
Consumer services	$	43,961,397	41%	41,059,921	41%
Commercial services		27,375,118	25%	24,751,458	25%
Food, beverages and tobacco		6,573,946	6%	5,704,971	6%
Transportation and communications		5,262,495	5%	5,400,917	5%
Construction		5,056,276	5%	4,814,715	5%
Chemical products		4,338,412	4%	3,801,557	4%
Public utilities		3,812,225	4%	3,881,274	4%
Others industrial and manufactured products		2,750,205	2%	2,930,953	3%
Agriculture		2,811,315	2%	2,729,642	3%
Government		1,244,265	1%	1,288,826	1%
Commerce and tourism		1,243,483	1%	1,092,308	1%
Mining and petroleum products		1,669,644	2%	1,186,809	1%
Others		1,372,002	2%	897,943	1%
Total	$	**107,470,783**	**100%**	**99,541,294**	**100%**

11.8 Loan portfolio, According to the Debtor's Geographic Location

Following is a breakdown of the Loan portfolio, according to the debtor's geographic location:

		December 31, 2017					
		Commercial	Consumer	Mortgages	Microcredit	Financial leases	Total
Colombia	$	35,747,653	10,825,661	2,626,833	400,817	3,004,102	52,605,066
Panamá		4,876,747	4,852,539	2,154,504	0	121,838	12,005,628
United States		6,432,727	609	10	0	0	6,433,346
Costa Rica		3,829,575	4,848,689	3,868,474	0	712,686	13,259,424
Nicaragua		2,228,138	1,307,042	403,191	0	6,052	3,944,423
Honduras		2,792,103	1,736,449	740,113	0	3,251	5,271,916
El Salvador		1,705,824	2,267,152	897,404	0	9,747	4,880,127
Guatemala		4,788,850	2,264,791	1,365,197	0	24,200	8,443,038
Other countries		627,815	0	0	0	0	627,815
Total	$	**63,029,432**	**28,102,932**	**12,055,726**	**400,817**	**3,881,876**	**107,470,783**

		December 31, 2016					
		Commercial	Consumer	Mortgages	Microcredit	Financial leases	Total
Colombia	$	33,579,269	9,976,548	2,143,172	389,709	3,208,101	49,296,799
Panamá		4,827,822	4,650,419	2,067,375	0	127,976	11,673,592
United States		5,182,065	306	16	0	0	5,182,387
Costa Rica		3,326,992	4,390,442	3,674,158	0	665,282	12,056,874
Nicaragua		2,148,814	1,237,205	390,003	0	7,164	3,783,186
Honduras		2,289,937	1,597,280	720,987	0	3,867	4,612,071
El Salvador		1,450,324	2,076,588	873,871	0	11,977	4,412,760
Guatemala		4,434,004	2,080,065	1,232,217	0	15,268	7,761,554
Other countries		606,225	155,846	0	0	0	762,071
Total	$	**57,845,452**	**26,164,699**	**11,101,799**	**389,709**	**4,039,635**	**99,541,294**

(Continued)

11.9 Loan portfolio, by Type of Collateral

Following is a breakdown of the Loan portfolio according to the type of collateral:

	December 31, 2017					
	Commercial	Consumer	Mortgages	Microcredit	Financial leases	Total
Unsecured loans	$ 34,578,618	23,111,977	973	270,127	0	57,961,695
Loans with collateral:						
Mortgages	246,688	42,081	11,983,751	4,331	6,127	12,282,978
Other real estate	11,758,402	1,121,701	4,290	1,048	113,277	12,998,718
Deposits in cash or cash equivalents	1,865,241	139,098	0	0	0	2,004,339
Other assets	14,580,483	3,688,075	66,712	125,311	3,762,472	22,223,053
Total	$ **63,029,432**	**28,102,932**	**12,055,726**	**400,817**	**3,881,876**	**107,470,783**

	December 31, 2016					
	Commercial	Consumer	Mortgages	Microcredit	Financial leases	Total
Unsecured loans	$ 32,737,754	21,614,694	979	268,152	0	54,621,579
Loans with collateral:						
Mortgages	236,567	38,201	11,069,800	5,231	6,380	11,356,179
Other real estate	10,986,856	960,203	3,486	1,186	99,590	12,051,321
Deposits in cash or cash equivalents	1,678,825	143,877	0	0	0	1,822,702
Other assets	12,205,450	3,407,724	27,534	115,140	3,933,665	19,689,513
Total	$ **57,845,452**	**26,164,699**	**11,101,799**	**389,709**	**4,039,635**	**99,541,294**

11.10 Financial leases Portfolio

Following is the reconciliation as of December 31, 2017, 2017 and December 31, 2016 between gross investment in financial leases and the present value of the minimum payments receivable on those dates:

	December 31, 2017	December 31, 2016
Gross investment in financial leases agreements	$ **6,816,561**	**7,441,527**
Less unrealized financial income	(2,934,685)	(3,401,892)
Net investment in financial leases agreements	**3,881,876**	**4,039,635**
Allowance for net impairment of investment in financial leases agreements	$ **(127,100)**	**(81,729)**

11.11 Financial leases Portfolio, by Maturity

Following is a breakdown of gross investment and net investment in financial leases agreements receivable:

	December 31, 2017		December 31, 2016	
	Gross investment	Net investment	Gross investment	Net investment
Under 1 year	$ 156,418	155,646	813,637	811,963
Between 1 and 5 years	1,917,339	1,704,256	1,921,238	1,736,372
More than 5 years	4,742,804	2,021,974	4,706,652	1,491,300
Total	$ **6,816,561**	**3,881,876**	**7,441,527**	**4,039,635**

The Group grants loans in the form of financial leases for purchase of machinery and equipment, computer equipment, real estate, furniture and fixtures, vehicles and ships, trains and aircraft. In these cases, the amount of financing generally ranges between a maximum of 100% of the value of the property in the case of new assets to 70% for used assets. The life of these loans varies from a maximum of 120 months to a minimum of 24 months for those who have tax benefits. The option to buy, in most cases, involves a maximum of 20% of the value of asset and a minimum of 1% in the specific case of furniture and fixtures.

(Continued)

NOTE 12 - OTHER ACCOUNTS RECEIVABLE

Other accounts receivable include following:

		December 31, 2017	December 31, 2016
Payments - Credibanco	$	346,834	247,505
Fees, Services and Advances		282,464	272,488
Electronic transfers in process		168,716	166,153
Commissions		152,354	123,773
Transfers to ICETEX balances declared in default		120,059	104,540
Prepayments to contractors and suppliers		105,335	21,589
Forward compliance		93,954	168,880
Collateral Deposits (1)		66,619	102,038
Sale of goods and services		65,029	67,049
Prepaid expenses		58,166	62,474
Transfers to the National Treasury		34,967	33,589
Managed pension funds		14,843	17,283
Accounts receivable from insurance companies		12,436	16,459
Discountable taxes, Prepayments and Withholdings		7,612	7,393
Buy-sell agreements		7,055	9,255
Insufficiency in savings accounts		6,074	5,388
Dividends and participations		12	12,260
Other		109,792	95,937
Subtotal		**1,652,321**	**1,534,053**
Impairment of other accounts receivable		(66,914)	(70,050)
Total	$	**1,585,407**	**1,464,003**

(1) Deposits to guarantee the margin call for derivative instruments with offshore counterparties amounted to $ 33,182 and $ 69,556, respectively, as of December 31, 2017 and December 31, 2016.

Following is a breakdown of impairment activity:

		December 31, 2017	December 31, 2016
Balance at beginning of the period	$	**70,050**	**170,646**
Impairment		14,230	36,995
Write-offs and forgiveness		(4,258)	(21,987)
Recoveries (1)		(13,416)	(26,558)
Exchange difference		308	126
Deconsolidation (Loss of Control) of subsidiaries		0	(92,942)
Movement discontinued operations		0	918
Reclassifications (2)		0	2,852
Balance at end of the period	$	**66,914**	**70,050**

(1) Includes $5,079 registered as losses due to cash and floating losses in Leasing Bogotá Panamá for the year 2016**.**
(2) Reclassification by reconciliation items registered by Porvenir as a lower value of cash for the year 2016.

(Continued)

NOTE 13 - NON-CURRENT ASSETS HELD FOR SALE

Following is a breakdown of non-current assets held for sale:

		December 31, 2017	December 31, 2016
Non-current assets held for sale			
Moveable	$	6,093	101,728
Residential real estate		31,666	36,368
Non-residential real estate		37,061	38,080
		74,820	**176,176**
Assets returned from leasing agreements			
Machinery and equipment		194	159
Vehicles		1,082	405
Property		1,963	27,208
		3,239	**27,772**
Other non-current assets held for sale			
Others		0	6,759
		0	6,759
Total	$	**78,059**	**210,707**

Following is a breakdown of activity in non-current assets held for sale:

		December 31, 2017	December 31, 2016
Balance at beginning of the period	$	**240,475**	**256,500**
Additions		77,276	197,503
Cost of assets sold, net		(62,364)	(114,998)
Changes in the measurement by fair value		(11,224)	(16,678)
Write-offs		(10,715)	(4,226)
Reclassifications (1)		(127,340)	(9,570)
Exchange difference		(2,642)	(9,637)
Decrease due to loss of control over subsidiaries		0	(37,502)
Net movement of discontinued operations		0	(20,917)
Subtotal		**103,466**	**240,475**
Impairment		(25,407)	(29,768)
Balance end of the period	$	**78,059**	**210,707**

(1) As of December 31, 2017 transfers were made: from investment properties for $318, to other assets for $2,503, investments for $23,368 and investment properties for $101,787 As of December 31, 2016 transfers were made: from property, plant and equipment for $23,457. To property, plant and equipment for $14,029, other assets for $1,232 , investments for $1,006 and investment properties for $16,760.

The liabilities associated with the groups of assets held for sale at December 31, 2017 and 2016 corresponds to Others accounts payable for $10,616 and $13,884 respectively.

Non-current assets held for sale are primarily assets received through foreclosure from assets pledged as loan collateral. Accordingly, the Group intention is to sell them immediately, and it has departments, processes and special sales programs for that purpose. Foreclosed assets are either sold for cash or financing for their sale is provided to potential buyers under normal market conditions.

These assets are expected to be sold within a period of 12 months subsequent to their classification as assets held for sale. In fact, options contracts already exist for some of them. Note 6 on credit risk contain information about assets received through foreclosure and sold during the period.

(Continued)

By December 31, 2017 and 2016 there were no changes in plans for the disposal of non-current assets held for sale.

Marketing Plan

The Bank takes following steps to market non-current assets held for sale:

• There is a sales force specialized in real estate. It promotes sales, provides the commercial areas with support in handling proposals, visits the regions on a regular basis to strengthen efforts to market property, supports the effort made to obtain an urban standard applicable to real estate, and takes part in committees to assess and monitor ongoing negotiations.

• Real estate properties are visited regularly in an effort to keep the sales force and management familiar with the properties the Group has for sale. This approach makes it possible to identify the strengths of each property, its marketing potential and state of conservation, all of which allows for effective sales management.

• Sales are promoted through advertisements in the major daily newspapers with nationwide circulation and in the Group's real estate magazine. Pertinent information is sent directly to potential customers and a list of properties is published on the Bank's website (www.bancodebogota.com.co).

NOTE 14 - DECONSOLIDATION (LOSS OF CONTROL) OF SUBSIDIARIES

a. Casa de Bolsa S.A.

On December 22, 2016, the shareholder agreement subscribed in previous years was modified through which the Bank was exercising as controlling entity of Casa de Bolsa S.A., an entity that became an associate and Corficolombiana S.A. its new controlling entity.

In compliance with the specific requirements on deconsolidation (loss of control), the following accounting recognition was made by the Bank due to loss of control over Casa de Bolsa S.A.

1. Based on IFRS 13, the investment maintained by the Bank in Casa de Bolsa S.A, for $7,770, which is represented by $3,551,919 shares valued at $2,187.78 (in Colombian pesos) each, was recognized and measured at fair value.

2. The carrying amounts for assets, liabilities and non-controlling interest related to Casa de Bolsa S.A. were derecognized, for a net value of $7,023.

3. The resulting gain of $748 was recognized and presented in the statement of income for the period as a "Gain on deconsolidation (loss of control) of Casa de Bolsa S.A.

4. Items pertaining to "other comprehensive income" were reclassified to income for the period for $406, mainly for financial instruments measured at fair value with changes in ORI and equity financial instruments, in compliance with the applicable IFRS.

Accordingly, the Group's consolidated statement of financial position at December 31, 2016 does not include the assets, liabilities or non-controlling interest in Casa de Bolsa S.A., and the equity method of measurement will be applied to Casa de Bolsa S.A., as an associate, as of January 2017.

b. Corporación Financiera Colombiana S.A.

The shareholders' agreement signed previously between Banco de Bogotá S.A., Banco de Occidente S.A., Banco Popular S.A. and Grupo Aval Acciones y Valores S.A., whereby the Bank was the controlling entity of Corporación Financiera Colombiana S.A., was amended on June 21, 2016. The primary strategic objective of that amendment was to focus management of Banco de Bogotá on the financial business, in addition to strengthening the Bank's capital structure. The amendment consisted of transferring direct control to Grupo Aval Acciones y Valores S.A. (the parent company) and keeping at least one member of the Bank on the Board of Directors of Corporacion Financiera Colombiana S.A. As a result, the Bank lost the control of Corporación Financiera Colombiana S.A. but still exercises significant influence, with decision-making power being limited to its 38.35% share of voting rights.

In complying with the specific requirements on deconsolidation (loss of control) the Bank recognized the following effects due to the loss of control over Corporación Financiera Colombiana S.A.:

1. The Bank's continuing investment in Corporación Financiera Colombiana S.A. is represented by 86,982,066 shares. The fair value of those shares based on their quoted market price in the Colombian Stock Exchange amounted to $38.160 (Colombian pesos) each, totaling to $3,319,236.

