Financial Statements Consolidated

2019

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

To the Shareholders
Banco de Bogotá:

Opinion

I have audited the consolidated financial statements of Banco de Bogotá and Subsidiaries (the Group), which comprise the consolidated statement of financial position at December 31, 2019 and the consolidated statements of income, other comprehensive income, changes in equity and cash flows for the year then ended and their respective notes that include the summary of significant accounting policies and other explanatory notes.

In my opinion, the above mentioned consolidated financial statements, attached to this report, present fairly, in all material aspects, the consolidated financial position of the Group at December 31, 2019, the consolidated results of its operations, and its consolidated cash flows for the year then ended, in conformity with Accounting and Financial Reporting Standards accepted in Colombia, applied on a consistent basis with previous year, except by the application of International Financial Reporting Standard IFRS 16 – Leases.

Basis for opinion

I conducted my audit in accordance with International Standards on Auditing (ISAs) accepted in Colombia. My responsibilities under those standards are further described in the "Statutory Auditor' Responsibilities for the Audit of the Consolidated Financial Statements" section of my report. I am independent of the Group in accordance with the Accountant's Professional Code of Ethics issued by the International Ethics Standards Board for Accountants (IESBA Code), included in the Information Assurance Standards accepted in Colombia together with the ethical requirements established in Colombia that are relevant to my audit of the consolidated financial statements and I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA Code mentioned.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key audit matters

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the consolidated financial statements of the current period. These matters were addressed in the context of my audit of the consolidated financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

<table>
<tr><th colspan="2">Assessment of the Loan Portfolio Impairment under IFRS 9 (see notes 2.7.g and 10 to the consolidated financial statements)</th></tr>
<tr><th>The key audit matter</th><th>How our audit approached this matter</th></tr>
<tr><td>The Group periodically reviews the credit risk exposure of its loan portfolio. Such determination is one of the most significant and complex estimates in the preparation of the accompanying consolidated financial statements, due to the high degree of judgment involved in the development of the models to determine impairment based on an expected loss approach required in the IFRS 9. The value of the loan portfolio and its respective provision as of December 31, 2019 is $118.251.838 and $5.141.711 million, respectively.

I considered the evaluation of the loan portfolio impairment as a key audit matter, because it involves a significant measurement uncertainty that required a complex judgment, and knowledge and experience in the industry, especially with regard to (1) the evaluation of the methodologies used, including the methodology to estimate the loss due to non-compliance; (2) the probability of loss given the default and its key factors and assumptions; (3) the qualification of loans and qualitative factors that are incorporated into the variables of the internal models established by the Group; and (4) the estimated impairment calculations due to credit risk of the entire loan portfolio.</td><td>My audit procedures to assess the sufficiency of credit risk impairment included, among others, the following:

• Involvement of professionals with experience and knowledge in the assessment of credit risk and information technology, to evaluate certain internal controls related to the Group's process for determining the loan portfolio impairment. This included controls related to (1) validation of the models that determine the probability of loss, severity and exposure at the time of default, (2) the Group's monitoring on the determination of portfolio impairment (3) information technology controls on the input data to the models that determine credits impairment, as well as related calculations; (4) the evaluation to identify if there was a significant change in credit risk; and (5) the review of macroeconomic variables and the weighted scenarios used in the models for determining the loan portfolio impairment; and (6), the review of commercial loans analyzed individually and write-offs.

• Professionals with knowledge in assessment of credit risk and information technology assisted me to (1) evaluate the methodologies and key data used to determine the probability of loss, the severity and exposure at the time of default , and the parameters produced by the models; (2) evaluate the macroeconomic variables and the weighted probability scenarios used in the internal models including the</td></tr>
</table>

Assessment of the Loan Portfolio Impairment under IFRS 9 (see notes 2.7.g and 10 to the consolidated financial statements)	
The key audit matter	**How our audit approached this matter**
	consideration of alternative data for certain variables; (3) recalculation of the expected loss model and its related data; and (4) evaluate the qualitative adjustments applied to the model. • For a credits sample, the credit risk assigned by the Group and the Group's judgment were evaluated to determine if there was a significant increase in the related credit risk.

Other matters

The consolidated financial statements at and for the year ending December 31, 2018 are submitted only for comparison purposes, were audited other public accountant, member of KPMG S.A.S. who in his report dated February 26, 2019 expressed an unqualified opinion thereon.

Responsibilities of Management and those in charge with the Group's governance for the consolidated financial statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern accounting basis unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Statutory Auditor's responsibilities for the audit of the consolidated financial statements

My objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement, when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the users' economic decisions taken on the basis of these consolidated financial statements.

As part of an audit conducted in accordance with ISAs, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant for the audit in order to design audit procedures that are appropriate in the circumstances.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern hypothesis and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If I would conclude that a material uncertainty exists, I am required to draw attention in my statutory auditor's report to the related disclosure in the consolidated financial statements or, if such disclosure is inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my report. However, future events or conditions may cause the Group ceases to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

I communicate to those charged with the Group's governance regarding, among other matters, the planned scope and timing for the audit, as well as significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. I describe these matters in my statutory auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

William Torres Muñoz
Statutory Auditor of Banco de Bogotá
Registration 16059 - T
Member of KPMG S.A.S.

February 25, 2020

BANCO DE BOGOTÁ AND SUBSIDIARIES
Consolidated Statement of Financial Position
As at December 31
(Figures expressed in millions of Colombian pesos)

	Notes		2019	2018
<u>Assets</u>				
Cash and cash equivalents	8	$	**24,809,110**	**22,061,097**
Financial assets	9		**19,083,897**	**14,357,792**
Investments at fair value through profit or loss			**3,864,820**	**2,779,671**
Debt securities			1,639,485	962,494
Equity securities			2,225,335	1,817,177
Investments at fair value through other comprehensive income			**13,302,057**	**9,860,475**
Debt securities			13,066,341	9,665,388
Equity securities			235,716	195,087
Investments at amortized cost			**1,417,868**	**1,361,174**
Debt securities			1,417,868	1,361,174
Derivatives at fair value			**499,152**	**356,472**
Trading derivatives			336,148	323,491
Hedging derivatives			163,004	32,981
Loan portfolio and financial leases at amortized cost, net	10		**113,110,127**	**111,018,236**
Commercial			69,208,778	70,446,069
Consumer			33,440,079	31,170,583
Mortgage			15,199,012	14,115,974
Microcredits			403,969	418,288
Impairment			(5,141,711)	(5,132,678)
Other accounts receivable, net	11		**1,934,944**	**2,018,868**
Non-current assets held for sale	12		**178,216**	**165,019**
Investments in associates and joint ventures	13		**4,752,358**	**4,157,015**
Property, plant and equipment	14		**2,099,660**	**1,944,314**
Right of use assets	15		**1,442,030**	**0**
Investment property	16		**318,592**	**287,651**
Goodwill	17		**6,050,936**	**6,007,901**
Other intangible assets	18		**579,440**	**522,014**
Income tax	19		**498,475**	**520,540**
Current			355,347	271,499
Deferred			143,128	249,041
Other assets			**161,795**	**242,062**
Total assets		$	**175,019,580**	**163,302,509**

BANCO DE BOGOTÁ AND SUBSIDIARIES
Consolidated Statement of Financial Position
As at December 31
(Figures expressed in millions of Colombian pesos)

	Notes		2019	2018
Liabilities and Equity				
Liabilities				
Financial liabilities derivatives at fair value	9		**447,453**	**561,306**
Trading derivatives		$	358,093	379,995
Hedging derivatives			89,360	181,311
Financial liabilities at amortized cost			**147,154,111**	**136,964,589**
Customer deposits	20		**117,794,985**	**108,404,523**
Checking accounts			33,990,651	31,653,227
Savings accounts			34,744,932	31,148,792
Time certificates of deposit			48,739,507	45,254,976
Others			319,895	347,528
Financial obligations	21		**29,359,126**	**28,560,066**
Interbank borrowings and overnight funds			3,893,658	1,941,616
Borrowings from banks and others			13,455,039	16,417,926
Bonds issued			8,426,168	8,280,888
Development entities			2,143,592	1,919,636
Lease contracts			1,440,669	0
Employee benefits	22		**480,617**	**567,461**
Provisions	23		**409,413**	**266,450**
Income tax	19		**694,929**	**509,910**
Current			303,649	289,854
Deferred			391,280	220,056
Accounts payables and other liabilities	24		**3,973,055**	**4,765,019**
Total liabilities		**$**	**153,159,578**	**143,634,735**
Equity				
Controlling interest	25	**$**	**20,588,314**	**18,569,546**
Subscribed and paid-in capital			3,313	3,313
Additional paid-in capital			5,721,621	5,721,621
Retained earnings			13,484,987	11,991,478
Other comprehensive income	27		1,378,393	853,134
Non-controlling interest	26		**1,271,688**	**1,098,228**
Total equity		**$**	**21,860,002**	**19,667,774**
Total liabilities and equity		**$**	**175,019,580**	**163,302,509**

The accompanying notes are an integral part of these consolidated financial statements.

(Signed original)
ALEJANDRO FIGUEROA JARAMILLO
Legal Representative

(Signed original)
NÉSTOR ANTONIO PUPO BALLESTAS
Chief Accountant
Professional License 43967 -T

(Signed original)
WILLIAM TORRES MUÑOZ
Statutory Auditor
Professional License 16059 - T
Member of KPMG S.A.S.
(See my report dated February 25, 2020)

BANCO DE BOGOTÁ AND SUBSIDIARIES
Consolidated Statement of Income
Years ended at December 31
(Figures expressed in millions of Colombian pesos, except net earnings per share)

	Notes		2019	2018
Interest income		$	**12,375,221**	**11,195,365**
Loan portfolio and financial leases			11,753,738	10,742,547
Investments			621,483	452,818
Interest expenses			**4,879,513**	**4,328,847**
Customer deposits			**3,480,077**	**3,155,060**
Checking accounts			401,919	338,085
Savings accounts			720,726	704,932
Time certificates of deposit			2,357,432	2,112,043
Financial obligations			**1,399,436**	**1,173,787**
Interbank borrowings and overnight funds			133,736	81,751
Borrowings from banks and others			617,156	575,545
Bonds issued			482,822	434,275
Development entities			85,647	82,216
Lease contracts			80,075	0
Net interest income			**7,495,708**	**6,866,518**
Net impairment loss on financial assets			**2,625,595**	**2,493,904**
Loan portfolio, financial leases and accounts receivable			2,767,817	2,610,893
Recovery of write-offs			(153,165)	(123,930)
Investments			10,943	6,941
Net interest income, after impairment			**4,870,113**	**4,372,614**
Income from contracts with customers for commissions and other services			**4,952,603**	**4,400,966**
Banking services			2,292,203	2,032,252
Credit cards			1,224,736	1,084,155
Pension and severance fund management			1,127,193	985,217
Trust activities and portfolio managament			178,262	165,816
Storage services			98,275	99,046
Drafts, checks and checkbooks			26,080	23,428
Office network services			5,854	11,052
Costs and expenses of contracts with customers for commissions and others ser	28		**397,582**	**378,741**
Net income from contracts with customers for commissions and other services			**4,555,021**	**4,022,225**
Net income from trading financial assets or liabilities			**495,343**	**412,072**
Gain on valuation of derivatives instruments for trading			11,643	189,817
Gain on valuation of derivatives instruments for hedging			86,344	207,219
Gain on valuation of investments for trading			397,356	15,036
Other income			**1,271,073**	**1,583,949**
Net gain on exchange difference			277,260	302,775
Others	29		993,813	1,281,174
Other expenses			**7,118,852**	**6,309,605**
Administrative	30		3,415,915	3,171,147
Employee benefits			2,786,659	2,547,111
Depreciation and amortization			632,380	363,263
Others			283,898	228,084
Net income before income tax			**4,072,698**	**4,081,255**
Income tax expense	19		999,041	950,043
Net income for the period			**3,073,657**	**3,131,212**
Net income for the period attributable to:				
Controlling interest			2,766,450	2,937,262
Non-controlling interest			307,207	193,950
Net income for the period		$	**3,073,657**	**3,131,212**
Basic and diluted net earnings per share (in Colombian Pesos)		$	**8,351**	**8,866**

The accompanying notes are an integral part of these consolidated financial statements.