2. The following assets and liabilities and non-controlling interest in Corporación Financiera Colombiana S.A. with a net value of $1,166,884:

Amounts according to the consolidated financial statements of Corporación Financiera Colombiana S.A. at June 30, 2016, net of intercompany balances		
Total assets	$	18,839,116
Total liabilities		(13,931,192)
Total equity		4,907,924
Less: Non-controlling ownership interest attributable to the owners of Corporación Financiera Colombiana S.A.		(1,864,890)
Book value of the equity of Corporación Financiera Colombiana S.A. attributable to its owners		**3,043,034**
Less: Book value of the equity of Corporación Financiera Colombiana S.A.attributable to non-controlling stakes, prior to loss of control		(1,876,150)
Book value of the equity of Corporación Financiera Colombiana S.A. attributable to the Bank, prior to loss of control	$	**1,166,884**

The resulting gain of $2,179,602, recorded in the income statement for the period as "Gain on Deconsolidation (Loss of Control) of Corporacion Financiera Colombiana S.A.," was determined as follows:

Fair value of the Bank's ownership interest in Corporación Financiera Colombiana S.A.at June 30, 2016	$	3,319,236
Less: Book value of the Bank's ownership interest in Corporación Financiera Colombiana S.A.		(1,166,884)
Gain on loss of control over Corporación Financiera Colombiana S.A. measured at fair value		**2,152,352**
Reclassification of other comprehensive income items to income for the period (primarily, the adjustment for conversion of the financial statements)		27,250
Total	$	**2,179,602**

In addition, other comprehensive income items in the amount of $6,925 were reclassified to accumulated profits (mainly through the measurement of financial instruments at fair value), pursuant to the applicable IFRS.

Accordingly, the Group's consolidated financial position at June 30, 2016 does not include the assets, liabilities and non-controlling interest in Corporación Financiera Colombiana S.A. and Subsidiaries.

(Continued)

The Group adopted the equity method of accounting for investments in associates, beginning on July 1, 2016. Consequently, the Group's ownership interest in the earnings of Corporación Financiera Colombiana as of July 1, 2016 was included in the consolidated earnings of the Group, on a single line - whether income or expense, as applicable, - in accordance with the equity method of accounting.

The deconsolidation of Corporación Financiera Colombiana and Subsidiaries implied the discontinuation of an operating segment and the presentation of discontinued operations in compliance with IFRS 5 (see Note 15).

NOTE 15 - DISCONTINUED OPERATIONS

During the year 2016, the Group discontinued operations conducted through Corporación Financiera Colombiana S.A., Casa de Bolsa S.A. y Credomatic de México S.A. Due to their materiality, the statements showing the Group's income, comprehensive income and cash flow for the period have been amended to present the discontinued operations separately from continuing operations for the operation of Corporación Financiera Colombiana S.A. However, relevant information relating to such transactions is provided below:

Statement of Income for the Period from Discontinued Operations

Income		
Interest	**$**	313,972
Sale of goods and services from companies in the non-financial sector		1,003,692
Other income		347,910
Total income		**1,665,575**
Expenses		
Interest		421,864
Financial expenses, taxes, rates and operating expenses		276,807
Employee benefits		138,922
Others		178,515
Total expenses		**1,016,107**
Profit from discontinued operations, before income tax		**649,467**
Income tax from discontinued operations		196,170
Profit for the period from discontinued operations		**453,297**
Profit for the period from discontinued operations attributable to:		
Shareholders of the controlling entity		258,577
Non-controlling interest		194,720
Profit for the period from discontinued operations	**$**	**453,297**
Earnings per basic and diluted share from discontinued operations (in pesos)		**1,110.04**

Statement of Comprehensive Income from Discontinued Operations

Other comprehensive income from discontinuing operations	$	453,297
Profit in accounting periods from discontinued operations		32,208
Total comprehensive income from discontinued operations	**$**	**485,505**

Statement of Cash Flows from Discontinued Operations

Net flow from operating activities	$	579,604
Net flows from investment activities		(664,917)
Net flow from financing activities		37,026
Effect of the exchange difference on cash and cash equivalents		19,055
Net increase (decline) in cash and cash equivalents		(29,232)
Cash and cash equivalents at the start of the period		837,275
Cash and cash equivalents at the end of the period	$	**808,043**

(Continued)

NOTE 16 - INVESTMENTS IN ASSOCIATES AND JOINT ARRANGEMENTSS

Following is a breakdown of investments in associate companies and Joint Arrangementss:

	December 31, 2017		December 31, 2016	
	% of participation in voting right	Book value	% of participation in voting right	Book value
Associates				
A Toda Hora S.A.	20%	$ 1,655	20%	1,520
Pizano S.A.	18%	8,481	18%	23,810
Corporación Financiera Colombiana S.A (2)	39%	3,371,771	38%	3,309,077
Casa de Bolsa S.A.	23%	7,955	23%	7,452
		3,389,862		**3,341,859**
Joint Arrangementss				
A Toda Hora S.A. (1)	25%	1,597	25%	0
		$ **1,597**		$ **0**

(1) An equity loss was reported as a result of $8,195 in payments charged to the ATH Joint Arrangements at the end of December 2016 for software maintenance, technology fees and the transport of securities. This implied cancelling out the balance of the investment and recognizing the respective liability.
(2) Includes adjustment of fair value as a result of deconsolidation (see note 14).

All the associates and Joint Arrangementss listed above have their main place of business in Colombia.

Following table shows the main corporate purpose of the Group's associate companies and Joint Arrangementss as of December 31, 2017:

	Associate and Joint Arrangementss	Corporate Purpose	Principal place of business
1	A Toda Hora S.A.	Manages low-value payment systems.	Bogotá - Colombia
2	Corporación Financiera Colombiana S.A.	Offers a broad portfolio of specialized products for private banking, investment banking, treasury operations and equity-income investments.	Bogotá - Colombia
3	Pizano S.A	Manufactures laminated wood products.	Barranquilla - Colombia
4	Casa de Bolsa S.A.	Sociedad Comisionista de Bolsa (Intermediation by Valores y Administración de Fondos de Valores).	Bogotá - Colombia

Following are the changes in investments in associate companies and Joint Arrangementss:

	December 31, 2017	December 31, 2016
Balance at beginning of the period	$ **3,341,859**	**628,124**
Increase from deconsolidation of subsidiaries	140	1,387,743
Stake in income for the period	44,038	112,292
Stake in other comprehensive income	3,825	(17,391)
Profit from measurement at fair value for loss of control	0	2,180,351
Dividends received	0	(53,747)
Decline due to loss of control of Corporación Financiera Colombiana S.A.	0	(887,006)
Net movement from discontinued operations	0	(8,507)
Balance at end of the period	$ **3,389,862**	**3,341,859**

(Continued)

Following is the activity in investments in Joint Arrangementss:

		December 31, 2017	December 31, 2016
Balance at beginning of the period	$	**0**	**277,624**
Stake in income for the six months		2,185	(1,972)
Reclassifications		0	(345,554)
Decline due to loss of control of Corporación Financiera Colombiana S.A.		0	72,194
Net movement from discontinued operations		(588)	(2,292)
Balance at end of the period	$	**1,597**	**0**

There is no contingent liability for the Group's interest in investments in associates and Joint Arrangementss.

Condensed financial information on investments in associate companies and Joint Arrangementss registered according to the equity method is as follows:

Investments in Associates

		December 31, 2017					
		Assets	Liabilities	Equity	Income	Expenses	Earnings
A Toda Hora	$	9,317	1,041	8,275	11,091	10,399	692
Corporación Financiera Colombiana S.A.		9,072,846	5,954,998	3,117,849	2,303,890	2,142,699	161,191
Pizano S.A.		203,226	157,299	45,926	120,917	204,942	(84,024)
Casa de Bolsa S.A.		45,081	15,172	29,909	46,904	46,833	71
Total	$	**9,330,470**	**6,128,510**	**3,201,960**	**2,482,803**	**2,404,873**	**77,930**

		December 31, 2016					
		Assets	Liabilities	Equity	Income	Expenses	Earnings
A Toda Hora	$	8,104	506	7,598	15,337	14,997	340
Corporación Financiera Colombiana S.A.		9,428,471	6,521,755	2,906,716	7,373,507	7,065,052	308,455
Pizano S.A.		267,431	139,094	128,337	154,932	172,680	(17,748)
Casa de Bolsa S.A.		61,269	31,861	29,408	23,296	23,742	(446)
Total	$	**9,765,275**	**6,693,216**	**3,072,059**	**7,567,072**	**7,276,471**	**290,601**

Joint Arrangementss

		December 31, 2017					
		Assets	Liabilities	Equity	Income	Expenses	Earnings
A Toda Hora	$	47,986	41,598	6,387	207,848	199,148	8,700
Total	$	**47,986**	**41,598**	**6,387**	**207,848**	**199,148**	**8,700**

		December 31, 2016					
		Assets	Liabilities	Equity	Income	Expenses	Earnings
A Toda Hora	$	39,515	41,828	(2,313)	254,419	250,032	4,387
Total	$	**39,515**	**41,828**	**(2,313)**	**254,419**	**250,032**	**4,387**

(Continued)

NOTE 17 - PROPERTY, PLANT AND EQUIPMENT

Following is a breakdown of property, plant and equipment:

	December 31, 2017			
	Cost	Accumulated depreciation	Impairment	Net
Land	$ 399,628	0	0	399,628
Buildings	1,122,946	(327,836)	0	795,110
Equipment and machinery	13,544	(9,044)	(42)	4,458
Vehicles	37,298	(20,746)	0	16,552
Office equipment, furniture and fixtures	679,921	(439,157)	0	240,764
Computer hardware	1,066,307	(771,489)	0	294,818
Leasehold improvements	299,807	(163,248)	0	136,559
Construction in progress	48,432	0	0	48,432
	$ **3,667,883**	**(1,731,520)**	**(42)**	**1,936,321**

	December 31, 2016			
	Cost	Accumulated depreciation	Impairment	Net
Land	$ 402,718	0	0	402,718
Buildings	1,125,361	(281,357)	0	844,004
Equipment and machinery	14,986	(2,293)	(131)	12,562
Vehicles	31,065	(20,854)	0	10,211
Office equipment, furniture and fixtures	689,214	(443,273)	(12)	245,926
Computer hardware	1,102,106	(774,637)	0	327,469
Leasehold improvements	275,000	(143,670)	0	131,330
Construction in progress	27,876	0	0	27,876
	$ **3,668,326**	**(1,666,084)**	**(143)**	**2,002,099**

Following are details on activity in the cost of property, plant and equipment:

	Balance at December 31, 2016	Exchange difference	Additions	Disposals	Reclassifications (1)	Balance at December 31, 2017
Land	$ 402,718	(4,643)	2,148	(595)	0	399,628
Buildings and constructions	1,125,361	(13,139)	5,553	(4,115)	9,286	1,122,946
Equipment and machinery	14,986	0	1,287	(227)	(2,502)	13,544
Vehicles	31,065	(534)	9,941	(6,600)	3,426	37,298
Office furniture, fixtures and equipment	689,214	(10,773)	51,481	(47,046)	(2,955)	679,921
Computer hardware	1,102,106	(19,379)	98,556	(121,609)	6,633	1,066,307
Leasehold improvements	275,000	(19,102)	31,221	(15,333)	28,021	299,807
Construction in progress	27,876	(1,017)	35,189	(401)	(13,215)	48,432
Total assets	$ **3,668,326**	**(68,587)**	**235,376**	**(195,926)**	**28,694**	**3,667,883**

(1) Corresponds to transfers of investment properties for $23,407. Reactivation of totally depreciated and deteriorated assets for $736. Adjustments between cost and depreciation for $4,551

	Balance at December 31, 2015	Exchange difference	Additions	Disposals	Reclassifications (2)	Deconsolidation (loss of control) Casa de Bolsa	Balance at December 31, 2016
Land	$ 726,146	(3,444)	6,135	(746)	18,490	(343,863)	402,718
Buildings and constructions	1,660,170	(10,258)	27,697	(3,883)	81,236	(629,601)	1,125,361
Equipment and machinery	462,702	0	1,690	(15)	138	(449,529)	14,986
Vehicles	71,237	(3,372)	5,789	(5,840)	(34,856)	(1,893)	31,065
Office furniture, fixtures and equipment	710,937	(29,302)	44,439	(15,801)	(5,566)	(15,493)	689,214
Computer hardware	1,075,100	(44,574)	150,188	(48,409)	5,071	(35,270)	1,102,106
Networks, lines and cables	354,773	0	0	0	0	(354,773)	0
Gas pipelines	439,866	0	0	0	0	(439,866)	0
Leasehold improvements	266,858	(7,550)	15,836	(10,806)	11,635	(973)	275,000
Construction in progress	304,700	(35,323)	49,115	(4,831)	(102,616)	(183,169)	27,876
Total activos	**$ 6,072,489**	**(133,823)**	**300,889**	**(90,331)**	**(26,468)**	**(2,454,430)**	**3,668,326**

(2) Corresponds to transfers to Non-current assets held for sale for $34,352, from non-current assets held for sale for $14,029, from investmens properties for $2,726, from diverse for $318. Reactivation of totally depreciated for $1,099, adjustments between cost and depreciation for $10,288.

(Continued)

Following shows the activity in depreciation of property, plant and equipment:

		Balance at December 31, 2016	Exchange difference	Depreciation	Disposals/ Sales	Reclassifications (1)	Balance at December 31, 2017
Buildings and constructions	$	281,357	(2,632)	52,244	(3,134)	1	327,836
Equipment and machinery		2,293	0	844	(228)	6,135	9,044
Vehicles		20,854	(255)	5,376	(5,229)	0	20,746
Office furniture, fixtures and equipment		443,273	(4,661)	56,981	(45,479)	(10,957)	439,157
Computer hardware		774,637	(13,611)	121,221	(116,084)	5,326	771,489
Leasehold improvements		143,670	(131)	29,849	(14,934)	4,794	163,248
Total	**$**	**1,666,084**	**(21,290)**	**266,515**	**(185,088)**	**5,299**	**1,731,520**

(1) Corresponds to reactivation of totally depreciated assets for $748 and adjustments between cost and depreciation for $4,551.

		Balance at December 31, 2015	Exchange difference	Depreciation	Disposals/ Sales	Reclassifications (1)	Deconsolidation (loss of control) Subsidiaries	Balance at December 31, 2016
Buildings and constructions	$	241,111	(10,007)	53,953	(1,114)	439	(3,025)	281,357
Equipment and machinery		18,206	0	734	(16)	(2,702)	(13,929)	2,293
Vehicles		30,834	(1,233)	6,058	(3,813)	(9,141)	(1,851)	20,854
Office furniture, fixtures and equipment		433,218	(21,859)	59,430	(14,274)	(9,571)	(3,671)	443,273
Computer hardware		729,589	(29,351)	121,701	(40,926)	1,010	(7,386)	774,637
Networks, lines and cables		32,740	0	0	0	0	(32,740)	0
Gas pipelines		104,028	0	0	0	0	(104,028)	0
Leasehold improvements		131,356	(8,517)	28,376	(7,355)	(119)	(71)	143,670
Total	**$**	**1,721,082**	**(70,967)**	**270,252**	**(67,498)**	**(20,084)**	**(166,701)**	**1,666,084**

(2) Corresponds to transfers to Non-current assets held for sale for $10,895, reactivation of totally depreciated assets for $1,099 and adjustments between cost and depreciation for $10,288.

Following is the activity in property, plant and equipment impairment:

		Equipment and machinery	Vehicles	Office furniture, fixtures and equipment	Total
Balance at December 31, 2015	$	**752**	**0**	**0**	**752**
Impairment charged to expenses		73	0	12	85
Decrease due to loss of control Corficolombiana S.A.		(694)	0	0	(694)
Balance at December 31, 2016		**131**	**0**	**12**	**143**
Impairment charged to expenses		5	4	0	9
Disposals/ Sales		0	(98)	0	(98)
Reclassifications (1)		(94)	94	(12)	(12)
Balance at December 31, 2017	$	**42**	**0**	**0**	**42**

(1) Corresponds to reactivation of totally depreciated assets for $12.

As of December 31, 2017 and December 31, 2016 there were no restrictions on ownership of property, plant and equipment.

A qualitative impairment analysis that took into account internal and external sources of information was carried out. Based on those sources, it was determined that certain assets might be somewhat impaired. The Group then proceeded to calculate their recoverable value based on the fair value determined through a technical assessment done by an independent appraiser.

(Continued)

NOTE 18 - INVESTMENT PROPERTIES

Following is a breakdown of the Group's investment properties:

	December 31, 2017			December 31, 2016		
	Land	Buildings	Total	Land	Buildings	Total
Cost	$ 203,349	51,596	254,945	125,499	43,505	169,004
Total	$ 203,349	51,596	254,945	125,499	43,505	169,004

Following shows the changes in the cost of investment property:

	Land	Buildings	Total
Balance at December 31, 2015	$ **252,220**	**40,696**	**292,916**
Additons	0	3,003	3,003
Changes in accounting policy – Fair value	2,643	2,112	4,755
Reclassifications (1)	14,070	2,363	16,433
Disposals	(10,626)	(5,142)	(15,768)
Deconsolidation (loss of control) of subsidiaries	(98,495)	(43,934)	(142,429)
Net movement from discontinued operations	(34,313)	44,407	10,094
Balance at December 31, 2016	**125,499**	**43,505**	**169,004**
Additons	6,000	0	6,000
Changes in accounting policy – Fair value	41	6,082	6,123
Reclassifications (2)	73,965	4,097	78,062
Disposals	(2,156)	(2,088)	(4,244)
Balance at December 31, 2017	$ **203,349**	**51,596**	**254,945**

(1) Corresponds to transfers: from non-current assets held for sale for $16.760 and from others assets for $2.399, to property, plant and equipment for $2.726.
(2) Corresponds to transfers: from non-current assets held for sale for $101,787 and to Property, plant and equipment for $23,407, non-current assets held for sale for $318.

Following is a breakdown of the figures included in income for the period:

	December 31, 2017	December 31, 2016
Rental income from investment properties	$ 3,127	2,953
Direct operating expenses for investment properties that generate rental income	(243)	(303)
Direct operational expenses deriving from investment properties not generating income due to leases	(393)	0
Total	$ **2,491**	**2,650**

- There were no contractual obligations registered during the aforementioned periods to purchase investment properties or for repairs, maintenance and improvements
- There are no restrictions on the sale of investment properties.

NOTE 19 - GOODWILL

19.1 Impairment Assessment of Cash-generating Units with Allocated Goodwill

The Group's management assesses goodwill impairments on an annual basis. This goodwill is regarded as an asset with an indefinite useful life, based on studies performed to that effect by independent experts hired for that purpose and in accordance with IAS 36 - "Impairment of Assets".

These studies are based on valuations of the groups of cash-generating units (UGE's - Spanish acronym) that are assigned the goodwill upon acquisition. This is done using the discounted future cash flow method

(Continued)

and taking into account factors such as the economic situation of the country, the sector where the acquired entity operates, historical financial information, and projections on growth in the entity's revenue and costs over the next five years and, subsequently, perpetual growth, considering its profit capitalization rates discounted at risk-free interest rates adjusted by the risk premiums that are required, given the circumstances of each entity.

The methodologies and assumptions used when valuing the different cash-generating units with allocated goodwill were reviewed by management and, based on that review, it was concluded there was no need to record any impairment at December 31, 2017, since their recoverable amounts exceeds the book value.

The value of goodwill recorded in the financial statements of the Group was generated from following acquisitions:

Buyer Company	Acquisition	CGU Group		December 31, 2017	December 31, 2016
Banco de Bogotá	**Megabanco**	**Banco de Bogotá**	$	**465,905**	**465,905**
Banco de Bogotá	**AFP Horizonte**			**436,096**	**436,096**
	Direct acquisition by the Bank	**Porvenir**		90,162	90,162
	Acquisition through Porvenir			345,934	345,934
Leasing Bogotá S.A Panamá (1)				**4,688,363**	**4,714,617**
	BAC Credomatic	**Leasing Bogotá S.A Panamá**		2,926,746	2,943,136
	BBVA Panamá			948,239	953,549
	Banco Reformador			684,953	688,788
	Transcom Bank			128,425	129,144
Total Goodwill			$	**5,590,364**	**5,616,618**

(1) The changes are related with the exchange from foreign currency, due to this goodwill is recorded in US dollars.

Following is the detail of goodwill assigned by cash generating units (CGU) which represent the lowest level within Banco de Bogotá are monitored by the management and which are not greater that the business' segments:

		December 31, 2017			
		Goodwill carrying amount	CGU Book Value	CGU Recoverable amount	Excess
UGE in Banco de Bogotá (Megabanco)	$	465,905	7,353,562	9,483,254	2,129,692
Pensiones y Cesantías Porvenir (AFP Horizonte)		436,096	1,818,411	3,925,140	2,106,729
Leasing Bogota Panamá		4,688,363	11,349,292	17,054,833	5,705,540
TOTAL	$	**5,590,364**			

		December 31, 2016			
		Goodwill carrying amount	CGU Book Value	CGU Recoverable amount	Excess
UGE in Banco de Bogotá (Megabanco)	$	465,905	5,579,593	9,976,659	4,397,066
Pensiones y Cesantías Porvenir (AFP Horizonte)		436,096	1,523,442	3,743,515	2,220,073
Leasing Bogota Panamá		4,714,617	10,428,240	14,362,910	3,934,670
TOTAL	$	**5,616,618**			

(Continued)

19.2 Breakdown of Goodwill, by Acquired Company:

- **Goodwill generated by the acquisition of Banco de Crédito y Desarrollo Social - MEGABANCO S.A.**

Goodwill was generated in 2006 with the acquisition of 94.99% of the shares of Banco de Crédito y Desarrollo Social - MEGABANCO S.A. and later merger with Banco de Bogotá. This operation was authorized by the Office of the Financial Superintendence in Resolution No. 917 dated 2 June 2006.

Such goodwill was allocated to the groups of cash-generating units inside Banco de Bogotá involved in following lines of business:

	Share (%)		Value
Commercial	32.7%	$	152,539
Consumer	30.8%		143,287
Payroll installment loans	27.0%		125,934
Vehicles	6.7%		31,304
Microcredit	2.8%		12,841
Total	100.0%	$	465,905

The latest valuation update for the business lines of the groups of cash-generating units to which this goodwill was allocated, was done by Deloitte Asesores y Consultores Ltda. This valuation is included in its January 2018 report and is based on the Banco de Bogotá's financial statements at September 30, 2017, due to the merger with the acquired company. With this report the Group and management concluded that there are no situations whatsoever that would indicate possible impairment, since $9,483,254 in fair value resulting from the assessment valuation exceeds $7,353,562 in book value for the CGU groups in $2,129,692.

The following table shows the main premises used in the latest impairment tests of the groups of cash-generating units with allocated goodwill:

	December 31, 2017				
	2018	2019	2020	2021	2022
Asset interest rates of portfolio and investments	9.6%	9.4%	9.3%	9.5%	9.6%
Liabilities interest rates	3.6%	3.3%	3.2%	3.6%	3.8%
Income growth due to commissions	9.2%	7.7%	7.8%	8.5%	8.5%
Expenses growth	2.5%	4.0%	4.0%	5.1%	4.4%
Inflation	3.3%	3.4%	3.2%	3.3%	3.6%
Discount rate after taxes	14.0%				
Growth rate after five years	3.5%				

	December 31, 2016				
	2017	2018	2019	2020	2021
Asset interest rates of portfolio and investments	10.5%	10.0%	9.6%	9.2%	9.0%
Liabilities interest rates	4.7%	4.1%	3.7%	3.2%	3.2%
Income growth due to commissions	17.2%	21.3%	12.2%	12.2%	15.6%
Expenses growth	7.0%	10.8%	10.8%	11.0%	12.7%
Inflation	4.1%	3.0%	3.1%	3.0%	3.0%
Discount rate after taxes	15.7%				
Growth rate after five years	3.0%				

(Continued)

A 5-year projection was made to estimate goodwill, based on macroeconomic assumptions and those related to the businesses listed in the foregoing tables. The following is a description of that process.

- The lending rates on loans and investments were projected based on the Group past earnings, the expectations of the company and independent specialists (The Economist Intelligence Unit "EIU").

- The borrowing rates were projected based on the overall cost of funding (accounting rate) consistent with the historical evolution, the company's expectations and market rates of The Economist Intelligence Unit "EIU"

- Estimated growth in fees are based on historical percentages of the gross portfolio.

- Estimated growth in expenses are based on growth of inflation as well as historical percentages on income.

- The rate of inflation used in the projections is based on reports from outside sources, such as The Economist Intelligence Unit and Corficolombiana.

- The growth rate used for the terminal value was 3.5%, which is the projected average rate of inflation expected by independent specialists.

The discount rate after taxes used to discount dividend flows reflects the specific risks relative to each cash-generating unit. If the 14% estimated discount rate had been 1.0% higher than the rate estimated in the independent studies, the book value of goodwill would not have to be reduced, since the fair value of the groups of cash-generating units with this sensitivity would be $8,724,594 which is well above the book value of $7,353,532.

- **Goodwill generated by the acquisition of AFP Horizonte:**

The Bank acquired sixteen point seventy-five percent (16.75%) of the shares of AFP Horizonte Pensiones y Cesantías S.A. directly and sixty-four point twenty-eight percent (64.28%) indirectly through its subsidiary Porvenir, as authorized by the Financial Superintendence of Colombia. This acquisition generated $91,746 and $352,081 in initial goodwill, respectively.

After the acquisition, Porvenir absorbed AFP Horizonte Pensiones y Cesantías S.A and the goodwill in question was allocated to the groups of cash-generating units that together make up Porvenir later that same year.

The latest valuation update of the groups of cash-generating units that comprise Porvenir was done by Deloitte Asesores y Consultores Ltda based on Porvenir’s financial statements at September 30, 2017. Deloitte Asesores y Consultores Ltda presented its report on January 2018 and there are no situations indicative of possible impairment, since $3,925,140 in fair value exceeds the book value of $2,106,729 of the cash-generation units to which the goodwill was allocated.

The following are the main premises used in the impairment test done on December 2017:

	December 31, 2017				
	2018	2019	2020	2021	2022
Lending interest rate on investments	5.8%	5.9%	5.7%	5.8%	6.2%
Borrowing rate	6.3%	6.3%	6.3%	6.3%	6.3%
Growth in income from commissions	14.2%	8.0%	7.7%	7.6%	7.5%
Growth in expenses	11.2%	6.7%	6.1%	6.1%	6.4%
Inflation	3.3%	3.4%	3.2%	3.3%	3.6%
Discount interest rate after taxes	13.0%				
Growth rate after twenty years	3.5%				

	December 31, 2016				
	2017	2018	2019	2020	2021
Lending interest rate on investments	6.47%	5.86%	6.15%	6.21%	6.18%
Borrowing rate	6.3%	6.3%	6.3%	6.3%	6.3%
Growth in income from commissions	6.9%	12.7%	7.2%	7.1%	6.9%
Growth in expenses	3.5%	13.2%	5.3%	6.5%	5.9%
Inflation	3.7%	3.0%	3.1%	3.0%	3.0%
Discount interest rate after taxes	12.9%				
Growth rate after twenty years	4.0%				

A 5-year projection was made to estimate goodwill based on macroeconomic assumptions and those related to the business of AFP Horizonte Pensiones y Cesantías, as indicated in the foregoing tables. The following is a description of that process.

- Lending rates on loans and investments and the borrowing rates were projected using historical data on the business.

- The estimated growth for commissions and expenses are based on business growth and other transactions estimated by the Group.

- The inflation rate used in the projections was taken from several domestic and international sources, such as The Economist Intelligence Unit and Corficolombiana.

- Finally, the growth rate used for the terminal value was 3.5%, which is the projected average rate of inflation expected by independent specialists.

The discount interest rate after taxes that was used to discount dividend flows reflects the specific risks relative to each cash-generating unit. If the estimated discount rate of 13% had been 1.0% higher than the estimated rate in the valuation done by outside experts, there would be no need to reduce the book value of goodwill, since the fair value of the cash-generating units to which the goodwill was allocated would be $3,526,053 and exceeds their book value at December 31, 2017 of $1,818,811.

- **Acquisitions through Leasing Bogotá S.A. Panama:**

On December 9, 2010, Banco de Bogotá S.A. acquired control of BAC COM through its subsidiary Leasing Bogotá S.A. Panama (LBP), which is the Panamanian company that executed the purchase agreement. BAC Credomatic Inc. (BAC COM), a company incorporated to do business under the laws of the British Virgin Islands, is the owner of Banco BAC International Bank, Inc. and the operations of BAC Credomatic Inc. (BAC) in Central America.

(Continued)

With the acquisition of BAC COM, through LBP, BAC's corporate structure now is controlled by Banco de Bogotá S.A., which is controlled, in turn, by Grupo Aval. Goodwill was generated and recognized as a result of that operation. Banco de Bogotá was authorized by the Financial Superintendency of Colombia to make this acquisition, through its subsidiary Leasing Bogotá Panama, as indicated in Official Notice 2010073017- 048 dated December 3, 2010.

Afterwards, ninety-eight point ninety-two percent (98.92%) of the shares of Banco Bilbao Vizcaya Argentaria S.A. Panama (BBVA Panama, now BAC de Panama) were acquired by Banco de Bogotá, through its subsidiary Leasing Bogotá Panama, under authorization from the Financial Superintendency of Colombia, as per Official Notice 2013072962-052 dated December 12, 2013.

Also, one hundred percent (100.00%) of the shares of Banco Reformador de Guatemala and of Transcom Bank Limited in Barbados were acquired, and both banks were stated as Grupo Financiero Reformador de Guatemala. The Financial Superintendencie authorized Banco de Bogotá to acquire these banks, through its subsidiaries Credomatic International Corporation and BAC Credomatic Inc., as per Official Notice 2013068082-062 dated December 3, 2013.