(Signed original)	**(Signed original)**	**(Signed original)**
ALEJANDRO FIGUEROA JARAMILLO	NÉSTOR ANTONIO PUPO BALLESTAS	WILLIAM TORRES MUÑOZ
Legal Representative	Chief Accountant	Statutory Auditor
	Professional License 43967 -T	Professional License 16059 - T
		Member of KPMG S.A.S.
		(See my report dated February 25, 2020)

BANCO DE BOGOTÁ AND SUBSIDIARIES
Consolidated Statement of Comprehensive Income
Years ended at December 31
(Figures expressed in millions of Colombian pesos)

	Notes		2019	2018
Net income		**$**	**3,073,657**	**3,131,212**
Items that may be reclassified to profit or loss			**623,734**	**(82,586)**
Hedge accounting				
Exchange difference of foreign subsidiaries			105,194	1,097,187
Exchange difference on derivatives in foreign currency			(50,318)	(547,310)
Exchange difference on bonds in foreign currency			(56,618)	(549,332)
Unrealized gain (loss) from measurement of financial assets at fair value			488,648	(50,060)
Impairment of debt instruments at fair value			11,170	6,145
Exchange difference of foreign agencies, branches and subsidiaries.			131,881	(271,251)
Share in other comprehensive income of associates	13		68,621	(69,654)
Income tax	19		(74,844)	301,689
Items that will not be reclassified to profit or loss			**(3,977)**	**35**
Changes in actuarial assumptions from defined benefits plans			(9,908)	1,775
Revaluation of assets			3,334	0
Income tax	19		2,597	(1,740)
Items that reclassified to profit or loss			**(85,374)**	**0**
Realized loss from measurement of financial assets at fair value			(126,222)	0
Income tax	19		40,848	0
Total other comprehensive income, net income tax		**$**	**534,383**	**(82,551)**
Total comprehensive income		**$**	**3,608,040**	**3,048,661**
Comprehensive income attributable to:				
Controlling interest			3,291,709	2,861,890
Non-controlling interest			316,331	186,771
Total comprehensive income		**$**	**3,608,040**	**3,048,661**

The accompanying notes are an integral part of these consolidated financial statements.

(Signed original)
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BANCO DE BOGOTÁ AND SUBSIDIARIES
Consolidated Statement of Changes in Equity
Years ended at December 31
(Figures expressed in millions of Colombian pesos)

	Notes		Attributable to equity holders of the Group						
			Subscribed and paid-in capital	Additional paid-in capital	Retained earnings	Other comprehensive income (OCI)	Controlling interest equity	Non-controlling interest	Total equity
Balances at december 31, 2017		$	**3,313**	**5,721,621**	**10,638,210**	**862,493**	**17,225,637**	**984,584**	**18,210,221**
Changes in accounting policies	2.21		0	0	(511,594)	66,013	(445,581)	4,484	(441,097)
Balances at january 1, 2018 (Ajusted)			**3,313**	**5,721,621**	**10,126,616**	**928,506**	**16,780,056**	**989,068**	**17,769,124**
Dividends decreed	25		0	0	(1,073,349)	0	(1,073,349)	(83,960)	(1,157,309)
Others			0	0	949	0	949	6,349	7,298
Net income			0	0	2,937,262	0	2,937,262	193,950	3,131,212
Other comprehensive income	27		0	0	0	(75,372)	(75,372)	(7,179)	(82,551)
Balances at december 31, 2018		$	**3,313**	**5,721,621**	**11,991,478**	**853,134**	**18,569,546**	**1,098,228**	**19,667,774**
Dividends decreed	25		0	0	(1,272,117)	0	(1,272,117)	(146,532)	(1,418,649)
Others			0	0	(824)	0	(824)	3,661	2,837
Net income			0	0	2,766,450	0	2,766,450	307,207	3,073,657
Other comprehensive income	27		0	0	0	525,259	525,259	9,124	534,383
Balances at december 31, 2019		$	**3,313**	**5,721,621**	**13,484,987**	**1,378,393**	**20,588,314**	**1,271,688**	**21,860,002**

The accompanying notes are an integral part of these consolidated financial statements.

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BANCO DE BOGOTÁ AND SUBSIDIARIES
Consolidated Statement of Cash Flows
Years ended at December 31
(Figures expressed in millions of Colombian pesos)

	Notes		2019	2018
Cash flows from operating activities				
Net income for the period		$	3,073,657	3,131,212
Adjustments to reconcile net income for the period to net cash provided by operating activities:				
Impairment loss on loan portfolio, financial leases and other accounts receivable, net	10 y 11		2,767,805	2,611,070
Depreciation and amortization	14,15 y 18		634,258	364,532
Equity method income	29		(524,353)	(568,196)
Profit on valuation and sale of financial assets, net			(218,320)	(415,796)
Actuarial (gain) loss of employee benefits			(26,431)	1,670
Employee benefits expenses			1,026,932	891,959
Interest income			(12,375,221)	(11,195,365)
Interest expenses			4,879,513	4,328,847
Provisions expenses			119,749	48,685
Income tax expense	19		999,041	950,043
Adjustment for the foreign exchange			148,674	93,598
Income by assignment subscription of shares in associates			0	(123,409)
Others adjustments to reconcile net income for the period			(70,592)	(340,606)
Changes in operating assets and liabilities				
(Increase) decrease of investments in financial assets			(1,296,576)	73,241
Increase in loan portfolio and financial leases			(4,221,864)	(5,313,938)
Increase in other accounts receivable			(20,176)	(377,741)
Increase in other assets			(2,172)	(52,726)
Increase in customer deposits			8,667,242	2,064,062
Increase in interbank borrowings and overnight funds			1,895,212	432,641
(Decrease) increase in accounts receivable and other liabilities			(1,790,607)	962,913
Interest received			11,736,068	10,674,667
Interest paid			(4,748,744)	(4,086,439)
Interest paid financial leases			(68,189)	0
Dividends received			10,345	13,297
Income tax paid			(1,040,323)	(964,316)
Net cash provided by operating activities			**9,554,928**	**3,203,905**
Cash flows from investing activities:				
(Increase) decrease in investments at fair value			(2,222,842)	1,145,405
Additions of investments at amortized cost			(932,804)	(1,135,138)
Acquisition of property, plant and equipment	14		(356,988)	(254,075)
Acquisition of other intangible assets	18		(177,786)	(200,692)
Redemption of investments at amortized cost			899,245	1,162,843
Proceeds from sale of non-financial assets			181,528	83,434
Acquisition of participation in associated entities			(2,369)	0
Net cash (used in) provided by investing activities			**(2,612,016)**	**801,777**
Cash flows from financing activities:				
Acquisition of financial obligations			16,157,721	14,072,876
Decrease of financial obligations			(19,029,482)	(12,967,511)
Issuance of outstanding bonds			318,003	175,515
Payment of outstanding bonds issued			(248,139)	(443,643)
Payment leases			(150,047)	0
Dividends paid			(1,354,144)	(1,141,863)
Non-controlling interest in the acquisition of controlled entities			3,666	6,110
Net cash used in financing activities			**(4,302,422)**	**(298,516)**
Effect of foreign currency changes on cash and cash equivalents			107,523	1,429,301
Net Increase in cash and cash equivalents			2,748,013	5,136,467
Cash and cash equivalents at beginning of the year	8		22,061,097	16,924,630
Cash and cash equivalents at the end of the year	8	$	**24,809,110**	**22,061,097**

The accompanying notes are an integral part of these consolidated financial statements.

(Signed original)
ALEJANDRO FIGUEROA JARAMILLO
Legal Representative

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(See my report dated February 25, 2020)

(Figures expressed in millions of Colombian pesos, except the exchange rate and net earnings per share)

Note 1 – Reporting entity

Banco de Bogotá (parent company) is a private entity based in the city of Bogotá D.C. at Calle 36 # 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 definitely, as per Resolution 3140, of September 24, 1993. The term 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 purpose of the Bank is to enter into or perform all operations and agreements legally permitted to commercial banking businesses pursuant to the requirements and limitations of law in Colombia.

At December 31, 2019 the Bank and its subsidiaries operate with thirty-six thousand and four (36,004) employees with labor contract, seven hundred twenty-four (724) working under apprenticeship or training agreements, and three thousand and two hundred seventy-nine (3,279) temporary employees. In addition, the Group has seven thousand and five hundred seventy-six (6,576) staff members contracted through outsourcing with specialized companies. It also has one thousand and five hundred fifty-five (1,555) offices, seventeen thousand and eight hundred fifty-nine (17,859) correspondent banks, three thousand and nine hundred thirty-eight (3,938) ATMs, two (2) agencies abroad: one in Miami and another in New York, which are licensed to carry out banking activities abroad, and (1) a bank branch in Panamá 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	Direct holding (1)	Indirect holding (1)
National Subsidiaries				
Fiduciaria Bogotá S.A.	Enters into mercantile trust agreements and fiduciary mandates without transferring ownership, as provided for by law. Its primary 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 subsidiaries	Almaviva is a customs agent and a comprehensive logistics operator. Its primary corporate purpose is the deposit, storage and custody, management and distribution, purchase and sale of domestic and foreign goods and products, at the customer's expense. It also issues certificates of deposit and warehouse liens.	Bogotá, Colombia	94.93%	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%	
Aval Soluciones Digitales S.A. (4)	Services authorized to companies specialized in deposits and electronic payments.	Bogotá, Colombia	38.90%	
Porvenir S.A. (3-4) 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%	9.88%
Aportes en Línea S.A. (5)	Technical and administrative services society, provides the services of Information Operator.	Bogotá, Colombia	2.04%	34.65%

Name of subsidiary	Main activity	Place of business	Direct holding (1)	Indirect holding (1)
Foreign Subsidiaries				
Leasing Bogotá S.A. Panamá and subsidiaries	Its corporate purpose consists of holdings 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 Panamá.	Panamá, Republic of Panamá	100.00%	
Banco de Bogotá Panamá S.A.	It is an entity with an international license to conduct banking business abroad, it operates in the Republic of Panamá and consolidates with another subsidiary, Banco de Bogotá (Nassau) Limited.	Panamá, Republic of Panamá	100.00%	
Bogotá Finance Corporation.	It is a financial corporation and its corporate purpose is the issuance of securities at floating rates guaranteed by the parent company. Over the past few years, the company has maintained an investment as its only income-earning activity.	Cayman Islands	100.00%	
Corporación Financiera Centroamericana S.A. (Ficentro) (4)	This financial institution is authorized to grant loans, but not to receive funds from the public. It is supervised by Panamá's Ministry of Finance. It is in the business of collecting on loans and managing assets received for sale.	Panamá, Republic of Panamá	49.78%	

Main Subsidiaries with Indirect holding		Place of business	Holding (1)
BAC Credomatic Inc.	A holding company established to manage the subsidiaries in Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panamá, among others. (Consolidates with Leasing Bogotá S.A. Panamá).	Panamá, Republic of Panamá	100%

(1) In percentage terms, this represents economic and voting interest. The Bank's direct and indirect holding percentages in each of its subsidiaries have not varied over the past year.
(2) Indirect holding through Banco de Bogotá Panamá S.A.
(3) Indirect holding through Fiduciaria Bogotá S.A. of 10.40%.
(4) The Bank carries out control activities, which is why this entity is consolidated.
(5) Indirect holding through Porvenir S.A. of 97.50%.

The Group is controlled by Grupo Aval Acciones y Valores S.A., with a total shareholding of 68.74%.

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 prepared in accordance with Accounting and Financial Reporting Standards accepted in Colombia (NCIF – Spanish acronym).

2.2 Basis of presentation of the financial statements

a. Presentation of the financial statements

The accompanying financial statements are prepared according to the following issues:

Statement of financial position

It is presented showing the different asset and liability accounts, these are ordered according to liquidity, in the case of sale, or enforceability, since this type of presentation provides more relevant reliable information for a financial institution. Therefore, the amount expected to be recovered or paid within twelve months and after twelve months is presented in each of the notes on financial assets and liabilities.

Statement of income and statement of comprehensive income

These items are presented separately in two statements (statement of income for the period and statement of comprehensive income). Moreover, the income statement for the period is broken down according to the nature of the expenses; this is the model used by financial institutions, because it provides more appropriate and relevant information.

Statement of cash flows

It is presented using the indirect method, in this case, net cash flow from operating activities are determined by reconciling net income, for the effects of items that do not generate cash flows, the net changes in assets and liabilities derived from operating activities, and for any other item whose monetary effects are regarded as cash flows from investment or financing. Interest income and interest expenses received and paid are part of operating activities.

The following concepts are taken into consideration when preparing the cash flows statement:

- Operating activities: These are the activities that constitute the Group'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 that produce 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

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

- Power over the investee that give it the ability to direct the relevant activities that significantly affect the investee's returns,
- Exposure, or rights, to variable returns from its involvement with the investee.
- 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 net income in all the subsidiaries which includes an assurance in the homogenization of its accounting policies. In this process any reciprocal transactions and unrealized gains between them are eliminated. The controlled entities present non-controlling interests within its equity, separately from the equity of the shareholders of the Group holding company.

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, statement of income and in the consolidated statement of other 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, 2019 and 2018 homologated to the accounting policies of consolidation:

	December 31, 2019					
	% Share holding		Assets	Liabilities	Equity	Controlling net income
Banco de Bogotá (Matriz)		$	98,760,643	78,108,155	20,652,488	2,754,493
Leasing Bogotá S.A. Panamá y subsidiarias	100.00%		82,892,069	68,280,964	14,611,105	1,345,251
Banco de Bogotá Panamá S.A.	100.00%		10,524,645	10,134,056	390,589	33,566
Bogotá Finance Corporation	100.00%		292	0	292	4
Almaviva S.A. y subsidiarias	95.81%		160,072	87,979	72,093	610
Fiduciaria Bogotá S.A.	94.99%		490,351	102,137	388,214	126,118
Megalinea S.A.	94.90%		23,843	18,715	5,128	596
Corporación Financiera Centroamericana S.A. (Ficentro)	49.78%		0	0	0	0
Porvenir S.A. y subsidiaria	46.91%		3,627,527	1,288,564	2,338,963	568,782
Aval Soluciones Digitales S.A.	38.90%		13,815	1,538	12,277	(2,814)
			196,493,257	**158,022,108**	**38,471,149**	**4,826,606**
Eliminations			(21,473,677)	(4,862,530)	(16,611,147)	(2,060,156)
Consolidated		$	**175,019,580**	**153,159,578**	**21,860,002**	**2,766,450**

	December 31, 2018					
	% Share holding		Assets	Liabilities	Equity	Controlling net income
Banco de Bogotá (Matriz)		$	91,740,338	73,095,938	18,644,400	2,949,370
Leasing Bogotá S.A. Panamá y subsidiarias	100.00%		78,503,368	65,695,177	12,808,191	1,179,629
Banco de Bogotá Panamá S.A.	100.00%		7,171,739	6,827,575	344,164	36,467
Bogotá Finance Corporation	100.00%		285	0	285	3
Almaviva S.A. y subsidiarias	95.81%		121,314	48,136	73,178	(1,145)
Fiduciaria Bogotá S.A.	94.99%		416,762	84,135	332,627	63,824
Megalinea S.A.	94.90%		22,743	18,211	4,532	501
Corporación Financiera Centroamericana S.A. (Ficentro)	49.78%		0	1	(1)	0
Porvenir S.A. y subsidiaria	46.39%		3,102,716	1,079,508	2,023,208	359,511
Aval Soluciones Digitales S.A.	38.90%		9,623	531	9,092	(908)
			181,088,888	**146,849,212**	**34,239,676**	**4,587,252**
Eliminations			(17,786,379)	(3,214,477)	(14,571,902)	(1,649,990)
Consolidated		$	**163,302,509**	**143,634,735**	**19,667,774**	**2,937,262**

2.3 Investments in associates and joint arrangements

Investments in associates

An associate is an entity over which the Group has significant influence; namely, where it has the power to intervene in decisions on financial and operating policy, but without having control or joint control. It is considered that significant influence is exercised in another entity if the Group directly or indirectly owns 20% or more of the voting rights of the investee, unless it can be clearly demonstrated that such influence does not exist.

Joint arrangements

A joint arrangement is an arrangement of which two or more parties have joint control; namely, only when decisions about the relevant activities require unanimous consent of the parties sharing control. A joint arrangement is either a:

- Joint operation, whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement; and,

- Joint venture, whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Measurement

Investments in associates and joint ventures are measured through the equity method, whereby the investment is initially recognized at cost and adjusted thereafter for the changes in the investee's equity according to the share percentage. The Group's net income includes its share of the net income of associates and joint ventures, and the Group's other comprehensive income includes its share of the other comprehensive income of the investees 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.

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

2.4 Functional and reporting 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 presentation currency of these consolidated financial statements is the Colombian peso which corresponds to the functional and presentation currency to the parent entity. Therefore, all balances and transactions denominated in currencies other than the Colombian peso are considered as foreign currency.

2.5 Translation of foreign currency transactions

In each Group entity, the transactions in foreign currency are converted into Colombian pesos at the exchange rate effective on the transaction date. Monetary assets and liabilities in foreign currency are converted into the functional currency, using the close exchange rate on the date of the corresponding statement of financial position. Non-monetary assets and liabilities denominated in foreign currency that are measured at historical cost are converted 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 converted using the exchange rate on the date the fair value was determined. When non-monetary items produce gains or losses that are recorded through income or Other Comprehensive Income (OCI), and when in turn such gains or losses produce differences in currency translation, such exchange differences are also recognized through income or through OCI, respectively. Exchange differences are recognized in net income, except for those gains or losses on net investment hedge in a foreign operation, which are recognized in OCI.

Foreign operations

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 translated 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 Colombian pesos at the closing exchange rate on the date of the corresponding statement of financial position.

- The income and expenses of operations abroad are translated into Colombian pesos at the average exchange rates monthly unless they do not approximate the exchange rates in effect at the dates of the transactions, in which case the income and expenses are translated to the current exchange rates on the dates of the transactions.
- The resulting exchange differences are recognized in OCI.

At December 31, 2019 and 2018, the exchange rates were $3,277.14 and 3,249.75 respectively.

2.6 Cash and cash equivalents

Cash and cash equivalents include cash, bank deposits and other short-term investments in active markets with original maturities of three months or less, that must be readily convertible to a specific amount of cash, subject to an insignificant risk of changes in their value and used by the Group in the management of its short-term commitments.

2.7 Financial assets

a. Definition

A financial asset is any asset that is cash, an equity instrument, a contractual right to receive cash or another financial asset from another entity or to exchange financial assets or liabilities under market conditions, or a contract that will or may be settled in the entity´s own equity securities and is a non-derivative.

b. Classification

Financial assets, other than cash, investments in associates and derivative instruments, which are addressed separately in this note on accounting policies, are classified into three categories as follows:

- At fair value through profit or loss (FVTPL)
- Amortized cost (AC)
- At fair value through other comprehensive income (FVOCI)

The financial assets classification in the aforementioned categories is carried out on the following bases:

- Business model of the Group to manage financial assets and
- Characteristics of the contractual cash flows of the financial asset.

For more detail of the two previous points, see note 4.1.

c. Initial measurement

At its time of initial recognition, a financial asset is classified depending on how it will be subsequently measured at amortized cost, at fair value through profit or loss, or at fair value through other comprehensive income, depending on the following conditions:

Financial assets are measured at amortized cost if it meets both of the following conditions:

- The asset is held within a business model whose purpose is to hold assets for obtaining contractual cash flows; and

- 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.

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

- 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
- 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.

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 through OCI as described above, are measured at fair value through profit or loss.

In addition, in the initial recognition, the Group may classify a financial asset irrevocably which complies with the measurement requirements at AC or FVOCI to be measured at FVTPL 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.

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 through income statement.

d. Subsequent measurement

After their initial recognition, financial assets are measured as follows:

Classification	Subsequent measurement
Financial assets at fair value through profit or loss (FVTPL)	These assets are subsequently measured at fair value. Valuation gains and losses, including any interest or dividend, are recognized in net income.
Financial assets at amortized cost (AC)	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in net income. Any gain or loss on derecognition is recognized in net income during the period in which it occurs.
Debt securities at fair value through Other comprehensive income (FVOCI)	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method; foreign exchange gains and losses and impairment losses are recognized in net income. Other net gains and losses are recognized in OCI and accumulated in the fair value reserve. On derecognition, gains and losses accumulated in OCI are reclassified to gains or loss by realization of OCI.
Equity securities through other comprehensive income (FVOCI)	These assets are subsequently measured at fair value. Dividends are recognized as income in net income. Other net gains and losses are recognized in OCI and are never reclassified to net income.

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 balances the future cash payments or receipts estimated for the expected life of the financial instrument or, when appropriate, for a shorter period, to the net book value of the asset at initial recognition.

To calculate the effective interest rate, the cash flows are estimated, considering all the contractual terms of the financial instrument, except for future credit losses and considering the initial transaction or granting balance plus transaction costs and premiums granted, less received fees and discounts that are an integral part of the effective rate.

e. Reclassifications

If and only if, the Group changes its business model for its financial asset management, it shall reclassify all financial assets affected in accordance with their classification at initial recognition. The following situations do not constitute changes in the business model:

- A change of intent relating to concrete financial assets (even under circumstances of significant changes in market conditions).
- Temporary disappearance of a particular market for financial assets.
- A transfer of financial assets between parties of the Group with different business models.

Thus, should the Group reclassify the financial assets, such reclassification shall be applied prospectively as from the reclassification date. The Group shall not re-express gains or losses or interest (including gains or losses for value impairment) previously recognized.

The reclassification requirements are as follows:

- If a financial asset measured at amortized cost is reclassified in the category of fair value through profit or loss, its fair value shall be measured as of the reclassification date. Any gain or loss arising due to differences between the former amortized cost of the financial asset and the fair value, it shall be recognized in the results of the period.
- If a financial asset measured at fair value through profit or loss is reclassified in the category of amortized cost, its fair value as of the reclassification date becomes its new gross book value.
- If a financial asset measured at amortized cost is reclassified in the category of fair value through other comprehensive income, its fair value shall be measured as of the reclassification date. Any gain or loss arising due to differences in the former amortized cost of the financial asset and the fair value shall be recognized in other comprehensive income. The effective interest rate and the measurement of expected credit losses shall not be adjusted as a result of the reclassification.
- If a financial asset measured at fair value through other comprehensive income is reclassified in the category of amortized cost, the financial asset shall be reclassified at its fair value as of the reclassification date. However, accumulated gains or losses previously recognized in other comprehensive income shall be suppressed from the equity and adjusted against the fair value of the financial asset as of the reclassification date. As a result, the financial asset shall be measured as of the date of reclassification as if had always been measured at amortized cost. Such adjustment affects other comprehensive income but not the period’s result and therefore it is not an adjustment due to reclassification. The effective interest rate as well as the measurement of expected credit losses shall not be adjusted as a result of the reclassification.
- If a financial asset measured at fair value through profit or loss is reclassified in the category of fair value through other comprehensive income, the financial asset shall continue to be measured at fair value.