Finally, during 2015, Credomatic International Corporation, a subsidiary of the company, acquired 100% of the shares of COINCA Corporation Inc. (COINCA); and BAC Credomatic Holding Corporation SA, an indirect subsidiary of the Company, acquired 100% of “Medios de Pago MP SA” based in Costa Rica, generating an additional goodwill of US $853,401.

The latest valuation update for the groups of cash generating units to which this goodwill was allocated was done by Ernst and Young in January 2018, based on the financial statements of BAC Credomatic at september 30, 2017. The respective report indicates there are no situations that would imply possible impairment, since the in use value of $17,054,833 exceeds the book value of $11,351,459 of the groups of cash generating units with assigned goodwill.

The following table shows the averages of the primary premises used in the impairment test of the cash-generating units with allocated goodwill:

	December 31, 2017				
	2018	2019	2020	2021	2022
Lending rate on the loan portfolio and investments	11.0%	11.0%	11.0%	11.0%	11.1%
Borrowing rate	2.7%	2.8%	2.9%	3.0%	3.0%
Growth in income from commissions	6.5%	8.3%	8.2%	8.2%	8.3%
Growth in expenses	6.1%	6.2%	6.7%	6.7%	6.8%
Discount rate after taxes	11.3%				
Growth rate after five years	3.0%				

	December 31, 2016				
	2016	2017	2018	2019	2020
Lending rate on the loan portfolio and investments	10.8%	10.8%	10.8%	10.8%	10.9%
Borrowing rate	3.0%	3.0%	3.0%	3.0%	3.0%
Growth in income from commissions	3.9%	5.6%	6.6%	5.7%	6.5%
Growth in expenses	5.8%	7.4%	7.1%	6.8%	6.2%
Discount rate after taxes	13.2%				
Growth rate after five years	3.0%				

(Continued)

A 5-year projection was made to evaluate goodwill impairment, considering the business will have matured and the flow of funds will have stabilized once this period has elapsed. In turn, macroeconomic assumptions as well as those for BAC Credomatic's business in each of the countries where it operates were used for the projection, so as to reflect the reality that each market provides to the CGUs as a whole. The averages of the main premises used are listed in the foregoing tables, including the variables for all the countries where BAC Credomatic operates. The following is a description of that process.

- Lending rates on loans and investments were projected based on historical data and on the management expectations for each countries where BAC Credomatic operates, considering the competitiveness of the different services in their respective markets and the growth strategies for each segment. The projection on US Federal Reserve rates was taken into account as well, since these rates serve as a basis for international banking rates.

- Growth in commissions was projected considering the increase in the commercial loan portfolios, as well as more competitive markets over the projected timeline.

- Although the functional or reporting currency of the business is that of each country in the region where BAC subsidiaries operate, the future flows of funds have been converted into nominal US dollars in each projected period, discounted at a nominal rate in US dollars, net of income tax, estimated as "Ke". A discount rate in US dollars is used, inasmuch as a consistent discount rate in the respective local currencies cannot be estimated for lack of the necessary data.

- The discount rate has been estimated in light of the risk profile of each of the markets where BAC operates.

- To estimate the terminal value, the normalized flow of funds, adjusted according to expectations for its growth, was projected in perpetuity. This projection does not exceed the average long-term rate of growth for the economies in each of the countries where BAC operates. Consequently, an annual growth rate of 3.0% was estimated for the long term.

The discount rate after taxes used to discount the dividend flows reflects the specific risks relative to the CGU and the markets where BAC Credomatic operates, as mentioned earlier. If the estimated discount rate of 11.3% had been 1.0% higher; that is, 12.3%, it would not have been necessary to reduce the book value of goodwill, since the vale-in-use of the cash-generating units to which the goodwill was allocated would be $14,510,903 and exceeds the book value as of December 31, 2017 of $11,349,292.

NOTE 20 - OTHER INTANGIBLE ASSETS

Following shows the total movement in intangible assets other than goodwill.

		Cost	Amortization	Total
Balance at December 31, 2015	$	**678,073**	**226,982**	**451,091**
Additions		173,123	0	173,123
Disposals /sales		(31,821)	(26,561)	(5,260)
Adjustment for exchange difference		(27,334)	(15,404)	(11,930)
Amortization charged to expenses		0	82,867	(82,867)
Transfers		(21,009)	(20,870)	(139)
Decrease due to loss of control over subsidiaries		(116,401)	(30,960)	(85,441)
Net movement of discontinued operations		7,689	12,559	(4,870)
Balance at December 31, 2016		**662,320**	**228,613**	**433,707**
Additions		134,887	0	134,887
Disposals /sales		(39,363)	(26,608)	(12,755)

(Continued)

		Cost	Amortization	Total
Adjustment for exchange difference		(6,290)	(4,159)	(2,131)
Amortization charged to expenses (1)		0	96,651	(96,651)
Transfers		(4,181)	(4,181)	0
Balance at December 31, 2017	$	**747,373**	**290,316**	**457,057**

(1) Amortization charged to expenses at December 31, 2017 ($13,119 for licenses, $75,161 reported under computer software and applications, $3,542 for intellectual property rights, patents and others, and $4,829 for intangible assets related to customers.

20.1 Intangible Assets Developed Internally

The following table shows the changes in the cost of intangible assets developed internally:

		Licenses	Computer software and applications	Total
Balance at December 31, 2015	$	**6,856**	**426,097**	**432,953**
Additions		852	139,693	140,545
Disposals /sales		0	(31,177)	(31,177)
Adjustment for exchange difference		0	(21,597)	(21,597)
Transfers		(5,802)	6,478	676
Balance at December 31, 2016		**1,906**	**519,494**	**521,400**
Additions		56	107,176	107,232
Disposals /sales		0	(35,439)	(35,439)
Adjustment for exchange difference		4	(5,093)	(5,089)
Transfers		105	(1,575)	(1,470)
Balance at December 31, 2017	$	**2,071**	**584,563**	**586,634**

The amortization of intangible assets developed internally by the Group is shown as follows:

		Licenses	Computer software and applications	Total
Balance at December 31, 2015	$	**83**	**174,324**	**174,407**
Disposals /sales		0	(25,917)	(25,917)
Adjustment for exchange difference		0	(12,916)	(12,916)
Amortization charged to expenses		382	52,120	52,502
Transfers		0	622	622
Balance at December 31, 2016		**465**	**188,233**	**188,698**
Disposals /sales		0	(22,754)	(22,754)
Adjustment for exchange difference		1	(3,724)	(3,723)
Amortization charged to expenses		409	71,927	72,336
Transfers		32	(766)	(734)
Balance at December 31, 2017	$	**907**	**232,916**	**233,823**

(Continued)

20.2 Intangible Assets Not Developed Internally

The following table shows the changes in the cost of intangible assets other than those developed internally:

		Trademarks	Intelectual property rights, patent and other property rights	Licenses	Computer software and applications	Intangible assets related with clients	Other intangible assets	Total
Balance at December 31, 2015	$	**0**	**60,834**	**91,391**	**35,354**	**34,769**	**22,772**	**245,120**
Additions		0	0	31,323	1,255	0	0	32,578
Disposals /sales		0	0	(272)	(372)	0	0	(644)
Adjustment for exchange difference		(93)	(1,968)	0	(135)	(3,541)	0	(5,737)
Transfers		3,468	(3,468)	14,072	(2,091)	(20,577)	(13,089)	(21,685)
Decrease due to loss of control over subsidiaries		0	(16,857)	(85,305)	(5,132)	0	(9,107)	(116,401)
Net movement of discontinued operations		0	(2,532)	8,641	2,156	0	(576)	7,689
Balance at December 31, 2016		**3,375**	**36,009**	**59,850**	**31,035**	**10,651**	**0**	**140,920**
Additions		0	0	25,621	2,034	0	0	27,655
Disposals /sales		0	0	(2,681)	(1,243)	0	0	(3,924)
Adjustment for exchange difference		(126)	(201)	(6)	(4)	(864)	0	(1,201)
Transfers		0	0	1,601	(157)	(4,155)	0	(2,711)
Balance at December 31, 2017	$	**3,249**	**35,808**	**84,385**	**31,665**	**5,632**	**0**	**160,739**

The following is the movement of the amortization of intangible assets not developed internally:

		Intelectual property rights, patent and other property rights	Licenses	Computer software and applications	Intangible assets related with clients	Other intangible assets	Total
Balance at December 31, 2015	$	**2,171**	**19,145**	**11,722**	**18,143**	**1,394**	**52,575**
Disposals /sales		0	(272)	(372)	0	0	(644)
Adjustment for exchange difference		(110)	0	(55)	(2,323)	0	(2,488)
Amortization charged to expenses		3,667	17,798	3,616	5,219	65	30,365
Transfers		0	5,453	(5,522)	(20,578)	(846)	(21,493)
Decrease due to loss of control over subsidiaries		(4,591)	(22,736)	(2,257)	0	(1,375)	(30,959)
Net movement of discontinued operations		3,364	6,568	1,865	0	762	12,559
Balance at December 31, 2016		**4,501**	**25,956**	**8,997**	**461**	**0**	**39,915**
Disposals /sales		0	(2,611)	(1,243)	0	0	(3,854)
Adjustment for exchange difference		14	3	(2)	(451)	0	(436)
Amortization charged to expenses		3,542	12,710	3,234	4,829	0	24,315
Transfers		0	985	(136)	(4,296)	0	(3,447)
Balance at December 31, 2017	$	**8,057**	**37,043**	**10,850**	**543**	**0**	**56,493**

The Group considers significant intangible assets those whose value exceeds $20,000, among them are: Licenses (put into production as soon as they are acquired or implemented) for $44,000 with a remaining amortization period between 25 and 60 months and Computer software and applications such as: Business Productivity (application that centralizes and allows having a standard model of access to applications through authentication against the active directory) for $25,000 with a remaining amortization period of 107 months; Massive Credit Transformation (software that allows to optimize the process of granting massive credit) for $25,000 with a remaining amortization period of 120 months; First Data (software that allows the integration and operation of the credit card business with the outsourcing processing scheme) for $22,000 with a remaining amortization period of 110 months.

(Continued)

NOTE 21 - INCOME TAX

21.1 Components of the income tax expense

The income tax expense includes the following:

		Years ended	
		December 31, 2017	December 31 2016
Income tax of the current period	$	687,502	633,646
Income tax surcharge		62,064	0
CREE tax and surcharge		0	126,135
Recovery of current tax of previous periods		(109,632)	0
Subtotal current tax		**639,934**	**759,781**
Net deferred taxes of the period		380,738	448,769
Adjustment deferred tax of previous period		(10,987)	0
Subtotal deferred taxes		**369,751**	**448,769**
(Recovery) Provision for uncertain tax positions		**22,262**	**(28,760)**
Total earnings tax for continued operations		**1,031,947**	**1,179,790**
Tax on earnings of discontinued operations		0	196,314
Total tax on earnings	$	**1,031,947**	**1,376,104**

As of January 1, 2017, the remittances noted in the tax rules shall refer to the new technical regulatory frameworks in Colombia (Accounting and Financial Reporting Standards Accepted in Colombia), as provided for Law 1819/2016.

21.2 Reconciliation of the Nominal Tax Rate and Effective Rate

The following are the basic parameters in force with respect to income tax:

In Colombia

- Income tax rates for the years 2017, 2018 and 2019 and thereafter are 40%, 37% and 33%, respectively (including a 6% surcharge only for 2017 and 4% for 2018). During 2016, the income tax rate and CREE came to 40%.

- As of January 1, 2017, the minimum presumptive income tax for the Bank may be no less than 3.5 % of net equity (3% up to December 31, 2016, on the last day of the immediately preceding year).

- Until December 31, 2016, tax losses with future taxable income could be offset without a time limit. Since 2017, tax losses may be offset against ordinary liquid income obtained in the following 12 taxable periods.

- Surplus presumptive income can be offset during the five (5) tax years thereafter.

- The occasional income is taxed at a rate of 10%.

(Continued)

In other countries

The following are other income tax rates established by tax authorities. The rate is 30% in Costa Rica, El Salvador, Honduras and Nicaragua 30%, in Panama and Guatemala 25%. Also applicable in Guatemala is the Simplified Optional Tax Regime on Profitable Activities, at a rate of 7%.

The following is a breakdown of the reconciliation between the Group's income tax expense, calculated at current tax rates, and the income tax expense actually recorded in annual earnings with respect to the period ended at December 31, 2017 and 2016:

		December 31, 2017	December 31 2016
Profit before income tax	**$**	**3,328,429**	**5,600,075**
Theoretical expenditure calculated based on tax rates in force of 40%		1,331,372	2,240,030
Plus (minus) taxes that increase (decrease) the theoretical tax			
Non-deductible expenses		140,237	144,752
Dividends received not constituting income		(1,629)	3,346
(Revenue) expenses with equity method		(18,424)	(4,589)
Recoveries and other not-taxable income		(11,037)	(50,342)
Exempt income and special gross income		(125,707)	(74,074)
Non-deductible provision for portfolio - Circular Letter 36 SFC		0	(37,123)
Profits of foreign subsidiaries –tax free		(15,938)	(22,282)
Profits of foreign subsidiaries with different tax rates		(197,368)	(121,692)
Effect on deferred tax due to tax rates different tan 40%		(35,034)	17,178
Recovery tax positions for previous periods		(109,632)	0
Allowances for tax positions		22,262	(28,761)
Redemption of deferred taxes		30,637	0
Gain on stake in Corporación Financiera Colombiana S.A. and subsidiaries measured at fair value		0	(871,841)
Other items		22,208	(14,812)
Total tax expense in the period due to ongoing activities	**$**	**1,031,947**	**1,179,790**

21.3 Unrecognized deferred taxes

Deferred Taxes with Respect to Subsidiaries, Associates and Joint Arrangements

The Group recorded no deferred tax liabilities related to temporary differences on investments in subsidiaries and associates this is because;

a. The Group controls its subsidiaries and decides on whether or not sell its investments in associates. Therefore, it can decide on the reversal of such temporary differences.

b. The Group does not plan to do so at the time. It is, therefore, likely such temporary differences will not be reversed in the near future.

The temporary differences on which no deferred tax liabilities were recognized December 31, 2017 and 2016 amounted to $7,706,893 and $6,645,451, respectively. The deferred tax on retained earnings of subsidiaries, recorded respectively at $39,163 and $19,819 for the periods ended December 31, 2017 and 2016, pertains to the tax on dividends the subsidiaries in these cases are expected to decree in the near future, which would be subject to tax.