- If a financial asset measured at fair value through other comprehensive income is reclassified in the category of fair value through profit or loss, the financial asset shall continue to be measured at fair value. The gain or loss formerly accumulated recognized in other comprehensive income shall be reclassified from the equity to the statement of income as a reclassification adjustment as of the date of reclassification.

f. 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 an ordered transaction between market participants at the date of measurement, either in a principal market, or otherwise in the most advantageous market to which the Group has access.

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

- For high liquidity assets in Colombia, The Group uses dirty prices supplied by an official price vendor authorized by the Financial Superintendence of Colombia and by Bloomberg for international market (see note 5).
- The fair value of financial assets that are not listed on an active market is determined using valuation techniques. The Group uses a variety of methods and assumptions based on the existing market conditions as of each reporting date. The valuation techniques include the use of recent comparable transactions in equal conditions, reference to other substantially equal instruments, discounted cash flow analysis, options price models and other valuation techniques that are commonly employed by market participants, taking maximum advantage of market data (see note 5).

g. Impairment

General Approach

Impairment criteria described as follows are to be applied over those financial assets of the Group which are not measured at fair value through profit or loss, namely, they apply to financial assets measured at amortized cost and at fair value through other comprehensive income that fall within any of the following categories:

- Debt securities;
- Loans portfolio and financial leases receivable;
- Financial guarantee contracts issued; and
- Commitments of loans issued.

Impairment Recognition - Expected Credit Loss (ECL):

The Group recognizes an impairment of financial assets at amortized cost and at fair value through OCI, in an amount equal to an ECL during the twelve-month period following the financial statements cut-off date or during the remaining useful life of the financial asset. The expected loss in the remaining life of the asset is the expected loss resulting from all possible impairment events over the expected life 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.

The impairment of financial assets 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 securities which are determined to reflect the credit risk as of 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.

For financial assets at amortized cost, the amount to be recognized for impairment is recorded in the statement of income for the period. On its part, for financial assets at fair value through OCI impairment is recorded in the statement of income with charge to other comprehensive income. The foregoing shows that for financial assets at FVOCI (Fair Value through Other Comprehensive Income) the asset is not affected, since the impairment effect is comprised within the valuation registered in other comprehensive income - OCI.

For the calculation and recognition of impairment financial assets are classified in three stages reflecting the variation of the credit risk of the financial asset for investment:

Stage	Description	Measurement
Stage 1	All financial assets for investment are initially categorized in this stage. Corresponds to financial assets for investment not having a significant increase of credit risk nor showing objective impairment evidence.	Impairment for expected credit losses during the next 12 months.
Stage 2	Financial assets for investment showing a significant increase in credit risk are classified in this stage.	Impairment for expected credit losses during the remaining life of the financial asset for investment.
Stage 3	Financial assets for investment showing objective evidence of impairment are classified in this stage.	Impairment for expected credit losses during the remaining life of the financial asset for investment.

Changes between stages are associated with a significant increase in credit risk and to the objective evidence of impairment assessed over a collective or an individual basis, considering all reasonable and sustainable information, including that which refers to the future.

Simplified approach

The Group has defined to estimate impairment as an amount equal to the expected loss for the remaining life for the following financial assets:

- Accounts receivable resulting from operations not containing a significant financing component, and
- Accounts receivable with a significant financing component equal or less than one year.

The above, taking into account that a financing component is not significant, insofar as the entity expects, that the time between the moment in which a good or service is transferred to the client and the moment in which the customer pays this good or service is one year or less (see note 2.21).

h. 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 simultaneously any right or obligation retained or created as a result of the transfer is recognized.

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 are continued to be recorded.

i. 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 or realize the asset and settle the liability simultaneously.

j. Derivatives and hedge accounting

A derivative is a financial instrument or other contract 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 requires a smaller investment that would be required for certain types of contracts for which a similar response could be expected before changes in the market conditions) and is settled and offset at a future date.

In the normal course of its operations the Group trades on financial markets with financial instruments that meet the definition derivatives, for hedging purposes or trading or investment. Such as forward contracts, futures contracts, swaps, currency options over currencies.

Derivatives are measured at fair value at the initial recognition. Subsequent adjustments to the fair value are recognized by credit or debit directly in net income, when appropriate, unless the derivative instrument is designated as a hedging instrument, in which case it will depend on the nature of the hedged item and the type of hedging relationship.

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 recognized in net income in the period. Gains or losses on the hedging instrument accumulated in equity are reclassified to the statement of income at the time of the total or partial disposal of the business abroad.

For fair value hedge of recognized assets or liabilities and firm commitments, changes in the fair value of the derivative instrument (to the extent that coverage is effective) are recognized in net income, as well as any other change in the fair value of the asset, liability or firm commitment relating to the hedge risk.

At the beginning of the 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 by compensating the exposure to covered risk generated for covered position.

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 sale; the difference between both is recognized in net income.

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 statement of income by the Group.

If an asset fails to meet the criteria established for recognition as a non-current asset held for sale, it is necessary to evaluate the category where it will be reclassified, and it will be measured at the lower of:

- Its carrying amount before the asset was classified as held for sale, adjusted for any depreciation, amortization or revaluation that would have been recognized if the asset had not been classified as held for sale, and
- Its recoverable amount on the date of the subsequent decision not to sell it.

2.9 Property, plant and equipment

The Group recognizes as property, plant and equipment, the assets owned for use, provision of services or for administrative purposes that are expected to be used for more than one period.

Property, plant and equipment are initially 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 value from impairment losses.

Depreciation in property, plant and equipment is calculated by applying the straight-line method over the acquisition cost of the assets, less the residual value thereof, during the estimated useful life of the asset. It is understood that the lands on which buildings and other constructions are built have an undetermined useful life; therefore, they are not subject to depreciation.

Depreciation is recognized in net income and calculated according to the following 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 TI:	
PC / Laptops / Mobile Devices	3 to 7 years
Servers	3 to 5 years
Communications equipment	5 to 8 years
Specific expansion 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

Category	Useful life
Office equipment, furniture and fixtures	3 to 10 years
Vehicles	5 to 10 years

Leasehold improvements

There are adjustments that are made to the leasehold property; they must be evaluated to define their recognition as an asset or as an expense. The adjustments recognized as property, plant and equipment are depreciated at the shortest time between the term of the lease (estimated for Right of use – IFRS 16) and the useful life of the asset, improvement or work performed and in accordance with the established useful life ranges in the accounting policy.

Derecognition

The book value of an item of property, plant and equipment is derecognized when it is determined by its disposition or no further associated future economic benefits are expected. The profits or losses from derecognition are recorded in the statement of income.

Impairment 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, the Group 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 sale costs, and the value in use). When the carrying value exceeds the recoverable amount, the carrying value is adjusted to the recoverable amount with effect on income 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 a previously impaired asset has been recovered, the Group estimates the recoverable value of the asset and recognizes the recovery in net income, reversing the impairment loss recorded in previous periods and adjusting future charges for depreciation accordingly. 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 recognized in previous periods.

2.10 Leased assets

Accounting policy applied until December 31, 2018.

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 leases agreement is classified as operational leases when all of the property's advantages and risks are not substantially transferred. Those are included in the account for investment property or property, plant and equipment, and are recorded and depreciated the same way as other assets of this type.

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.

b. Assets received on lease

At their initial recognition, leases are classified as finance or operating lease, in the same way as described in the literal above.

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 or as investment property, 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 Banco de Bogotá 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.

As a result of the implementation of IFRS 16 - Leases, starting on January 1, 2019, the Group changed its accounting policy pursuant to transitory provisions. (See detail of the effect of implementation the standard in note 2.21 impact of changes in accounting policies).

The following is the new accounting policy implemented at the Group:

A contract is, or contains, a lease if it transfers the right to control the use of an asset identified for a certain period of time in exchange for payment of consideration.

The Group is a lessee (obtains the right to use an underlying asset) and lessor (provides the right to use an underlying asset) of a variety of assets.

a. Lessor

Initial Measurement

Assets provided on lease by the Group are classified at the time the contract is signed as financial or operating leases.

A lease is classified as financial when all risks and advantages associated with the ownership are substantially transferred. These are included in the statement of financial position under the item "loan portfolio and financial leases transactions at amortized cost" and they receive the same accounting treatment as all other granted loans.

A lease is classified as operating when all rights and advantages associated with ownership are not substantially transferred. The assets associated with these contracts are included under the financial statements' item they belong to (property, plant and equipment, investment property or others) and they receive an accounting treatment in accordance with the accounting policies of each category.

Subsequent Measurement

Financial lease contracts are accounted for in the same manner as other loans granted by the Group; financial incomes are recognized over the term of the lease on the basis of a rule that reflects a constant rate of return on the net financial investment the Group has made in the lease.

Contracts classified as operating leases will recognize lease payments as income on a straight-line basis and will calculate depreciation and amortized according to accounting policies established to their classification in the statement of financial position.

b. Lessee

Initial Measurement

On the date on which a leased asset is available for use by the Group, the lease is recognized as an asset for the right to use it and as a lease liability.

The lease liability is initially measured at the present value of the future lease payments to be made over the term of the lease.

The lease payments are discounted using the incremental interest rate (the rate the lessee would have to pay for taking out a loan with a similar term of the funds required to obtain an asset in the same conditions).

The asset is initially measured at cost, which includes:

- The amount of the initial measurement of the lease liability;
- Any lease payment made before or after the start date minus any lease incentive received;
- Any direct cost initially incurred by the Group, and
- An estimate of the costs to be incurred by the lessee to dismantle and restore the underlying asset.

Subsequent Measurement

The effective interest rate method is used for subsequent measurement of the liability, which implies increasing the asset amount to reflect the interest (financial cost) and reducing it to reflect the lease payments made. Each payment is distributed between principal repayment and financial cost. The financial cost is recognized through the Group's income over the term of the lease.

The Group uses the cost model for subsequent measurement of the asset, which includes its cost minus accumulated depreciation and accumulated impairment losses.

The right-to-use asset is depreciated on a straight-line basis over the term of the lease.

2.11 Investment property

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:

- The exchange transaction is not commercial in nature or,
- The fair value of the asset received or delivered cannot be measured reliably.

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

Transfers

Transfers may be made to and from investment property if and only if a change in use has taken place, as indicated by:

- Occupancy of the property by the owner begins, in the case of a transfer of an investment property to a facility with occupancy by the owner;
- Occupancy of the property by the owner ends, in the case of a transfer of a facility with occupancy by the owner to investment property.

The following are details of the accounting treatment for transfers:

- If an investment property is transferred to property, plant and equipment, the cost of the property for the effects of subsequent postings shall be the fair value as of the date on which the change in use took place.
- When an item of property, plant and equipment is transferred to investment property, the cost model shall apply up to the date on which the change in use takes place. At such date, the Group shall treat the difference between the carrying value of the property, plant and equipment item and its fair value as determined under the new category, in the same manner as revaluation is reported in accordance with IAS 16.

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 minority interests during the acquisition of control of the entity, such non-controlling minority interests are recognized at either fair value or at the proportionate interest in the current property instruments or the recognized amount of the identifiable acquired entity net assets. 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, the amount of any non-controlling interest on the acquired entity and the fair value of any interest in the previous equity of the acquired entity over the fair value of net of identifiable acquired assets (including intangible assets) liabilities and contingent 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 combination. After being entered, 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, the acquired entity's accounts of the statement of income are included in the consolidated financial statements from the legal acquisition date.

2.13 Other intangible assets

The Group's intangible assets consist of non-monetary assets that have no physical appearance and are the 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 recorded directly under net income. After their 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 have been defined as assets with a finite useful life, which are 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 are 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 the close date of each accounting period, 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 greater of its fair value less disposal costs and its value in use). Any impairment losses or subsequent reversals are recognized in net income of the period.