(Continued)

21.4 Deferred income taxes, by Type of Temporary Difference:

Differences between the book value of assets and liabilities and their tax base can result in temporary differences. These generated deferred taxes, which were calculated and recorded in the periods ended at December 31, 2017 and 2016 based on the tax rates in effect for the years in which those temporary differences will be reversed.

The following is the movement in deferred tax assets and liabilities by December 31, 2017 and 2016, respectively. It does not include the balances for Corporación Financiera Colombiana S.A. and subsidiaries, or Casa de Bolsa S.A., which were deconsolidated by June 30, 2016 and December 31, 2016, respectively.

At December 31, 2017:

	Balance as of December 31, 2016	Income (expense) in results	Income (expense) not realized on OCI	Reclassifications	Balance as of June 30, 2017
Deferred tax assets					
Fixed income investments valuation	$ 0	2,282	0	0	2,282
Derivatives losses	1,136	(1,136)	0	0	0
Higher value of the accounting for loan portfolio	4,874	(4,874)	0	0	0
Higher value of the accounting provision for loan portfolio compared to the tax provision	38,566	(38,566)	0	0	0
Higher value of the provision for foreclosures	3,505	(2,125)	0	0	1,380
Higher value of the accounting valuation against the tax depreciation of property, plant and equipment.	574	(574)	0	0	0
Lower value of the tax base for deferred charges and intangible assets compared to the tax base	32,412	(15,095)	0	(17,317)	0
Tax credits to be amortized	359,169	(80,734)	0	0	278,435
Other expenses provisions	77,116	1,542	0	0	78,658
Employee benefits	57,735	(21,765)	5,694	0	41,664
Exchange difference for Bonds and assets & liabilities in foreign currency	0	0	937	0	937
Other items	3,455	3,421	0	0	6,876
Subtotal	**578,542**	**(157,624)**	**6,631**	**(17,317)**	**410,232**

Deferred tax liabilities	Balance as of December 31 2016	(Income) expense in results	(Income) expense not realized in OCI	Reclassifications	Balance as of June 30 2017
Fixed income investments valuation	3,568	(3,568)	0	0	0
Variable income investments valuation	52,425	(252)	905	0	53,078
Unrealized profits on derivatives	3,285	36,689	5,554	0	45,528
Higher value of the accounting provision for loan portfolio	34,426	(25,236)	0	0	9,190
Lower value of accounting provision v. fiscal for Loan portfolio	202,505	98,560	(59,957)	0	241,108

(Continued)

Deferred tax liabilities	Balance as of December 31 2016	(Income) expense in results	(Income) expense not realized in OCI	Reclassifications	Balance as of June 30 2017
Cost of Foreclosures	52,158	10,551	0	0	62,709
Lower value of the provision for foreclosures	1,889	(1,889)	0	0	0
Cost of property, plant and equipment	75,321	36,726	0	0	112,047
Higher value of the accounting cost of property, plant and equipment compared to the tax cost	62,068	(49,942)	0	0	12,126
Higher value of the accounting base for deferred charges and intangible assets compared to the tax base	36,824	(10,383)	0	0	26,441
Unrepatriated profits on investments in subsidiaries	19,819	19,344	0	0	39,163
Goodwill	72,817	85,731	0	0	158,548
Other items	53,100	15,796	0	(20,084)	48,812
Adjustment due to Exchange difference in branches abroad	0	0	11,063	0	11,063
Subtotal	**670,205**	**212,127**	**(42,435)**	**(20,084)**	**819,813**
Total ongoing operations	**$ (91,663)**	**(369,751)**	**49,066**	**2,767**	**(409,581)**

As of December 31, 2016

	Balance as of December 2015	Income(expense) in results	Income (expense) nor realized in OCI	Reclassifications	Balance as of December 31 2016
Assets deferred taxes					
Fixed income investments valuation	$ 30,985	(20,695)	0	(10,290)	0
Variable income investments valuation	751	(751)	0	0	0
Derivatives losses	208,575	9,690	(166,605)	(50,524)	1,136
Higher value of the accounting provision for loan portfolio	0	4,874	0	0	4,874
Lower value of accounting provision v. fiscal for Loan portfolio	37,838	33,453	(32,651)	(74)	38,566
Higher value of the provision for foreclosures	4,044	(539)	0	0	3,505
Lower value of the accounting cost of property, plant and equipment.	1,821	(1,821)	0	0	0
Lower value of the accounting depreciation of property, plant and equipment.	1,731	(1,158)	0	1	574
Higher value of the accounting base for deferred charges and intangible assets compared to the tax base	11,300	21,031	0	81	32,412
Tax credits to be amortized	641,756	(283,300)	711	2	359,169
Other expenses provisions	67,226	9,824	0	66	77,116
Employee benefits	58,695	(7,054)	6,095	(1)	57,735
Other items	7,012	(3,488)	0	(69)	3,455
Subtotal	**1,071,734**	**(239,934)**	**(192,450)**	**(60,808)**	**578,542**

Liability deferred taxes	Balance as of December 2015	Income(expense) in results	Income (expense) nor realized in OCI	Reclassifications	Balance as of December 31 2016
Fixed income investments valuation	3,437	131	0	0	3,568
Variable income investments valuation	0	49,762	7,750	(5,087)	52,425
Unrealized profits on derivatives	71,728	36,155	(54,072)	(50,526)	3,285
Higher value of the accounting provision for loan portfolio	30,599	3,843	(14)	(2)	34,426
Lower value of accounting provision v. fiscal for Loan portfolio	164,458	65,999	(27,876)	(76)	202,505

(Continued)

Liability deferred taxes	Balance as of December 2015	Income(expense) in results	Income (expense) nor realized in OCI	Reclassifications	Balance as of December 31 2016
Cost of Foreclosures	44,814	7,346	0	(2)	52,158
Lower value of the provision for foreclosures	6,463	(4,574)	0	0	1,889
Cost of property, plant and equipment	80,957	(9,042)	0	3,406	75,321
Higher value of the accounting cost of property, plant and equipment compared to the tax cost	69,401	(3,924)	0	(3,409)	62,068
Higher value of the accounting base for deferred charges and intangible assets compared to the tax base	30,589	6,234	0	1	36,824
Unrepatriated profits on investments in subsidiaries	35,877	(16,059)	0	1	19,819
Employee benefits	0	0	(68)	68	0
Goodwill	25,524	47,294	0	(1)	72,817
Other items	27,147	25,670	0	283	53,100
Subtotal	**590,994**	**208,835**	**(74,280)**	**(55,344)**	**670,205**
Total continued operations	**$ 480,740**	**(448,769)**	**(118,170)**	**(5,464)**	**(91,663)**

The Group performed the off-set of assets and liabilities deferred taxes by entity or taxing subject pursuant to tax provision inforce in Colombia and in other countries where other subsidiaries operate, regarding the legal right of offsetting assets and liabilities with current taxes and other requirements set forth under IAS - 12 in accordance with the following:

	December 31, 2017		
	Gross amounts Deferred Tax	Off-Set	Balances of financial situation
Asset deferred income tax	$ 410,232	367,359	42,873
Liability deferred income tax	819,813	367,359	452,454
Net	$ **(409,581)**	**0**	**(409,581)**

	December 31, 2016		
	Gross amounts Deferred Tax	Off-Set	Balances of financial situation
Asset deferred income tax	$ 578,542	518,288	60,254
Liability deferred income tax	670,205	518,288	151,917
Net	$ **(91,663)**	**0**	**(91,663)**

21.5 Effect of current and deferred taxes in each component of other comprehensive resulting equity

The effect of current and deferred taxes in each component of other comprehensive results is as follows:

	Years ended et							
	December 31, 2017				December 31, 2016			
	Amount before tax	Current tax	Deferred tax	Net	Amount before tax	Current tax	Deferred tax	Net
Continued Operations								
Items liable of reclassification to results of the period								
Exchange difference in conversion of foreign operations	**(98,683)**	0	0	(98,683)	(163,549)	0	0	(163,549)
Exchange difference in derivatives in foreign currency	**16,832**	0	(5,554)	11,278	291,563	47,419	(111,822)	227,160
Exchange difference in bonds in foreign currency	**34,864**	0	(11,063)	23,801	208,805	(83,522)	0	125,283

(Continued)

	Years ended et							
	December 31, 2017				December 31, 2016			
	Amount before tax	Current tax	Deferred tax	Net	Amount before tax	Current tax	Deferred tax	Net
Conversion Adjustment foreign subsidiaries	**(51,494)**	0	0	(51,494)	(498,820)	0	0	(498,820)
Unrealized profit due to financial asset measurement at fair value	**4,591**	0	(904)	3,687	49,950	5,087	(7,732)	47,305
Participation on other comprehensive results of associates	**3,825**	(12,657)	937	(7,895)	(13,906)	(29,663)	0	(43,569)
Adjustment provision Loan portfolio for consolidated financial statements	**(164,217)**	0	59,957	(104,260)	34,941	0	(4,776)	30,165
Subtotal	**(254,282)**	**(12,657)**	**43,373**	**(223,566)**	**(91,016)**	**(60,679)**	**(124,330)**	**(276,025)**
Items not to be reclassified to results of the period								
New actuarial measurements in defined benefit plans	(17,866)	0	5,693	(12,173)	(18,339)	0	6,160	(12,179)
Reclassified items in previous periods								
Sale of investments measured at fair value	0	0	0	0	(52,247)	0	0	(52,247)
Total OCI of continued operations	**(272,148)**	**(12,657)**	**49,066**	**(235,739)**	**(161,602)**	**(60,679)**	**(118,170)**	**(340,451)**
Discontinued activity Corporación Financiera Colombiana S.A.	**0**	**0**	**0**	**0**	**37,813**	**0**	**(5,605)**	**32,208**
Deconsolidation (loss of control) Corporación Financiera Colombiana S.A.								
Other comprehensive income reclassified under income for the period	0	0	0	0	(27,250)	0	0	(27,250)
Other comprehensive results or reclassified to accumulated gains	0	0	0	0	(6,784)	0	0	(6,784)
Total other comprehensive results during the period	**(272,148)**	**(12,657)**	**49,066**	**(235,739)**	**(157,823)**	**(60,679)**	**(123,775)**	**(342,277)**

21.6 Provision for tax position:

As of December 31, 2017 and 2016, Banco de Bogotá recognized tax uncertainty liabilities for $86.593 and $66.429, respectively. They are expected to be used, all or in part, or liberated when the tax authority's right to inspect tax returns expires.

21.7 Realization of Deferred Tax Assets:

It is expected to continue generating enough futures income tax to recover the deferred tax asset generated in previous years by the Bank. These net income projections estimates are the basis for the recovery of deferred tax assets over tax credits, as a result of tax losses and surplus of presumptive income tax pending to be applied to future tax results, and over other items.

The estimation of future fiscal results are based mainly in the projection of the banking operation developed by the bank, which positive trend is expected to continue, allowing the recovery of deferred tax assets.

(Continued)

21.8 Transfer prices

In accordance with Laws 788 of 2002 and 863 of 2003, the Bank prepared a transfer pricing study on operations carried out with foreign economic associates during 2016. The study did not lead to adjustments that affected incomes, costs and fiscal expenses of the Bank.

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Although the 2017 transfer pricing study is in preparation processes, significant changes are not anticipated compared to the previous year

NOTE 22 - DEPOSITS

22.1 Customer Deposits - Interest Rates

Following is a summary of the annual effective interest rates on customer deposits:

	December 31, 2017				December 31, 2016			
	Domestic currency		Foreign currency		Domestic currency		Foreign currency	
	Rate		Rate		Rate		Rate	
	Min %	Max %	Min %	Max %	Min %	Max %	Min %	Max %
Current accounts	0.00%	5.77%	0.00%	1.50%	0.00%	5.77%	0.03%	1.50%
Savings accounts	0.10%	5.71%	0.05%	8.00%	0.10%	5.71%	0.03%	8.00%
Time certificates of deposits	1.01%	9.18%	0.10%	10.43%	1.02%	9.18%	0.03%	10.43%

22.2 Deposits, by Sector

Following shows the concentration of customer deposits, by economic sector:

		December 31, 2017		December 31, 2016	
		Value	%	Value	%
Colombian government or Colombian government entities	$	8,839,296	8.76%	6,958,629	7.43%
Colombian municipalities and departments		2,224,111	2.20%	2,092,032	2.23%
Foreign governments		799,687	0.79%	1,048,947	1.12%
Manufacturing		8,470,456	8.39%	8,189,416	8.74%
Real estate		5,760,700	5.71%	6,467,957	6.90%
Commerce		25,745,516	25.50%	16,554,533	17.67%
Agriculture and livestock		2,286,400	2.26%	3,092,392	3.31%
Individuals		17,711,465	17.55%	20,634,207	22.03%
Services		8,502,410	8.42%	6,996,465	7.47%
Others		20,607,204	20.41%	21,642,095	23.10%
Total	$	**100,947,245**	**100.00%**	**93,676,673**	**100.00%**

NOTE 23 - FINANCIAL OBLIGATIONS

23.1 Interbank funds and Overnight

		December 31, 2017	December 31, 2016	Interest rate
In Colombian pesos				
Corresponding Banks	$	1,286	1,851	0.00%
Interbank funds purchased		0	80,048	0.00%
Commitments to transfer investments in simultaneous operations		64,517	601,590	5.9% - 6.25%
Total Colombian pesos		**65,803**	**683,489**	

(Continued)

		December 31, 2017	December 31, 2016	Interest rate
In Foreign currency				
Corresponding Banks		0	333	0.00%
Interbank funds purchased		1,110,742	264,135	1.23% - 1.65%
Commitment to sell investments in closed repo operations		0	273,387	0.00%
Commitment to sell investments in open repo operations		185,287	0	1.55% - 1.60%
Total Foreign currency		**1,296,029**	**537,855**	
Total	**$**	**1,361,832**	**1,221,344**	

23.2 Bank loans and other

The following is the detail of financial obligations and others:

		December 31, 2017	December 31, 2016	Interest rate
In Colombian pesos				
Borrowings	$	6,152	6,823	DTF + 4.10% IBR + spread [2.20% a 2.60%]
Others		4,499	500	0.00%
Total Colombian pesos		**10,651**	**7,323**	
In Foreign currency				
Borrowings		13,550,047	14,187,416	0.00% a 15.00% COPS + spread [2.40% a 2.90%] LIBOR 3 + spread [0.80% a 10.39%] LIBOR 6 + spread [0.35% a 5.00%] LIBOR 12 + spread [0.25% a 0.70%]
Banker´s acceptances		623,777	703,397	0.00%
Letters of credit		194,623	4,681	0.00%
Total Foreign currency		**14,368,447**	**14,895,494**	
Total Bank loans and other	**$**	**14,379,098**	**14,902,817**	

23.3 Bonds Issued

The Group is in complying with the related covenants agreed with investors.

	Date		December 31, 2017	December 31, 2016	Interest rate
	Issue	**Expiration**			
Colombian pesos					
Subordinated bonds (2010 - 2020)	2010	2017	0	117,383	IPC + 5.33% AV UVR + 5.29% AV
Subordinated bonds (2010 - 2020)	2010	2020	132,989	130,851	IPC + 5.45% AV UVR + 5.45% AV
Total Colombian pesos			**132,989**	**248,234**	
Foreign currency					
Ordinary bonds	2011	2017	0	1,841,387	0.00%
Ordinary bonds	2012	2017	0	35,473	0.00%
Ordinary bonds	2013	2018	4,527	4,552	6.00%
Ordinary bonds	2013	2020	90,118	90,215	5.50%
Ordinary bonds	2014	2017	0	44,641	0.00%
Ordinary bonds	2014	2019	210,452	210,180	5.80%
Ordinary bonds	2015	2017	0	35,010	0.00%
Ordinary bonds	2015	2018	24,850	25,078	0.50%
Ordinary bonds	2015	2020	60,277	60,033	5.80%

(Continued)

	Date		December 31, 2017	December 31, 2016	Interest rate
Ordinary bonds	2016	2017	0	579,264	0.00%
Ordinary bonds	2016	2018	13,169	12,826	6.00%- 8.25%
Ordinary bonds	2016	2020	104,999	95,254	5.20% - 5.60%
Ordinary bonds	2016	2021	105,519	105,590	5.80%
Ordinary bonds	2017	2018	424,858	0	8.50%
Ordinary bonds	2017	2019	899	0	7.50%
Ordinary bonds	2017	2020	125,772	0	5.00% - 9.50%
Ordinary bonds	2017	2022	30,015	0	5.80%
Ordinary bonds	2017	2027	1,787,520	0	4.38%
Subordinated bonds	2013	2023	1,516,763	1,524,597	5.38%
Subordinated bonds	2016	2026	3,275,341	3,290,736	6.25%
Total Foreign currency			**7,775,079**	**7,954,836**	
Total bonds			**7,908,068**	**8,203,070**	

The following is the detail of the maturities of bonds due in circulation:

		December 31, 2017	December 31, 2016
2017	$	0	2,653,158
2018		467,402	42,456
2019		211,351	210,180
2020		514,155	376,353
2021		105,519	105,590
After a 2021		6,609,641	4,815,333
Total	$	**7,908,068**	**8,203,070**

23.4 Borrowing from development entities

The Colombian government has created a number of lending programs to develop specific sectors of the economy, including foreign trade, agriculture, tourism, home construction and other industries. These programs are managed by a variety of government agencies, such as Banco de Comercio Exterior (“BANCOLDEX”), Fondo para el Financiamiento Del Sector Agropecuario (“FINAGRO”) and Financiera de Desarrollo Territorial (“FINDETER”).

		December 31, 2017	December 31, 2016	Interest rate
In Colombian pesos				
BANCOLDEX		219,569	247,828	DTF + spread [-2.00% a 14.50%] IBR + spread [0.00% a 5.93%]
FINAGRO		220,433	222,845	DTF + spread [-2.50% a 7.00%]
FINDETER		966,409	824,391	DTF + spread [-4.00% a 4.80%] IBR + spread [-2.80% a 3.90%] IPC + spread [-1.00% a 5.00%]
Total Colombian pesos		**1,406,411**	**1,295,064**	
In Foreign currency				
BANCOLDEX		102,729	64,172	LIBOR 6 + spread [1.52% a 4.49%]
FINDETER		136,597	176,844	LIBOR 6 + 4.25% LIBOR 3 + spread [4.01% a 4.23%]
Total Foreign currency		**239,326**	**241,016**	
Total Bank loans and other	**$**	**1,645,737**	**1,536,080**	

(Continued)

The following is a breakdown of the maturities borrowings from development entities:

		December, 2017	December, 2016
2017		0	326,122
2018		135,441	233,814
2019		92,151	238,730
2020		150,954	164,611
after 2020		1,267,191	572,803
Total	$	**1,645,737**	**1,536,080**

NOTE 24 - EMPLOYEE BENEFITS

Following are the balances for employee benefit provisions:

		December 31, 2017	December 31, 2016
Short-term benefits	$	236,629	244,509
Post-employment benefits		188,448	160,610
Other long-term benefits		124,762	101,302
	$	**549,839**	**506,421**

24.1 Short-term Benefits

The short-term benefits the Group provides to its employees include salaries, paid vacation time, vacation bonuses, mandatory and discretionary bonuses, various types of assistance, payroll taxes, severance pay and interest on severance pay covered by Law 50/1990.

24.2 Post-employment Benefits

- In Colombia, pensions for employees who retire after reaching a certain age and completing a specific period of service are assumed by public or private pension funds, based on defined contribution plans wherein the company and the employee pay monthly amounts determined by law. The objective is for the employee to have access to a pension upon retirement. However, in the case of employees who were hired before 1968 and have met the requirements with respect to time of service and age, their pensions are assumed directly by the Group.

- The Group recognizes an additional bonus, either discretionary or stipulated in collective bargaining agreements, for employees who retire after complying with the prerequisites of pension funds in terms of age and years of service required to be granted a retirement pension.

- The Group has a number of employees with severance pay benefits that were legally recognized prior to the enactment of Law 50/ 1990. In this case, the benefit is cumulative and is paid based on the last salary earned by the employee, multiplied by the number of years of service, less any advances the employee might have received against the new benefit.

(Continued)

Following table shows the activity in retirement benefits and other long-term employee benefits:

	Post-employment benefits		Other long-term benefits	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
Opening balance	$ **163,210**	**163,000**	**101,302**	**94,225**
Costs incurred during the period	3,552	4,038	8,707	4,071
Interest costs	12,826	8,360	7,136	6,973
Cost of past services	(214)	258	(3,961)	3,159
	16,164	**12,656**	**11,882**	**14,833**
Changes in actuarial assumptions	1,730	(55)	0	(257)
(Gain)/loss from changes in mortality tables	(8,627)	0	0	0
(Gain)/loss on changes in interest rates, inflation rates and wage adjustments	9,239	6,357	25,639	3,683
Gains (losses) arising from liquidations, liabilities (assets) for net defined benefits	12,937	0	0	0
Return on plan assets, liabilities (assets) for net defined benefits	14,555	0	0	0
(Gain)/Loss effect changes in experience	0	11,734	(594)	7,779
	29,834	**18,036**	**25,045**	**11,205**
Exchange difference	92	3,638	0	29
Payments to employees	(20,380)	(12,953)	(13,635)	(13,195)
Decline due to loss of control over subsidiaries	0	(21,267)	0	(5,812)
Net movement from discontinued operations	0	100	0	17
Balance at end of period (1)	$ **188,920**	**163,210**	**124,594**	**101,302**

(1) A difference of $ 308 is presented with the accounting figures corresponding to the projected employee payments against the actual payments as of December 31, 2017.

According to decree 1625/ 2016, the pension liability was updated, which resulted in a pension liability of $98,965. When comparing the result to the IAS 19 the difference corresponds to $ 12,898, the justification of this difference is presented by the differential in actuarial assumptions, since the discount rate under decree 1625/2016 was 10.82% and under IAS 19 was 6.75%.

24.3 Actuarial Assumptions

The variables used for calculating the projected liability for post-employment and other long-term benefits are listed below:

	December 31, 2017		December 31, 2016	
	Other Benefits	Pensions (1)	Other Benefits	Pensions (1)
Discount rate	6.09%	10.82%	6.83%	6.94%
Inflation rate	3.78%	5.74%	3.50%	4.93%
Wage increase rate	3.78%	5.74%	3.50%	4.93%
Employee turnover rate	8.09%		3.98%	
Pension increase rate		5.74%		4.93%

(1) Includes the change in rates for retirement pensions, as per Decree 2496/2015.

The employee turnover rate is calculated based on an average for years of service between 1 and 40 for men and women.

Employee life expectancy is estimated according to the mortality tables published by the Financial Superintendence of Colombia. These tables are constructed on the basis of mortality experiences provided by the various insurance companies that operate in Colombia.

(Continued)

The discount rate is assigned according to the duration of the plan. Those with a longer horizon have a higher rate than short-term plans.

24.4 Other Long-term Benefits

The Group grants its employees discretionary, long-term seniority bonuses, depending on their years of service. These bonuses are given every five, ten, fifteen and twenty years. Each payment is calculated according to a certain number of salary days (between 15 and 180 days).

The compensation for key management personnel in each benefit category is disclosed in Note 36 - Related Parties.

The Group is exposed to a number of risks (interest rate and operational risks) through its employee benefit plans. It tries to minimize these risks via the implementation of risk policies and management procedures.

24.5 Sensitivity Analysis

Following is a sensitivity analysis of post-employment liabilities. It is based on the financial and actuarial variables applied by the Group, with all other variables remaining constant.

Post-employment Benefits	Change in the variable	Increase in the variable	Decrease in the variable
		+50 points	-50 points
Discount rate	0.50%	(3,23)% decrease	3,38% increase
Wage growth rate	0.50%	3,99% increase	(3,60)% decrease
Pension growth rate	0.50%	3,99% increase	(3,60)% decrease

Other Long-term Benefits	Change in the variable	Increase in the variable	Decrease in the variable
		+50 Points	-50 Points
Discount rate	0.50%	(2.83)% decrease	2.74% increase
Wage growth rate	0.50%	(3,53)% decrease	(9.75)% decrease
Pension growth rate	0.50%	(3,53)% decrease	(9.75)% decrease

24.6 Expected Payments for Future Benefits

Future benefits are expected to be paid as follows. They reflect service according to each case.

Year		Post-employment benefits	Other long-term benefits
2018	$	29,515	17,509
2019		26,003	18,116
2020		25,332	16,798
2021		25,828	13,029
2022		24,976	13,974
Years 2023–2027	$	113,898	74,333

(Continued)

NOTE 25 - PROVISIONS

Following is the activity in provisions:

		Allowances for legal proceedings, fines, penalties and compensation	Other various allowances	**Total**
Balance at December 31, 2015	$	**102,736**	**382,497**	**485,233**
New allowances		2,505	251,738	254,243
Increase (decline) in existing allowances		6,541	137	6,678
Allowances used		(7,102)	(238,486)	(245,588)
Reverted unused allowances		(832)	(382)	(1,214)
Decrease (increase) owing to transfers and other changes		(959)	959	0
Reclassifications		528	(938)	(410)
Increase in allowances with an effect on OCI		0	462	462
Reversed unused allowances with an effect on OCI		0	(302)	(302)
Decline owing to loss of control over subsidiaries		(81,360)	(234,731)	(316,091)
Net movement from discontinued operations		8,595	48,429	57,024
Balance at December 31, 2016		**30,652**	**209,383**	**240,035**
New allowances		9,789	93,071	102,860
Increase in allowances during the period		557	46,866	47,423
Used allowances		(5,772)	(91,739)	(97,511)
Reversed unused allowances		(232)	(28,870)	(29,102)
Variations in the foreign exchange rate		(184)	206	22
Reclassifications		5	(5)	0
Increase in allowances with an effect on OCI		0	1,389	1,389
Reversed unused allowances with an effect on OCI		0	(882)	(882)
Balance at December 31, 2017	**$**	**34,815**	**229,419**	**264,234**

Following is the nature of the contractual obligations for which the most representative allowances for the Group were estimated.

25.1 Legal Provisions, Fines, Penalties and Compensation

Corresponds mainly to labor, civil and administrative processes filed by third parties against Banco de Bogotá and Porvenir S.A. on which provisions were recognized as of December 31, 2017 and December 31, 2016 in the amount of $10,610 and $10,268 respectively. A calendar or schedule for their disbursement of these provisions cannot be determined due to the diversity of the suits and the different stages they are in. However, the Bank expects no major changes in the amounts provisioned as a result of the payments that will be made in each of the processes.

As for other suits, Porvenir S.A. as of December 31, 2017 and December 31, 2016, presents pension claims (survivor pensions, disability and old-age pensions, return of balances, etc.) of $20,449 and $15,550, respectively.

Other Provisions

Banco de Bogotá reported $18,051 and $16,622 in respective estimated provisions at December 31, 2017 and December 31, 2016 for expenses involved in dismantling teller machines and improving in leased properties. Provisions also were established for payments to franchises; namely, Visa, Mastercard,

(Continued)

Redeban and Credibanco, with respect to operations conducted at establishments by the Bank's cardholders and other expenditures particular to the credit card business. At December 31, 2017 and December 31, 2016 these came to $15,216 and $13,996 respectively. Such provisions are canceled out during the month after the one in which they are established. The other hand at December 31, 2017 and December 31, 2016 the Bank through its panama and Miami branches reported $1,423 and $1,163 in tax provisions, respectively.

Porvenir S.A. reports $190,534 and $173,541 in respective provisions on managed funds at December 31, 2017 and December 31, 2016 for decapitalized accounts and other errors in pension payments.

NOTE 26 - ACCOUNTS PAYABLE AND OTHER LIABILITIES

Following are the accounts payable and other liabilities:

		December 31, 2017	December 31, 2016
Liabilities payable for services - collections	$	783,663	808,156
Electronic transactions in processes		513,903	428,301
Payable dividends and surpluses		283,124	273,285
Payments to suppliers and payments for services		268,273	383,022
Affiliate establishments		248,064	194,221
Income received in advance		204,466	210,222
Withholding and other employee contributions		146,419	185,505
Distribution of funds pending credit to customers		119,437	100,044
Commissions and fees		60,859	51,767
Other taxes		51,933	61,233
Contributions and memberships		42,488	48,571
Account payable for security and peace bonds		36,266	36,228
Sales tax payable		35,128	39,705
Certificates of time deposit - matured		33,294	27,960
Visa smart card payments - Visa Electrón		24,942	28,123
Checks drawn but not cashed		24,209	21,706
Insurance companies		12,918	12,977
Lien orders		12,236	11,884
Electronic purse for coffee growers		10,975	21,107
Commitments to buyers		10,855	11,289
Cash surpluses - clearing		7,326	6,933
Other accounts payable		371,833	191,851
	$	**3,302,611**	**3,154,090**

NOTE 27 - CONTROLLING INTEREST EQUITY

27.1 Capital in Shares

The face value of authorized, issued and outstanding common shares in the Bank was $10.00 pesos each. These shares are represented as follows:

		December 31, 2017	December 31, 2016
Number of authorized shares		500,000,000	500,000,000
Number of shares subscribed and paid		331,280,555	331,280,555
Subscribed and paid-in capital	$	3,313	3,313

(Continued)

27.2 Appropiated Reserves

Following shows the composition of reserves:

		December 31, 2017	December 31, 2016
Legal reserves			
Appropriation of net profits	$	8,480,848	8,193,952
Statutory and occasional reserves			
Charity And Donations		72,633	0
Occasional reserves		46,253	45,864
Tax provisions		10,386	9,943
Others		169,126	635,053
		298,398	**690,860**
	$	**8,779,246**	**8,884,812**

Legal Reserve

By law, the Group in Colombia is required to create a legal reserve by appropriating ten percent (10%) of its net earnings, each year, until the reserve equals fifty percent (50.0%) of subscribed capital. The legal reserve may be reduced to less than fifty percent (50.0%) of subscribed capital to cover losses in excess of undistributed profits. However, when undistributed profits are sufficient to cover any losses, the legal reserve may not be less than 50% of subscribed capital. The legal reserve may not be used to pay dividends or to cover expenses or losses as long as the company has undistributed profits.