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 or an agreement that can or will be settled using equity securities owned by the Group. 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, and the financial expenses are recognized in net income (except for the derivatives that are measured at fair value).

Financial liabilities are derecognized from the statement of financial position if and only if they have been extinguished, namely, when the obligation specified in the corresponding contract has been paid canceled or has expired.

The Group's financial liabilities include checking accounts, savings accounts, time certificates of deposit, bonds issued, derivatives and financial obligations.

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 several forms, including bonds and sureties.

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 provision 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 – provisions for contingent risks and commitments" and recognized in net income.

The income obtained from financial guarantees are recognized in net income according to the term and to the extent that they are caused.

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 in each country, these benefits include severance pay (for Colombia, after Ley 50/1990), interest on severance pay, annual leave, vacation bonuses, legally required and discretionary bonuses, assistances, social security and payroll taxes. They are measured at their face value, recognized through an accrual accounting system and charged to net income.

b. Post-employment benefits

These are employee benefits that are paid after the employment period has ended, other than indemnities due to contract termination.

- **Defined contribution plans**:

These are post-employment benefit plans in which the Group makes predetermined contributions to a separate entity (a fund) and has no legal or implicit obligation of making any further contributions in the event the fund has insufficient assets to cover the employee benefits.

These are the pension funds for employees covered by the new labor regime following enactment of Law100/1993 (pensions). The payments made by the Group to pension management funds are measured on a non-discounted base amount, and are recorded using the accrual accounting system against income. The defined contributions plans do not require the use of actuarial assumptions to measure the liability or the expense; consequently, they do not generate actuarial gains or losses.

- **Defined benefit plans**

These are post-employment benefit plans other than the defined contribution plans described above.

These are the retirement pensions and severance benefits taken on directly by the Group for employees covered by the legacy labor regime prior to Law 100/1993 (pensions) and Law 50/1990 (severance funds), and bonuses awarded to employees when they retire. The liability is determined by the present value of estimated future payments to employees, calculated on the basis of actuarial studies prepared using the projected unit credit method, taking into consideration actuarial assumptions on mortality rates, salary increases, staff turnover and interest rates determined based on prevailing bond market returns at the close of a National Government issuance or high-quality corporate bonds.

Under the projected unit credit method, future benefits to be paid to employees are assigned to each accounting period in which the employee provides the service. Therefore, the cost of these benefits is reported in the Group's statement of income, including the cost of the present service assigned in the actuarial calculation plus the calculated financial cost of the liability.

Variations on the liability for post-employment benefits due to changes in actuarial assumptions are reported in equity through other comprehensive income (OCI).

c. Other long-term benefits.

These are employee benefits other than short-term employee benefits that are provided in post-employment periods and after any severance payments. According to the Group’s collective bargaining agreements and labor agreements, such benefits are primarily seniority bonuses. At the Bank there are two categories for this benefit:

- **Seniority bonuses for unionized employees:** It is a seniority bonus payable by the Bank upon an employee’s completion of 5 years of uninterrupted service. These liabilities are determined in the same manner as the post-employment benefits described in item (b) above. The only difference is that changes in actuarial liabilities due to changes in actuarial assumptions are recorded in the statement of income.

- **Seniority bonuses for non-unionized employees:** This is an additional benefit to those required by law that does not form part of salary and that is granted as a liberality, called a quinquennium. This benefit requires the Bank to make monthly contributions into a fund in the name of each non-unionized employee. The non-unionized employee is entitled to receive the funds plus accrued interest thereof upon completing five years of uninterrupted employment at the Bank. The accounting treatment of this benefit is the same as that given to defined benefit post-employment plans, as described in item b. above.

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 applicable labor laws and other additional days the Group unilaterally decides to grant its employees in such cases.

Termination benefits are recorded as a liability charged to net income on the earlier of the following dates:

- When the Group formally informs to the employee about its decision of dismissal.
- 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 Taxes

a. Income tax

Income tax expenses include current and deferred tax. Tax expenses are recognized in net income except for items recognized in Other Comprehensive Income (OCI) or directly in equity.

Starting on January 1, 2017, referrals contained in tax law shall be in reference to the new technical accounting regulatory framework (Colombian Generally Accepted Accounting and Financial Reporting Standards), as set forth by Law 1819/2016.

Additional details are provided below on the policy adopted for each of these items:

Current tax

Current tax includes tax expected to be paid or received on the taxable earnings or losses of the year, and any adjustment related to previous years. It is measured using the tax rates in effect, or tax rates whose approval is nearly completed as of the date of the statement of financial position.

Provisions calculated based on differences of interpretation of tax law are previously assessed by each subsidiary and estimated on the amount that may give rise to future payments to the tax authority.

The Group recognizes the current tax as a liability while it remains unpaid or as an asset if payments already made result in a credit balance.

Deferred tax

Deferred taxes are recognized on temporary differences arising 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: i) they arise from the initial recognition of goodwill ii) they arise from 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 in effect as of the statement of financial position date and at the rates that are expected to apply when the deferred tax asset is to be realized or when the deferred tax liability is to be paid.

Deferred tax assets are recognized only when entities are likely to have future tax gains against which temporary differences can be deducted.

Deferred tax liabilities are recognized on temporary taxable differences that arise, when the possibility of reversing such temporary difference is controlled by the Group, and it is not probable that such reversion will take place in the near future. The only exception is for deferred tax liabilities associated with investments in subsidiaries, associates and joint ventures.

Deferred tax assets and liabilities are offset when there is a legal right to offset current taxes assets 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 tax bases.

b. Taxes and contributions other than income tax

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

Industry and commerce tax

In applying article 76 of Law 1943 of 2018, the Bank recognized as an expense for the year the total industry and commerce tax caused in the year, the value that could be attributed as a tax discount is treated as a non-deductible expense in determining the income tax of the year. The tax discount applied decreases the value of the current income tax expense for the period and on the balances that may be applied as a tax discount in the following period, a deferred tax asset was recognized.

VAT on capital goods

With the entry into force of Law 1943 of 2018, the possibility of treating as income tax discount the VAT paid on the importation, building, construction or acquisition of real productive fixed assets, was incorporated into the national legal system. The assets that the Bank takes into account to classify the benefit are those tangible depreciable assets, which are not disposed of in the ordinary course of business, used to provide services directly related to the customer.

When the VAT paid becomes a tax discount of the income tax, which allows the amount to be charged directly against the liquid income tax, this is understood as an amount already paid from the income tax (income tax advance), consequently , it is recorded as an account receivable within the statement of financial position that is compensated in accordance with the provisions of paragraph 71 of IAS 12.

2.18 Provisions and contingencies

a. Provisions

They are liabilities of uncertain amount or duration. They are recognized in the statement of financial position if:

- The Group has an existing obligation (legal or implicit) that is the result of a past event.
- It is probable that an outflow of resources that embody economic benefits will be required to settle the obligation; and
- The Group can make a reliable estimate of the amount of the obligation.

The amount recognized as a provision is determined at the end of the reporting period, by the best estimate. In cases where settlement is expected in the long run, its present value is discounted as long as the discount is significant and the cost of providing this estimate does not outweigh its 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 statement of income for the period as a financial expense. In the event an outflow of resources to settle the obligation is no 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 possible liability arising from past events the existence of which will be confirmed only if one or more uncertain future events occur and are not under the control of the Group. Contingent liabilities are subject to disclosure and, to the extent they become probable liabilities, they are recognized as a provision.

c. Contingent assets

Assets of a possible nature arising from past events, the existence of which is to be confirmed only by the occurrence or 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

a. Income from interest

The Group recognizes income from interest of loans, debt securities and other debt instruments, using the effective interest rate method. The calculation of the effective interest rate includes all commissions and basic points of interest, paid or received by the parties to the contract, which integrate the effective interest rate, transaction costs and any other discounts or bonuses.

b. Commissions

Commission income from contracts with customers is measured based on the consideration specified in a contract with a customer. The Group recognizes revenue when it transfers control over a service to a customer.

The financial entities of the Group provides banking services to retail and corporate customers, including account management, provision of overdraft facilities, foreign currency transactions, credit card and servicing fees. Fees for ongoing account management are charged to the customer’s account on a monthly basis. The Group sets the rates separately for retail and corporate banking customers on an annual basis. Transaction-based fees for interchange, foreign currency transactions and overdrafts are charged to the customer’s account when the transaction takes place. Servicing fees are charged on a monthly basis and are based on fixed rates reviewed annually by the Group. Revenue from banking service and servicing fees is recognized as the services are provided. Revenue related to transactions is recognized at the point in time when the transaction takes place.

Other commissions and services charged by the Group include: storage, customs agency, trust activities, administration of pension funds and severance payments, among others. These revenues are recognized under the criteria of IFRS 15, with this premise, when customers receive the benefits as time goes by, when an asset is created or when the product has an alternative use (it is not a custom product), revenue is recognized over time. If the income is not recognized over time according to the previously premises, it is recognized at a specific time, which is generally at the time when control is transferred to the client.

c. Dividends

Dividends are recognized for those shares where the Group has no control or significant influence, that is, investments below 20% that are not classified as investments on joint ventures, if:

- The Group’s right to receive the dividend payment is established;
- It is probable that the Group receives economic benefits associated with the dividend; and
- The dividend’s amount can be measured in a feasible manner.

d. Customer loyalty program

The financial entities operate customer loyalty programs in which customers accumulate points for purchases and can redeem reward points in accordance with the policies and rewards plan in effect at the time of redemption. Points for rewards are recognized as an identifiable component separate from the initial sale transaction, to fair value. The income of the loyalty programs is deferred and recognized in the statement of income when the entity has complied with its obligations of offering products under the program’s terms or when it is not likely that the points under the program rules are redeemed. A contractual liability is recognized until the points are redeemed or the same expire.

The Group acts as principal in customer loyalty programs if it obtains control of the goods or services in advance, or if transfers control over such goods or services to a customer. The Group acts as agent if its performance obligation is to arrange that the other party offers such goods or services.

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 net earnings per share

Net 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 ordinary 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.

2.21 Impact of changes in accounting policies

Year 2018

The Group adopted IFRS 9 – Financial Instruments (See (a) below) and IFRS 15 Revenue from contracts with customers (see (b) below) in a prospective manner, recognizing the initial adoption effect of such standard as from January 1, 2018. Consequently, the information submitted for 2017 was not modified with the adoption of the aforementioned standards.

Following are the details of the equity impact, net of taxes, as a result of changes in accounting policies:

		Retained earnings	Other comprehensive income	Total
Requirements IFRS 9	$	(560,564)	(40,287)	(600,851)
Implementing IFRS 15		21,194	0	21,194
Unification financial statements		(92,410)	106,300	13,890
Changes in accounting policies subsidiaries		(3,844)	0	(3,844)
Changes in accounting policies associates		124,030	0	124,030
Total	**$**	**(511,594)**	**66,013**	**(445,581)**

a. Financial instruments requirements:

The Group changed its accounting policies at January 1, 2018 as a result of the mandatory application of International Financial Reporting Standard No. 9 (IFRS 9), which set up requirements to recognized and measured financial assets and liabilities and some contracts to buy or trade non- financial items. This standard replaces the International accounting standard No. 39 (IAS 39) “Financial Instruments: Recognition and Measurement”.

The following table summarizes the impact, net of taxes, of the transition to IFRS 9 in Other Comprehensive Income (OCI), retained earnings and non-controlling interests as of January 1, 2018.

		Impact of IFRS 9 adoption At January 1, 2018
Other comprehensive income at Fair value		
Recognition of expected losses under IFRS 9 in debt securities at fair value through OCI	$	13,640
Valuation recognized by classification changes		(14,538)
Related tax		(30,544)
Non-controlling interest (1)		(8,845)
Impact at January 1, 2018		(40,287)
Retained earnings		
Recognition of expected losses under IFRS 9		(871,647)
Valuation recognized by classification changes		7,991
Related tax		294,897
Adjustment Corficolombiana equity method		(490)
Non-controlling interest (1)		4,351
Impact at January 1, 2018		(564,898)
(1) Non-controlling interest		
Recognition of expected losses under IFRS 9		434
Valuation recognized by classification changes		5,925
Related tax		(1,865)
Impact at January 1, 2018	$	4,494

Reclassification changes in financial assets and liabilities

The following table and the accompanying notes below explain the original measurement categories under IFRS 9 (2012) and the new measurement categories under IFRS 9 (2014) for each class of the Group’s financial assets and liabilities as of January 1, 2018.

Financial Assets	Original Classification under IFRS 9 (version 2012)	New Classification under IFRS 9 (version 2014)		Original amount under IFRS 9 (version 2012)	New amount under IFRS 9 (version 2014)
Cash and Cash equivalents	Amortized cost	Amortized cost	$	16,924,630	16,924,630

Financial Assets	Original Classification under IFRS 9 (version 2012)	New Classification under IFRS 9 (version 2014)		Original amount under IFRS 9 (version 2012)	New amount under IFRS 9 (version 2014)
Sovereign – debt securities	Amortized cost	Amortized cost		4,719,179	1,358,973
		fair value through (OCI)		0	3,346,006
	fair value through (CI)	fair value through (CI)		1,887,540	295,607
		fair value through (OCI)		0	1,591,932
Corporate – Debt securities	Amortized cost	Amortized cost		2,211,110	8,609
		fair value through (CI)		0	23,642
		fair value through (OCI)		0	2,187,992
	fair value through (CI)	fair value through (CI)		3,519,097	702,891
		fair value through (OCI)		0	2,816,205
Investment on shares	fair value through (CI)	fair value through (CI)		211,287	211,287
	fair value through (OCI)	fair value through (OCI)		60,812	60,812
Mutual funds	fair value through (CI)	fair value through (CI)		24,854	24,854
Mandatory investment funds	fair value through (CI)	fair value through (OCI)		1,279,009	1,279,009
Derivatives instruments	fair value through (CI)	fair value through (CI)		550,143	550,143
Loan portfolio	Amortized cost	Amortized cost		104,243,805	103,390,619
Other accounts receivable	Amortized cost	Amortized cost		1,585,407	1,579,681
Total Financial Assets			$	**137,216,873**	**136,352,892**

Impact of the change of model for provisions of losses due to impairment of financial instruments

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 for the impairment requirements at January 1, 2018 will increase the provisions for impairment as follow:

Impairment losses recognized at December 31, 2017 by IAS 39	$	**3,293,892**
Additional impairment recognized at January 1, 2018 is:		
Loan portfolio		853,186
Other account receivable		5,726
Debt securities		12,735
Impairment losses recognized at January 1, 2018 by IFRS 9	$	**4,165,539**

As allowed under the new IFRS 9 the Group chose as accounting policy to continue applying the hedge accounting of IAS 39 and the requirements of hedge accounting disclosures introduced by the amendments to IFRS 9 to IFRS 7 “Financial Instruments Disclosures”.

b. IFRS 15 Revenue of ordinary activities arising from contracts with customers

Due to IFRS 15 implementation “revenue of ordinary activities arises from contracts with customers”, as from January 1, 2018 the Group modified the accounting policy for recognizing revenues for banking services commissions and sale of goods and services (see note 2.19).

The effect of implementing IFRS 15 as of January 1, 2018 represented an increase in gross equity of $156,752 with a tax of ($11,038) for a net amount of $145,714 corresponding to customer loyalty program for $21,194 and adjustments to the equity method for $ 124,520, as a result of the recognition of the impact of IFRS 15 of the associate Corficolombiana S.A.

c. Unification consolidated financial statements

In order to improve the presentation of financial information for users and for simplifying the consolidation process, the Group decided to make some changes in the preparation of the consolidated financial statements, unifying the application of CFRS and IFRS. These changes are as follows:

- Reclassification equity of the loan impairment between the OCI and retained earnings, due to the change from IAS 39 to IFRS 9. As instructed by the Financial Superintendence of Colombia, the difference between the impairment constituted in the separate financial statements of each entity and the calculated according to IAS 39, were recorded in OCI.
- Adjustment of employee benefits due to the change in the Colombian accounting framework Decree 2496 to IAS 19.
- Adjustment associate participation method.
- Taxes related to the previous items.

The following table summarizes the impact, net of taxes:

		Impact at January 1, 2018 (1)
Other comprehensive income at fair value		
Adjustment for measurement of loan portfolio impairment	$	157,178
Employee benefits		(14,766)
Associates		19,090
Related Tax		(55,214)
Non – controlling interest (2)		12
Impact at January 1, 2018		106,300
Retained earnings		
Adjustment for measurement of loan portfolio impairment		(157,178)
Employee benefits		1,941
Associates		7,154
Related Tax		55,673
Impact at January 1, 2018		(92,410)
(2) Non – controlling interest		
Employee benefits		(18)
Related Tax		8
Impact at January 1, 2018	$	(10)

(1) The changes due to accounting policies that are considered non-material the net impact by the management administration are made prospective.

Year 2019

The Group has adopted IFRS 16 from January 1, 2019, the main impact of the application of the standard is generated in the contracts in which the Group is a lessee, to the extent that the leases are recognized as a right-of-use asset and a lease liability on the date on which the underlying asset is taken for rent and is available for use by the tenant.

Each lease payment is allocated between the liability and the financial cost. The financial cost is recognized in the income statement during the lease period, in order to produce a constant periodic interest rate on the balance of the liability for each period. The right-of-use assets are depreciated during the term of the lease, on a straight-line basis.

Therefore, the nature of the payments related to these modified leases as of January 1, 2019, because depreciation expense is recognized, for right-of-use assets, and interest expenses, for liabilities for leases previously, operating lease expenses are recognized on a straight-line basis during the lease term.

The Group, in the implementation of the standard applied the transition option “retrospectively with the cumulative effect of initially applying” (simplified approach, in accordance with IFRS 16, paragraph C5 (b)). This implied the recognition of right-of-use assets for an amount equal to the lease liability.

With the transition option chosen, is not required to restate comparative figures. Likewise, to the extent that assets and liabilities for lease were recognized for the same amount, no equity impacts were generated, which is allowed in accordance with the transitory provisions of the new standard.

IFRS 16 Leases was issued by the IASB in the first half of 2016 and replaced IAS 17 Leases, IFRIC 4 Determination of whether an Agreement contains a Lease; SIC-15 Operating Leases - Incentives and SIC-27 Evaluation of the Essence of Transactions that adopt the Legal Form of a Lease.

The Group recognized the lease liabilities for $1,525,128, right of use assets for $1,524,452, and accounts receivable (sublease) for $676.

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- The use of a single discount rate to a portfolio of leases with reasonably similar characteristics.
- The accounting for operating leases with a remaining lease term of less than 12 months as at January 1, 2019 as short-term leases.
- The exclusion of initial direct costs for the measurement of the right of use asset at the date of initial application, and
- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, relied on its assessment made applying IAS 17 and IFRIC 4 that determine whether an arrangement contains a lease.

Incremental rate – Banco de Bogotá

To create the discount rate to apply in lease contracts, the 10-year sovereign bonds curve of the Colombian government (TES) was taken as a basis, and a corporate risk spread with AAA rating was added, so that it is treated as if the bank acquired a liability at certain term.

The behavior of the leases resembles to the cash flow of a bond with partial and recurring capital amortizations, for this reason the best way to estimate the term risk of the lease contract is to use the duration measurement. Following this logic, the rate reflected in the duration is taken as a better estimate than the maturity.

Taking into account the foregoing, the lease liability is recognized as the present value of the discounted fees at the weighted average incremental rate of 5.79%.

Incremental rate - subsidiaries

For subsidiaries that are not banking institutions, the Bank determines the rates that would be charged to its subsidiaries according to the lease conditions. The weighted average of the incremental rate used by the subsidiaries at the time of initial recognition was 7.68%.

For subsidiaries that are banking institutions, the weighted average of the incremental rate used by the subsidiaries at the time of initial recognition was 4.97%

Note 3 – New accounting pronouncement

The Group continuously analyzes the evolution, modifications and impacts in its financial statements of the standards and amendments issued by the International Accounting Standards Board (IASB).

A summary is provided below on new accounting statements issued by IASB, some of which are not yet effective. Management is currently evaluating the potential impact of these statements on the Group's consolidated financial statements.

New issuances of the IASB	Title of the standard or amendment	Data of application
Conceptual Framework in IFRS standards	Conceptual framework to financial information	January 1, 2020
Amendment to IFRS 3	Definition of "Business".	January 1, 2020
Amendment to IAS 1 and IAS 8	Changes in the concept of "Materiality".	January 1, 2020
IFRS 17	Insurance contracts.	January 1, 2021
Amendment to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture.	Indefinite effective date
Amendment to IFRS 9, IAS 39 and IAS 7	Reform of the benchmark interest rate	January 1, 2020

A summary of the new standards and amendments issued by IASB is provided below:

a. Conceptual framework for financial reporting

This document sets out the fundamental concepts for financial reporting that guide the IASB in developing International Financial Reporting Standards; helping to ensure that the standards are conceptually consistent and that similar transactions are treated in the same way, enabling the provision of useful information for investors. The latest version issued by the IASB includes a new chapter on measurement; guidance on the presentation of financial reports; improved definitions and guidance, in particular the definition of an obligation; and clarifications in important areas, such as the roles of management, prudence and measurement of uncertainty in financial reporting, among others. This framework will have international application as of the year 2020.

b. Amendment to IFRS 3 - Definition of a business

This amendment sets forth improvements to the definition of a "business", emphasizing its purpose, which is providing goods or services to customers; while the old definition centered on returns (dividends), lower costs generated by the entity or other economic benefits to investors and others. The international application date of this improvement will be as of January 1, 2020.

c. Amendment to IAS 1 and IAS 8 - Definition of materiality

With the aim of facilitating the preparation of materiality judgments, which consists principally of the decision that entities must make about the information to be included in the financial statements, the IASB made amendments to the definition of "Material", as follows:

Information is material if omitting, misstating, or obscuring it could reasonably be expected to influence the decisions that the primary users of general-purpose financial statements make. The international application date of this amendment will be as of January 1, 2020.

d. IFRS 17 - Insurance contracts

The new standard establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts, reinsurance contracts and investment contracts with discretionary participation characteristics.

Its implementation supose a challenge for companies by having to issue information in financial figures through financial variables, with the aim of issuing comparable financial information and granting added value to users, especially investors. The international application date of this standard will be from January 1, 2021.

e. Amendment to IFRS 10 and IAS 28 - Sales or contributions of assets between an investor and its associate or joint venture

It clarifies that a gain or loss derived from the sale or contribution of assets that constitute a joint venture between an investor and its associate or joint venture must be recognized in its totality. The IASB has indefinitely postponed the application date.

f. Amendment to IFRS 9, IAS 39 and IFRS 7 - Reform of the reference interest rate

This amendment provides relief regarding to possible effects on hedge accounting, given the uncertainty caused by the reform in the reference interest rate. This statement requires companies to provide complementary information about their hedging relationships that are directly affected by these uncertainties. The international application date will be from January 1, 2020.

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 in the next accounting period. These judgments and estimates are assessed continuously and are based on management's experience and other factors, including the expectation of future events that are believed to be reasonable. 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:

4.1 Business model

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 whether 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; the key management staff of the Group and each subsidiary should be informed regarding this matter and 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 managers are remunerated (for example, if the compensation 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 through profit or loss, since these are not held within the business model for charging or obtaining contractual cash flows.