Statutory and Discretionary Reserves

Statutory and discretionary reserves are stated at shareholder meetings.

27.3 Declared Dividends

Dividends are declared and paid to shareholders based on the amount of unconsolidated net profits in the immediately prior six-month period until 2017, from the year 2018 Dividends are declared and paid to shareholders based on the amount of unconsolidated net profits in the previus year.

		December 31, 2017	December 31, 2016
Dividends paid in cash		$ 260.00 per share payable for the month of April 2017 between 5 and 12 of that month and, for the months of May 2017 to March 2018, in the first ten (10) days of each month (based on the profits of the second semester of 2016)	$230.00 per share payable in the month of April 2016 between the 6th and the 15th of that month and, for the months of May to September 2016, in the first ten (10) days of each month (based on the profits of the second semester of 2015) and $ 250.00 per share payable in the ten (10) first days of each month between October 2016 and March 2017 (based on the profits of the first semester of 2016).
Outstanding common shares		331,280,555	331,280,555
Total declared dividends	$	**1,033,595**	**954,088**

(Continued)

27.4 Net earnings per share

The calculation of earnings per share:

		December 31, 2017	December 31, 2016
Earnings for the period	$	2,296,482	4,873,582
Attributed to non-controlling		232,352	564,192
Attributed to shareholders of the parent		**2,064,130**	**4,309,390**
Ordinary outstanding shares		331,280,555	331,280,555
Earnings per basic and diluted share	$	**6,231**	**13,008**

See Note 35 on policies for capital management.

The Group had no transactions with diluted effects, consequently, basic earnings are equal to diluted earnings.

Adjustments in First-time Application of IFRS

As instructed by the Financial Superintendence of Colombia in Circular 36/2014, the net positive differences that are generated when supervised institutions adopt IFRS for the first time may not be distributed to cover losses, nor may they be capitalized, distributed as profits/ dividends, or recognized as reserves. They may be used only when effectively realized with third parties, other than related parties, and in accordance with IFRS principles.

Net positive differences generated when adopting IFRS for the first time may not be used to comply with prudent requirements on regulatory capital, which is the minimum amount required to operate, depending on the nature of each institution supervised by the Financial Superintendence of Colombia. If the first-time adoption of IFRS generates net negative differences, they will be deducted from regulatory capital.

NOTE 28 - NON-CONTROLLING INTEREST

	December 31, 2017			
Institution	% Voting rights	Share of equity	Share of profits	Dividends paid during the year
Almacenes Generales de Depósito Almaviva S.A.	4.20	3,259	592	594
Fiduciaria Bogotá S.A.	5.01	15,508	3,130	1,871
Sociedad Administradora de Pensiones y Cesantías Porvenir S.A	53.61	965,466	227,889	68,885
Megalínea S.A.	5.10	214	7	0
Others (1)		137	734	102
Subtotal		984,584	232,352	71,452

	December 31, 2016			
	% Voting rights	Share of equity	Share of profits	Dividends paid during the year
Almacenes Generales de Depósito Almaviva S.A.	4.20	3,148	682	282
Fiduciaria Bogotá S.A.	5.01	14,202	3,665	3,410
Sociedad Administradora de Pensiones y Cesantías Porvenir S.A	53.61	808,855	202,652	134,568
Megalínea S.A.	5.10	207	41	0
Others (1)		621	829	0
Subtotal		827,033	207,869	138,260
Casa de Bolsa (2)		0	2,165	0
Corporación Financiera Colombiana S.A. (3)		0	354,158	0
		827,033	564,192	138,260

(1) Pertains primarily to non-controlling interest in subsidiaries that sub consolidate, primarily, Leasing Bogotá Panama, Almaviva and Porvenir.

(Continued)

(2) At December 31, 2016 the share of profits is 77.20% non-controlling by the Bank and it is not consolidated.
(3) At June 30, 2016 the share of profits is 61,65% non-controlling by the Bank and it is not consolidated.

NOTE 29 - OTHER COMPREHENSIVE INCOME

Following is the balances and activity for "other comprehensive income" accounts in equity:

		Balance at December 31, 2015	Reclassifications	Unconsolidation (Loss control) Corporacion financiera de Colombia S.A.	Corporacion Financiera de Colombia S.A. Discontinued operations	Sale of investment measurement at fair value through other comprehensive income	Movement during the period	Balance at December 31, 2016	Movement during the period	Balance at December 31, 2017
Translation adjustment of subsidiary financial statements	$	3,695,020	13,466	0	0	0	(498,820)	3,209,666	(51,494)	3,158,172
Hedging of investments with derivative instruments		(2,554,314)	0	0	0	0	291,563	(2,262,751)	16,832	(2,245,919)
Investment coverage with financial liabilities		(1,140,093)	0	0	0	0	208,805	(931,288)	34,864	(896,424)
Adjustment for conversion of foreign associates		0	(82,139)	(9,114)	(2,256)	0	(143,044)	(236,553)	(95,546)	(332,099)
Debt instruments at fair value with changes in OCI		(421)	421	0	0	0	0	0	0	0
Equity instruments		0	28,100	(7,160)	10,736	(52,247)	51,282	30,711	4,594	35,305
Adjustment for conversion of financial statements of the branches		137,331	0	0	0	0	(20,505)	116,826	(2,859)	113,967
Surplus- Equity method		(130)	27,562	(16,455)	(8,440)	0	(13,906)	(11,369)	3,825	(7,544)
Cash flow hedging		(2,714)	591	(3,947)	6,070	0	0	0	0	0
Adjustments in the loan allowance		(22,871)	12,604	722	(80)	0	34,941	25,316	(164,217)	(138,901)
Employee benefits		11,526	0	(752)	568	0	(18,330)	(6,988)	(17,470)	(24,458)
Deferred taxes		1,342,548	(626)	2,672	(1,640)	0	(178,850)	1,164,104	36,290	1,200,394
Others		(21)	21	0	0	0	0	0	0	0
Controlling interest	**$**	**1,465,861**	**0**	**(34,034)**	**4,958**	**(52,247)**	**(286,864)**	**1,097,674**	**(235,181)**	**862,493**
Non-controlling interest		**(25,976)**	**0**	**0**	**27,250**	**0**	**(1,340)**	**(66)**	**(558)**	**(624)**
TOTAL OCI	**$**	**1,439,885**	**0**	**(34,034)**	**32,208**	**(52,247)**	**(288,204)**	**1,097,608**	**(235,739)**	**861,869**

NOTE 30 - EXPENSES FOR FEES AND OTHER SERVICES

Following are the expenses for commissions and services:

		December 31, 2017	December 31, 2016
Banking services	$	196,811	190,792
Pension fund affiliations		74,531	68,454
Office network services		36,919	38,123
Operator information processing services		11,071	9,654
Others		37,216	45,802
Total	$	**356,548**	**352,825**

NOTE 31 - OTHER INCOME

Other income is as follows:

	December 31, 2017	December 31, 2016
Recovery fees legal and pre - legal collection	46,756	33,586
Participation in investments using the equity participation method	46,060	11,474
Recoveries	38,862	95,494
Net profit on sale of investments	29,765	13,416
On sale of non current assets held for sale	12,963	14,831
Prescription of liabilities declared in abandonment	12,950	9,145
Operating income consortiums or temporary unions	9,793	6,624
Income from claims	9,270	11,996
Reimbursement provisions	8,777	11,560
Cash transport service	7,348	6,613
Leases	6,588	5,828

(Continued)

	December 31, 2017	December 31, 2016
Recoveries for operational risk	6,381	7,311
Changes in fair value investment properties	6,123	4,755
Dividends and participations	4,421	1,779
Utility for sale of property and equipment	3,560	2,464
Utility by measurement at fair value Credibanco	0	126,599
Revenue from exchange activities	0	3,818
Recovery payment tax CREE 2013	0	22,906
Others	33,950	65,434
Total	**283,567**	**455,633**

NOTE 32 - GENERAL AND ADMINISTRATIVE EXPENSES

The following are the breakdown of the general and administrative expenses:

		December 31, 2017	December 31, 2016
Taxes and rates	$	403,413	352,340
Others		283,108	292,798
Leases		270,233	264,739
Contributions affiliations and transfers		336,526	315,185
Insurance		195,442	170,334
Public services		195,706	205,897
Fees for consulting, auditing and others		331,527	225,516
Advertising services		195,825	209,967
Maintenance and repairs		271,349	245,311
Transport services		109,381	109,242
Toilet and surveillance services		86,670	90,152
Temporary services		56,312	61,571
Electronic data processing		57,515	54,313
Adaptation and installation		43,702	42,894
Travel expenses		39,290	41,900
Supplies and stationery		65,687	71,119
Software development services		23,378	12,807
Incentives payroll		21,669	17,794
Business collaboration		29,318	23,555
Building administration fee		17,477	16,201
Database and queries		13,988	15,454
Changes in reasonable vr prop investment		13,690	1,410
Total	**$**	**3,061,206**	**2,840,499**

NOTA 33 - NET LOSS FROM THE SALE OF GOODS AND SERVICES OF COMPANIES IN THE NON-FINANCIAL SECTOR

The following are details of the reclassification of income from the sale of goods and services of non-financial sector companies:

		December 31, 2017	December 31, 2016
Non-financial sector income			
Income for commissions and other services			
Banking services	$	0	44
Other income			
Others		104,292	92,234
Total non-financial sector income		**104,292**	**92,278**
Non-financial sector expenses			
Impairment loss on financial assets			
Loan portfolio and other accounts receivable		177	199

(Continued)

		December 31, 2017	December 31, 2016
Fees and commissions expenses		5,476	5,434
Other expenses			
Administrative expenses		56,817	51,062
Employee Benefits		143,261	114,147
Depreciation and amortization of intangible assets		1,405	860
Others		1,016	314
Cost of sales to the non-financial sector		30,684	24,357
Total non-financial sector expenses		**238,836**	**196,373**
Expenses for sale of goods and services of companies in the non-financial sector	$	**134,544**	**104,095**

NOTE 34 - COMMITMENTS AND CONTINGENCIES

34.1 Credit Commitments

The entities in the Group grant guarantees and letters of credit to their customers in the normal course of their operations. In doing so, they irrevocably commit to make payments to third parties in the event the customer does not comply with its obligations with said third parties. These guarantees and letters of credit imply the same credit risk as the financial assets in the Loan portfolio, and they are subject to the same authorization policies on loan disbursement in terms of the customer's credit rating. The collateral considered appropriate under the circumstances is obtained.

Commitments to extend loans represent unused portions of authorizations to extend credit in the form of loans, credit card use, overdraft limits and letters of credit. As for the credit risk involved in commitments to extend lines of credit, the Group is potentially exposed to losses in an amount equal to the total amount of the unused commitment, if the total unused amount were to be withdrawn in full. However, the amount of the loss is less than the total amount of the unused commitment, since most commitments to extend credit are contingent on the customer maintaining specific credit-risk standards. The Group monitors the maturities on its lines of credit, since long-term commitments imply more credit risk than short-term commitments.

Commitments in Unused Lines of Credit

Following is a breakdown of guarantees, letters of credit and loan commitments in unused lines of credit:

		December 31, 2017		December 31, 2016	
		Notional amount	Fair value	Notional amount	Fair value
Collateral	$	2,586,004	32,879	2,647,985	14,215
Unused letters of credit		1,052,728	9,804	898,825	4,189
Overdraft limits		65,518	0	117,772	0
Unused credit card limits		14,453,598	0	13,982,359	0
Opened lines of credit		2,181,417	0	2,382,756	0
Loans approved but not disbursed		837,924	0	1,834,622	0
Others		114,065	0	94,100	0
Total	$	**21,291,254**	**42,683**	**21,958,419**	**18,404**

The outstanding balances of unused credit lines and guarantees do not necessarily represent future cash requirements, because the amount of credit available can expire and might not be used all or in part.

(Continued)

Following are the details on loan commitments, by type of currency.

	December 31, 2017	December 31, 2016
Colombian pesos	$ 7,797,906	8,624,408
US dollars	13,196,158	13,003,395
Euros	25,038	14,938
Others	272,152	315,678
Total	$ **21,291,254**	**21,958,419**

34.2 Commitments to Disburse Funds for Capital Disbursements

The Group incurred $1,957 and $867 in disbursements of capital expenses as of December 31, 2017 and December 31, 2016, respectively. These correspond to contracts for purchases of property, plant and equipment (real estate). There are respective commitments for $4,482 and $4,677 in disbursements on these contracts, effective during the year 2018.

34.3 Operational Lease Commitments

In developing their operations, the Group's subsidiaries sign agreements to receive property, plant and equipment and certain kinds of intangible assets under operational leases.

Following are the details of the payment obligations in operational leases during the years ahead:

	December 31, 2017	December 31, 2016
Not more than one year	$ 213,967	165,657
More than one year and less than five	410,538	363,770
More than five years	182,216	262,137
Total	$ **806,721**	**791,564**

The Group has several operational leases, mainly due to the use of bank branches and offices. These contracts expire, in seven (7) to ten (10) years on average. They contain options for renewal, generally at the time agreed upon initially, and require the Group to assume all execution costs, such as maintenance and insurance. The rental fees are adjusted as agreed in the lease and / or as required by law.

The minimum rental payments on operational leases are recognized according to the straight-line method, during the term of the lease. The rental expense recognized in profits and losses as of December 31, 2017 and December 31, 2016 amounts to $270,233 and $264,739, respectively.

34.4 Legal Contingencies

The administrative and judicial claims pending against the Group as of December 31, 2017 amounted $258,951. These are valued based on the analysis and opinions of the lawyers in charge. Due to their nature, the contingencies have not been recognized as liabilities, because they are possible obligations that do not imply an outflow of resources.

Following is a breakdown of the contingencies against the Bank for over $5,000.

(Continued)

Civil Suit Brought by Pedro Ramón Kerguelen and Luz Amparo Gaviria

This is an indemnity proceeding wherein it is requested the Group be held responsible for compensating the product of a development loan against a previous debt on the part of the plaintiffs, which prevented the Finagro investment project from being carried out. The claims are valued at $61,300 and judgement in the first instance is pending.

Civil Liability Suit Brought by Titan Intercontinental S.A. Alleging Undue Financial Transaction Tax Withholding

This is a tort suit brought by Titan Intercontinental S.A. against Banco de Bogotá alleging undue withholding of financial transaction tax during the years 2001, 2002 and 2003 on operations Casa de Cambios charged to its current accounts for payments to end beneficiaries, transactions the claimant maintains were exempt from said tax. In the opinion of the Bank, the financial transaction tax was applied and withheld by Banco MEGABANCO S.A. according to law, since the plaintiff did not request, in due course, that the accounts be marked for the exemption. The claims amount to $7,000. The ruling in the first instance, issued on December 6, 2016, was in favor of Banco de Bogota. The filing of an appeal by the plaintiff or a final judgement is pending.

Civil Liability Suit Brought by "Casa de Cambios Unidas S.A." Alleging Undue Financial Transaction Tax Withholding

This is a tort suit brought by "Casa de Cambios Unidas S.A.", against Banco de Bogotá alleging undue withholding of financial transaction tax during the years 2001, 2002 and 2003 on operations the plaintiff charged to its current accounts for payments to end beneficiaries, transactions the plaintiff claims were exempt from said tax. In the opinion of the Bank, the financial translation tax was applied and withheld by Banco MEGABANCO S.A. according to law, since the plaintiff did not request, in due course, that the accounts be marked for the exemption. The claims amount to $5,900. Once the evidence was gathered, the court set a date and time to hear the allegations and ruling on the case.

Class Action - Valle del Cauca Department

This is a class action suit requesting the Bank to reimburse the uncollected portion of the foreclosed in shares of EPSA and Sociedad Portuaria de Buenaventura and to pay damages to the Valle del Cauca Department. The claims amount to $18,000. The case is pending the trustee taking office.

Incident within the Labor Process of Clínica la Asunción against Cafesalud E.P.S.

Incident of joint and several liability borne by the Bank for alleged breach of embargo payment orders given within the process of Clínica la Asunción and others against Cafesalud E.P.S., the claims amount to $70,980. By means of an order of November 15, 2017, a sanction was imposed against the Bank, which is not in force for the appeals filed by the Banco de Bogotá. Given the unattachable nature of the accounts on which the precautionary measure fell and the absence of a rule that would make it possible to impose a solidary sentence on a banking establishment for the alleged breach of an attachment order, we believe that the decision should be revoked.

Administrative Process Brought Through Government Channels by the National Tax Office

This is a sanctioning and determinative administrative process involving Leasing Bogotá S.A. Panama with respect to the transfer of charges No.1-10-053-15-088-041-03, calculated on 50% of the adjustment on income tax for the 2012 and 2013 tax years and reduction of deductible and non-deductible expenses. The claims amount to $10,351 and $20,702 respectively. The defense's arguments against the adjustments and the evidence provide documentary support for what the company did regarding it its tax return.

Ordinary Civil Suit Brought by Jorge Ruben Nayen

This is a civil suit involving Leasing Bogotá S.A. Panama and a claim for damages. The plaintiff is arguing the defendant was negligent for having breached the second clause of a loan agreement, among others, which stipulated the loan had to be disbursed when the collateral was filed with the property registry. The loan was disbursed with a promissory note. The claims amount to $5,312. The ruling in the first instance was in favor of Banco BAC. The plaintiff has appealed that decision.

The Group does not expect to obtain any type of reimbursement. Therefore, it has not recognized assets for this purpose.

NOTE 35 - CAPITAL MANAGEMENT

The Group's objectives in terms of adequate capital management focus on: a) complying with the capital requirements defined for financial entities by the Colombian government; and b) maintaining an adequate equity structure that allows the Group to generate value for its shareholders.

The total capital adequacy ratio, which is defined as the ratio of regulatory capital to risk-weighted assets, may be no less than nine point zero percent (9.0%); while the basic capital adequacy ratio, defined as the ratio of basic ordinary capital to risk-weighted assets, may be no less than four point five percent (4.5%), as indicated, respectively, in Articles 2.1.1.1.2 and 2.1.1.1.3 of Decree 2555 / 2010, which was amended by Decree 1771 / 2012, Decree 1648 / 2014 and Decree 2392/2015.

Individual compliance is verified monthly. Consolidated compliance is verified quarterly with the Group's subordinates in Colombia, which are supervised by the Financial Superintendence of Colombia, and with its financial subsidiaries abroad.

For purposes of capital management in Colombia, basic ordinary capital is comprised primarily of subscribed and paid shares of common stock, the surplus from additional paid-in capital, and the legal reserve appropriated from profits. On the other hand, regulatory capital includes basic ordinary capital as well as unrealized gains on debt and equity securities, subordinated debentures, and a portion of income for the period, pursuant to the profit appropriation commitment that was approved by the shareholders' meeting.

In an effort to manage capital from an economic perspective and in a way that generates value for shareholders, management keeps a close eye on the level of returns for each line of business and on capital requirements consistent with the expectations for growth in each of these lines. Managing economic capital also involves analyzing how it can be affected by the credit, market, liquidity and the operational risks to which the Group is exposed in the course of its operations.

(Continued)

Following is a breakdown of the calculation of the Group's minimum regulatory capital.

		December 31, 2017	December 31, 2016
Regulatory capital	$	16,749,137	16,236,203
Total risk-weighted assets	$	123,708,231	116,745,434
Total solvency risk ratio > 9%		13.54%	13.91%
Basic solvency risk ratio > 4.5%		8.79%	8.96%

Capital requirements need to be complied with at the entity level. Accordingly, there is a restriction on the movement of assets between the entities in the Group. The following is a breakdown of the capital requirements of the financial subsidiaries that make up the Group for the periods ended at December 31,, 2017 and December 31, 2016.

Entidad	Total requirement	December 31, 2017	December 31, 2016
Banco de Bogotá - Separate	9%	21.23%	20.85%
BAC International Bank	8% (1)	13.72%	13.31%
Porvenir	9%	21.80%	36.15%
Fidubogotá	9%	130.79%	195.83%
Almaviva	36 times(2)	10.00 times	17.05 times

(1) According to Agreement 001/2015 and Agreement 003/2016 established by the Panama Banking Authority.
(2) In the case of Almaviva, the capital requirement is measured as the maximum storage capacity, which may be not more than 36 times the company's regulatory capital.

NOTE 36 - RELATED PARTIES

Related party is a person or entity that is related to the entity that prepares its financial statements. The latter could have control or joint control over the reporting entity, exercise significant influence over it, or be considered a key member of management within the reporting entity or a controller of the reporting entity. The definition of related parties includes people and/or family members who are related to the entity, entities that belong to the same group (controller and subsidiary), associates or joint ventures of the entity or of the entities in the Group, and post-employment plans that benefit the employees of the reporting entity or a related entity.

Therefore, the following are regarded as related parties.

a) An economically related party is a person or entity that is related to an entity in the Group through transactions such as the transfer of resources, services or obligations, regardless of whether or not a price is charged.

The Group regards any economic operation with shareholders and entities of Grupo Aval as a transaction between related parties.

b) Shareholders with 10% or more individual ownership interest in the equity of the Bank (Grupo Aval Acciones y Valores) are regarded as related parties.

c) Key management personnel: These are people with authority and responsibility for planning, managing and controlling the activities of the entity, either directly or indirectly, including any director or administrator of the Bank (executive or otherwise), the president, the vice presidents and the members of the Board of Directors.

(Continued)

d) Subordinate entities: These are entities wherein the Bank exercises control, according to the definition of control outlined in the Commercial Code and in IFRS10 Consolidated Financial Statements.

e) Associate entities: These are entities wherein the Group has significant influence, which generally is regarded as owning between 20% and 50% of the firm's equity.

f) Other related parties: These include Banco de Occidente S.A. and subordinates, Banco AV Villas S.A. and subordinates, Banco Popular S.A. and subordinates, Seguros de Vida Alfa S.A., Seguros Alfa S.A. and other related parties.

Transactions with Related Parties

The Group may enter into transactions, agreements or contracts with related parties, based on the understanding that such operations shall be conducted at fair value, taking into account market conditions and rates.

There were none of the following between the Group and its related parties during the periods ended at December 31, 2017 and 2016.

- Loans that imply an obligation for the debtor that does not coincide with the essence or nature of a loan agreement.
- Loans at interest rates other than those normally paid or charged to third parties under similar terms with respect to risk, maturity, etc.
- Operations of a nature that is different from those conducted with third parties.

According to the Banco de Bogotá S.A. manual on agreements, specifically Chapter VI- "Special Agreements with Subsidiaries on Using the Bank's Network," Banco de Bogotá S.A. has agreements with Fiduciaria Bogotá S.A. and Porvenir S.A.to allows them to use its network of offices.

In the case of Fiduciaria Bogotá S.A., the national government has authorized trust companies to use bank offices. Fiduciaria Bogotá S.A. entered into a contract with Banco de Bogotá S.A. to use the Bank's network of offices for its operations. The agreement outlines how the transactions of customers with mutual funds managed by Fiduciaria Bogotá S.A. will be handled, from an operational standpoint,

In keeping with the provisions outlined in Law 50 / 1990 (Labor Reform Act) and Law100 / (General Social and Comprehensive Security System), the Bank entered into an agreement with Sociedad Administradora de Fondos de Pensiones y Cesantías Porvenir S.A., whereby Porvenir uses the Bank's offices as a support network to provide services related to the severance and mandatory pension funds it manages.

During the periods ended at December 31, 2017 and December 31, 2016, $1,299 and $1,447 in fees were paid, respectively, to members of the Board of Directors.

All transactions and disbursements were conducted at market prices. Credit card operations and overdrafts were done at the full rates for those products.

(Continued)

The most representative balances with related parties at December 31, 2017 and December 31, 2016 are included in the following tables:

	December 31, 2017					
				Related entities		
	Economically related parties	Grupo Aval	Key management personnel	Non-subsidiaries	Associates and Joint Arrangementss	Subsidiaries
Assets						
Cash and cash equivalents	$ 5,191,397	0	0	11,205	0	14,086
Investments in subsidiaries, associate companies and Joint Arrangementss	3,950	0	0	0	3,391,459	12,689,688
Investment allowance	0	0	0	0	0	1,156
Loan portfolio and financial leases operations	1,550,691	525,732	17,091	1	207,096	7
Other accounts receivable	859,827	92,864	8	226	17	18,308
Hedging derivatives	2,209	1,269	0	0	0	0
Investment financial assets	0	0	0	310,838	40,081	188
Other assets	1,145	0	0	0	0	0
Liabilities						
Financial liabilities, at amortized cost	6,349,273	1,963,958	22,547	1,059	646,017	3,064,546
Hedging derivatives	2,209	2,533	0	0	0	0
Accounts payable and other liabilities	859,599	181,939	76	12,478	5,456	5,173
Income						
Interest	883,506	54,232	1,567	23,418	19,352	4
Commissions and other services	455	458	39	2,038	493	4,919
Other income	6,087	80,516	0	767	2,590	1,742
Expenses						
Financial costs	809,068	116,638	1,540	12	41,669	39,013
Expenses for commissions and other services	0	0	73	11,022	848	3,530
Other expenses	$ 12,898	256,075	14,919	20,443	22,799	142,336

	December 31, 2016					
				Related entities		
	Economically related parties	Grupo Aval	Key management personnel	Non-subsidiaries	Associates and Joint Arrangementss	Subsidiaries
Assets						
Cash and cash equivalents	$ 4,484,911	0	0	19,956	0	4,323
Investments in subsidiaries, associate companies and Joint Arrangementss	75,168	0	0	0	3,341,859	11,514,343
Investment allowance	0	0	0	0	0	1,163
Loan portfolio and financial leases operations	898,280	718,348	23,134	20,013	141,587	89
Other accounts receivable	643,951	165,127	0	32	12,261	33,508
Hedging derivatives	0	3,340	0	0	0	0
Investment financial assets	0	0	0	131,500	0	187
Liabilities						
Financial liabilities, at amortized cost	4,916,486	2,418,157	26,506	1,119	683,756	3,223,970
Hedging derivatives	0	2,840	0	0	0	0
Accounts payable and other liabilities	644,352	174,940	10	11,125	385	4,362
Income						
Interest	702,779	58,657	1,456	15,414	15,528	2
Commissions and other services	2,104	285	19	253	343	5,923
Other income	2,791	205,681	0	995	69	1,581
Expenses						
Financial costs	670,335	213,633	604	2	57,485	13,006
Expenses for commissions and other services	635	0	25	7,591	800	2,149
Other expenses	7,193	380,184	18,075	15,805	5,567	112,409

(Continued)

The outstanding amounts are guaranteed and there is no recognized expense in the current period or prior periods for uncollectible or doubtful accounts concerning amounts owed by related parties.

The benefits for key management personnel include the following:

		December 31, 2017	December 31, 2016
Short-term employee benefits	$	97,592	93,276
Post-employment benefits		39	3
Compensation for key management personnel and other long-term employee benefits		920	1,055
Termination benefits		23	49
	$	**98,574**	**94,383**

NOTE 37 - STATUTORY CONTROLS

Statutory controls are the regulations the Financial Superintendence of Colombia has established for credit institutions (banks, financial corporations and finance companies) with respect to the required float reserve ratio (see Note 6, paragraph 6.4, Section c, Liquidity Risk), the proprietary position (see Note 6, paragraph 6.4, Section c. Individual Risk Analysis), the capital adequacy ratio (see Note 35), and the mandatory investments to be made in securities issued by the Agricultural Sector Financing Fund (FINAGRO). The Group complied with all these requirements during the six months ended as of December 31, 2017 and December 31, 2016.

NOTE 38 - SUBSEQUENT EVENTS

There were no events after the reporting period that need to be disclosed for the period ended at December 31, 2017 and up until the date when the financial statements were approved

NOTA 39 - APPROVAL FOR THE PRESENTATION OF FINANCIAL STATEMENTS

At a meeting on February 20, 2018, the Board of Directors gave its authorization for the consolidated financial statements at December 31, 2017 and the accompanying notes to be presented to the General Assembly of Shareholders for approval.

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