Assess whether 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 over 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 (for example, Liquidity risk and administrative costs), as well as profitability margin.

While assessing whether 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 financial asset is subject to contractual terms that could change the term or amount of contract cash flows such that they 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 over time; for example, periodical revision of interest rates.

Interest rates of certain consumer and commercial loans are based on variable interest rates established at the Group’s discretion. Variable interest rates generally established in Colombia based on Fixed-Term Deposits (FTD) (FTD published by the Central Bank of Colombia), and the BRI (Banking Reference Indicator published by the Central Bank of Colombia), and in other countries in accordance with local practices, plus certain additional discretionary points.

In these cases, the Group shall assess if the discretionary characteristic is consistent with the criteria of 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 regulatory provision for the protection of the customers in the country where the Banks are required to treat the customers 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.

4.2 Impairment of financial assets

The degree of judgment required for estimating expected credit losses depends on the availability of detailed information. To the extent that the horizon of the forecast increases, the availability of detailed information decreases, and the degree of judgment required for estimating losses increases. Expected estimates of credit losses does not require an estimated detail for distant future periods; for such periods an entity may extrapolate projections based on detailed information available.

4.3 Fair value of financial instruments

The fair value of financial instruments is estimated reflects the price at which an orderly transaction would take place to sell an asset or transfer a liability between market participants. A hierarchy of fair value is established that classifies the input data of valuation techniques used to measure fair value into three levels. The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets and liabilities (Level 1 input data) and the lowest priority to unobservable input data (input data Level 3).

The information on the fair values of instruments classified by levels using directly observable data for level 1, based on market data for level 2 and unobservable data in level 3 are disclosed in note 5.

The determination of what constitutes "observable" requires significant judgment on the part of the Group's management. The Group considers observable data those market data already available, distributed or regularly updated by the price vendor and are reliable and verifiable, and that are provided by independent sources that actively participate in the market in reference.

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 are believed to be reasonable under the circumstances.

As at December 31, 2019 and 2018, the Group estimates that the items of the deferred income tax asset shall be recoverable as a function of their future estimated future taxable gains. Deferred tax liabilities are recognized on temporary differences that result in future taxable amounts when determining fiscal gain (loss), except on temporary difference relating with investments in subsidiaries, associates and joint ventures, when temporary differences reversion is controlled by the Bank and is likely they will not be reversed in the foreseeable future, see note 19.4.

4.5 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 countries and the sectors where the Group operates, historical financial information, and projections on growth 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 entity.

The methods and assumptions used for the valuations are outlined in note 17.

4.6 Estimates for lawsuits provisions

The Group estimates and records a provision for legal processes. The idea, in this respect, is to be able to cover possible losses in suits involving labor, civil, mercantile, tax or other disputes. This estimate is based on management's opinion, supported by the opinions of external legal advisors, when warranted by the circumstances and when losses are considered probable and can be quantified reasonably. Due to the nature of these claims, lawsuits and/or processes, it is impossible, in some cases, to make an accurate prediction. Therefore, any differences between the amounts actually disbursed and the initial estimates and provisions are recognized in the period when they are identified. See note 23.

4.7 Employee benefits

The measurement of post-employment benefit obligations (severance and retirement bonuses) and other long-term obligations (seniority bonuses), depends on a wide variety of long-term term actuarial premises and assumptions, including estimates of the present value of future payments projected for the benefits, 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 in which the benefit will be paid and considers the timing and amounts of future benefit payments. The Group has selected government bonds for this purpose.

The Group utilizes key assumptions for appraising actuarial liabilities, calculated depending on the specific experience of the Group, combined with statistics published as well as market indexes (see note 22, which describes the most important assumptions utilized in actuarial calculations and the respective sensitivity analyses).

4.8 Lease terms

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

In order to establish the initial measurement of the lease liability, it is necessary to calculate the present value of the contract payments, using a rate to discount cash flows. The assumption of the discount rate is one of the most important judgments that entities need to make and that can have a significant impact on the valuations of the right-of-use asset and the financial liability for lease.

At the beginning, the lessee must use the implicit interest rate in the lease as a discount rate; however, if the implied interest rate cannot be easily determined, the lessee must use the incremental borrowing interest rate that is defined as: “The interest rate that a lessee would have to pay for borrowing in a similar term, the funds necessary to obtain an asset of similar value to the asset by right of use in a similar economic environment.”

By definition of the Group, subsidiaries that are not credit institutions, the rate to be used for this type of lease will be the one quoted by banking entities of the Group, for Financial Leasing operations

For subsidiaries that are banking institutions, it was defined that, in order to estimate the incremental discount rate, factors such as the construction of the marginal funding curve and the estimated term of the contract are taken into account.

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 securities and derivatives quoted actively on securities exchanges and interbank markets) is based on dirty prices and/or input supplied by an official price vendor authorized by the Financial Superintendence of Colombia. These prices mainly are based on the weighted averages of the transactions that occurred during the trading day.

An active market is that one where transactions for assets or liabilities are carried out with enough frequency and in enough volume to provide a steady stream of information on prices. A dirty price is that which includes accumulated and pending interest on the security as from the date of issuance or last payment of interest, until the valuation date.

The fair value of financial assets and liabilities that are not traded in an active market is determined through appraisal techniques determined by the price vendor or by the management of the Group. The valuation techniques used for non-standardized financial instruments such as options, currency swaps and over-the-counter derivatives is performed using the discounted cash flow technique as of interest-rate or currency valuation curves. Price vendor construct these curves using market data extrapolated to specific conditions of the instrument being appraised. The valuation of instruments with optionality are based on specific models such as Black-Scholes 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 debt securities and derivative instruments daily, using information on prices and/or input supplied by the officially designated official price vendor (PRECIA S.A. Proveedor de Precios para la Valoración S.A.) and Bloomberg for foreign entities. This vendor was authorized following its compliance with the standards applicable to valuation price vendors in Colombia, including their purpose, operational regulations, the valuation-method approval process, and required technological infrastructure, to name but a few. After assessing the price vendor's methodologies, it was concluded that the fair value calculated for debt securities and derivative instruments based on the prices and input supplied by PRECIA S.A. is adequate.

The Group can use models developed internally for instruments that do not have active markets. Generally, these are based on valuation methods and techniques that are standard in the financial sector. Valuation models are used primarily to assess unlisted equity securities, debt securities and other debt instruments for which the markets were or have been inactive during the accounting period. Some of the data for these models are not observable in the market and, consequently, are estimated based on assumptions.

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 for additional factors such as model risk, liquidity risk and counterparty risk.

The fair value of non-monetary assets such as loan collateral for the purposes of determining the customer's loans granted and investment property 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 based on the replacement cost, when there are not enough market figures.

The fair value hierarchy grants the following priorities according to the inputs used for its determination:

- 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 inputs data mainly unobservable for the assets or liabilities.

In the cases where the entry data are used for measuring fair value may be classified indifferent hierarchical levels. The measurement of fair value of instrument is classified as a 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 active, but are valued according to quoted market prices, prices supplied by price vendor or alternative pricing sources supported by observable entries, are classified at Level 2.

If a measurement of fair value uses observable input that requires a significant adjustment based on unobservable inputs, then is a Level 3 measurement. Evaluating the significance of a particular entry to the measurement of fair value in its entirety require professional judgment, giving consideration to the specific factors of the asset or liability in question.

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, 2019			
		Level 1	Level 2	Level 3	Total
Assets					
Investments in debt securities at fair value through profit or loss					
Colombian government	$	234,641	16,099	0	250,740
Other Colombian government entities		0	145,704	0	145,704
Other financial entities		33,180	1,014,297	0	1,047,477
Non-financial sector entities		0	23,430	0	23,430
Foreign governments		0	131,790	0	131,790
Central banks		0	13,966	0	13,966
Others		0	26,378	0	26,378
		267,821	1,371,664	0	1,639,485
Equity securities at fair value through profit or loss		0	1,845,336	379,999	2,225,335
Total investments at fair value through profit or loss		**267,821**	**3,217,000**	**379,999**	**3,864,820**
Investments in debt securities at fair value through OCI					
Colombian government		3,053,018	876,126	0	3,929,144
Other Colombian government entities		184,610	215,553	0	400,163
Other financial entities		27,608	2,481,493	0	2,509,101
Non-financial sector entities		0	15,609	0	15,609
Foreign governments		0	4,980,724	0	4,980,724
Central banks		0	970,095	0	970,095
Others		0	261,505	0	261,505
		3,265,236	9,801,105	0	13,066,341
Equity securities at fair value through OCI		6,024	3,117	226,575	235,716
Total investments at fair value through OCI		**3,271,260**	**9,804,222**	**226,575**	**13,302,057**
Instrument financial derivatives at fair value					
Trading derivatives					
Currency forwards		0	235,995	0	235,995
Interest rate swaps		0	46,058	0	46,058
Cross currency swaps		0	31,091	0	31,091
Currency options		0	23,004	0	23,004
		0	336,148	0	336,148
Hedging derivatives					
Currency forwards		0	163,004	0	163,004
Total derivatives at fair value		**0**	**499,152**	**0**	**499,152**
Investment property		0	0	318,592	318,592
Total assets at fair value on recurring basis		**3,539,081**	**13,520,374**	**925,166**	**17,984,621**
Liabilities					
Trading derivatives					
Currency forwards		0	268,969	0	268,969
Interest rate swaps		0	33,197	0	33,197
Cross currency swaps		0	24,660	0	24,660
Currency options		0	31,267	0	31,267
		0	358,093	0	358,093
Hedging derivatives					
Currency forwards		0	89,360	0	89,360
		0	89,360	0	89,360
Total liabilities at fair value on recurring basis	$	**0**	**447,453**	**0**	**447,453**

		December 31, 2018			
		Level 1	Level 2	Level 3	Total
Assets					
Investments in debt securities at fair value through profit or loss					
Colombian government	$	129,678	1,221	0	130,899

	December 31, 2018			
	Level 1	Level 2	Level 3	Total
Other Colombian government entities	19,606	89,252	0	108,858
Other financial entities	0	562,261	0	562,261
Non-financial sector entities	0	28,541	0	28,541
Foreign governments	0	98,155	0	98,155
Central banks	0	12,914	0	12,914
Others	0	20,866	0	20,866
	149,284	813,210	0	962,494
Equity securities at fair value through profit or loss	0	1,452,482	364,695	1,817,177
Total investments at fair value through profit or loss	**149,284**	**2,265,692**	**364,695**	**2,779,671**
Investments in debt securities at fair value through OCI				
Colombian government	1,428,191	681,102	0	2,109,293
Other Colombian government entities	213,344	163,593	0	376,937
Other financial entities	32,511	2,844,128	0	2,876,639
Non-financial sector entities	0	188,405	0	188,405
Foreign governments	0	2,917,663	0	2,917,663
Central banks	0	1,131,740	0	1,131,740
Others	0	64,711	0	64,711
	1,674,046	7,991,342	0	9,665,388
Equity securities at fair value through OCI	6,339	13	188,735	195,087
Total investments at fair value through OCI	**1,680,385**	**7,991,355**	**188,735**	**9,860,475**
Instrument financial derivatives at fair value				
Trading derivatives				
Currency forwards	0	226,269	1,683	227,952
Interest rate swaps	0	27,983	0	27,983
Cross currency swaps	0	38,049	0	38,049
Currency options	0	29,507	0	29,507
	0	321,808	1,683	323,491
Hedging derivatives				
Currency forwards	0	30,095	0	30,095
Securities forwards	0	2,886	0	2,886
	0	32,981	0	32,981
Total derivatives at fair value	**0**	**354,789**	**1,683**	**356,472**
Investment property	0	0	287,651	287,651
Total assets at fair value on recurring basis	**1,829,669**	**10,611,836**	**842,764**	**13,284,269**
Liabilities				
Trading derivatives				
Currency forwards	0	207,908	5,779	213,687
Interest rate swaps	0	14,053	0	14,053
Cross currency swaps	0	135,771	0	135,771
Currency options	0	16,484	0	16,484
	0	374,216	5,779	379,995
Hedging derivatives				
Currency forwards	0	180,697	0	180,697
Securities forwards	0	614	0	614
	0	181,311	0	181,311
Total liabilities at fair value on recurring basis	$ **0**	**555,527**	**5,779**	**561,306**

5.2 Non-recurrent measurements of fair value

Following is a breakdown of the assets valued at fair value Level 3, that as a result of assessment for impairment using the IFRS standards applicable to each one, do not require be measured at fair value on a recurring basis:

	December 31, 2019	December 31, 2018
Financial instruments from the collateralized loan portfolio	$ 561,711	326,278
Non-current assets held for sale	178,216	165,019
	$ **739,927**	**491,297**

5.3 Determining fair value

a. The financial instruments classified at Level 1 are those whose fair value was determined according to the market prices supplied by price vendor. These prices are determined based on liquid markets complying with Level 1 requirements.

b. The financial instruments classified as Level 2 are those whose fair value was determined based on alternate techniques for valuation of discounted cash flow, using observable market data supplied by the price vendor. Generally, transfers between Level 1 and Level 2 of investments portfolios correspond mainly to changes in liquidity levels of securities in the markets.

c. Level 3 investments have non-observable significant inputs. Instruments at Level 3 include mainly 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.

Valuation techniques and significant inputs used in level 2 and level 3 in the financial instruments measured at fair value recurring are described as follows:

Valuation technique	Significant inputs
Investments in debt securities at fair value	
Incomes	● Discounted cash flows using yields from similar securities outstanding ● Bloomberg Generic ● Price assigned last auction ● Market price or price calculated based on benchmarks set by price providers methodologies ● Estimated price / Theoretical price ● Quoted price
Market	● Estimated price / Theoretical price ● Average price / Market price
Investments in equity securities	
Discounted cash flow	● Growth in residual values after five, seven and ten years ● Discount interest rates ● Equity rate of cost ● Discount interest rates WACC
Net value adjusted of assets	● Most relevant variable in assets
Derivatives	
Incomes	● Underlying asset price ● Currency of interest rates curve by underlying asset ● Exchange rates curves ● Implicit curves of exchange rates forwards ● Swap curves assigned according by underlying ● Implicit volatilities matrixes and curves
Market	● Market price ● TRM (representative market rate), curves

The following are the most common methods applicable to derivatives:

- **Valuation of foreign currency forwards:** The price vendor publishes assigned curves (interest rates) according to the currency of origin of the underlying asset, from which the contractual flows of the instrument that are compared against the present value of the agreed value are discounted.
- **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 vendor 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. To determine the valuation of the swap at a certain date, the present value of each one of the legs that compose it is calculated using the zero coupon rates for projection and discount of flows, taking into account the conventions agreed regarding the modality of payments of interest, calculation bases, etc. The following is the difference between the delivery leg and the receipt leg is calculated, which constitutes the fair exchange price of the instrument.

- **Valuation of OTC options:** The price vendor publishes curves assigned according to the 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. The price of the options is calculated using the Black & Scholes & Merton model.

5.4 Fair value measurements classified at level 3

The following table shows the movement of the fair value measurements classified at Level 3:

		December 31, 2019			December 31, 2018		
		Derivatives	Equity securities	Investment property	Derivatives	Equity securities	Investment property
Balance at the beginning of the period		**(4,096)**	**553,430**	**287,651**	**(235)**	**25,341**	**254,945**
Change in accounting policies		0	0	0	0	183,982	0
Adjusted balance		**(4,096)**	**553,430**	**287,651**	**(235)**	**209,323**	**254,945**
Transfer from level 3 to level 2		0	(2,816)	0	0	(12)	0
Valuation adjustment with effect on net income		4,037	39,983	5,405	(3,895)	10,512	29,266
Valuation adjustment with effect on OCI		0	40,937	0	0	11,630	0
Revaluation with effect on OCI		0	0	3,334	0	0	0
Dividends received		0	0	0	0	(3,540)	0
Additions		0	18,223	4	0	330,457	0
Disposals/Sales		0	(43,003)	(9,692)	0	(7,781)	(19,495)
Reclassifications		0	0	31,890	0	0	22,935
Exchange difference		59	(180)	0	34	2,841	0
Balance at the end of the period	$	**0**	**606,574**	**318,592**	**(4,096)**	**553,430**	**287,651**

a. Equity securities

The Group´s equity investments are in several entities where its holding is less than 20% of equity in each. Some of this holding was received as payment for customer obligations in the past and some was acquired because it is necessary to develop the Group operations, such as ACH Colombia S.A. and the Cámara de Riesgo Central de Contraparte de Colombia S.A. among others. In general, all these companies are not listed on the stock exchange and, consequently, their fair value has been determined with the help of outside the Group consultants. They have used the discounted cash flow method for this purpose, constructed based on 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 price vendors, 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 of the gross domestic product (1)	Between 3% and 4%
Income	CPI+1 Between 4% and 25%
Costs and expenses	Inflation
Growth in perpetuity after five and ten years	3,10 %
Discount interest rates	Between 11% and 14%
Equity rate of cost	Between 12.4% and 14.8%

(1) Information obtained from the National Department of Planning

The table below contains last 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 OCI:

Methods and Variables	Variation	Favorable impact	Unfavorable impact
Present value adjusted for discount rate			
Income	+/-1%	9,389	(9,148)
Growth residual values after five years	+/-1%	8,054	(7,053)
	+/-30PB	50	(50)
Growth residual values after ten years	+/-1%	685	(557)
Discount interest rates	+/-50PB	222	(220)
Equity rate of cost	+/-50PB	11,763	(10,532)
Net value adjusted of assets			
Most relevant variable in assets	+/-10%	68	(59)

b. Investment property

Investment property 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 enough market activity to provide comparable prices for orderly transactions with similar properties when determining the fair value of the Group´s investment property.

Assessments of investment property are considered at hierarchy Level 3 in fair-value measurement.

With investment property, an increase (decrease) of 1% on their market value would result in an increase (decrease) of $3,186 in their fair value, as the case may be.

5.5 Level transfers

The transfers between level 1 and level 2 of the investment portfolios mainly correspond to changes in the liquidity levels of the securities in the markets.

Following is a breakdown of the transfers made as of December 31, 2019.

		December 31, 2019	
		From Level 1 to Level 2	From Level 2 to Level 1
Assets			
At fair value through OCI			
Issued or secured by the Colombian Government	$	590	45
Issued or secured by other financial entities		0	3,301
	$	**590**	**3,346**

5.6 Fair value of financial assets and liabilities recorded at amortized cost for disclosure purposes

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

	December 31, 2019					
	Book value	Fair value				
		Level 1	Level 2	level 3	Total
Assets					
Investments at amortized cost	$ 1,417,868	23,042	1,395,258	0	1,418,300
Loan portfolio and financial leases at amortized cost, net	113,110,127	0	0	113,844,303	113,844,303
	114,527,995	**23,042**	**1,395,258**	**113,844,303**	**115,262,603**
Liabilities					
Deposits in checking accounts, savings accounts and others	69,055,478	0	69,055,478	0	69,055,478
Time certificates of deposit	48,739,507	0	49,089,162	0	49,089,162
Interbank borrowings and overnight funds	3,893,658	0	3,893,658	0	3,893,658
Borrowings from banks and others	13,455,039	0	13,589,156	0	13,589,156
Bonds issued	8,426,168	9,114,328	0	0	9,114,328
Development entities	2,143,592	0	2,063,179	0	2,063,179
Lease contracts	1,440,669	0	1,440,669	0	1,440,669
	$ **147,154,111**	**9,114,328**	**139,131,302**	**0**	**148,245,630**

	December 31, 2018				
	Book value	Fair value			
		Level 1	Level 2	level 3	Total
Assets					
Investments at amortized cost	$ 1,361,174	32,324	1,339,951	0	1,372,275
Loan portfolio and financial leases at amortized cost, net	111,018,236	0	0	111,028,386	111,028,386
	112,379,410	**32,324**	**1,339,951**	**111,028,386**	**112,400,661**
Liabilities					
Deposits in checking accounts, savings accounts and others	63,149,547	0	63,149,547	0	63,149,547
Time certificates of deposit	45,254,976	0	45,091,364	0	45,091,364
Interbank borrowings and overnight funds	1,941,616	0	1,941,616	0	1,941,616
Borrowings from banks and others	16,417,926	0	16,483,202	0	16,483,202
Bonds issued	8,280,888	8,237,901	0	0	8,237,901
Development entities	1,919,636	0	1,840,925	0	1,840,925
	$ **136,964,589**	**8,237,901**	**128,506,654**	**0**	**136,744,555**

- **Investments at amortized cost**

The fair value of investments in debt securities at amortized cost was determined using the dirty price supplied by the price vendor. Securities that have an active market and a market price for the day of the valuation are classified as Level 1. Those that do not have an active market and / or a price provided by the price vendor; that is, securities with an estimated price (the present value of all future cash flows, discounted with the benchmark rate and the respective margin) are classified as Level 2.

- **Loan portfolio and financial leases**

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

- **Customer deposits**

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

- **Financial obligations**

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 for the particular risk premiums of each entity. The fair value of bonds outstanding 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.

Note 6 – Financial risk management

Banco de Bogotá and its financial sector subsidiaries such as among others Leasing Bogotá S.A. Panamá (which consolidates the Grupo BAC Credomatic, including its subsidiaries in Central America), Administradora de Fondos de Pensiones y Cesantías Porvenir S.A. and Fiduciaria Bogotá S.A., manage risk pursuant to the applicable regulations and internal policies.

The Bank's non-financial sector subsidiaries are less exposed 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. The Group's guiding principles on risk management have been the following:

- Security and continuity plans in the services being offered to clients.
- Make risk management a part of every institutional process.
- Collective decision making on for commercial lending and others investments operations at the Board of Directors.
- Extensive and in-depth market knowledge, as a result of our leadership and experience of the management.
- Clear risk policies based on a top-down approach with respect to:
  - Compliance with know-your-customer policies.
  - Commercial loans structured on the basis of a clear identification of sources of repayment and on the cash flow generating capacity of the borrower.
- Diversification of the commercial loan portfolio with respect to industries and economic groups.
- Specialization in consumer products niches.
- Extensive use of continuity updated credit rating and scoring models to ensure the growth of high credit quality consumer lending.
- Conservative policies in terms of:

- Trading portfolio competition with a bias toward instruments, with lower volatility.
- Proprietary trading.
- 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. They are transmitted to all the business and management units and they are supported, among other things, by the following drivers:

- In every entity in the Group, the risk function is independent and monitored by each business units and consolidated Group.
- The structure of delegation of powers within the Group requires large number of transactions to be sent to the risk committees at the bank central services. The high number and frequency of meetings held by these committees guarantee great agility in resolving proposals, while ensuring the senior management´s intense participation in the daily management of risk.
- The Group has implemented a risk limit system that is updated on a regular basis to address new conditions in the markets and the risks to which they are exposed.
- There are adequate information systems to monitor risk exposure on a recurring basis, so as to ensure the approval limits are systematically met and, if necessary, to take the proper corrective action.
- The main risks are analyzed not only when they arise or when problems occur during the normal course of business, but also on a permanent basis.
- The Group offers adequate, permanent training programs on risk culture. These courses are given at every level within the organization.

6.3 Corporate structure of the risk function

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

- Board of Directors.
- Risk committees.
- Credit and treasury risk management.
- Risk management administrative processes.
- Internal Audit.

a. Board of Directors

The boards of directors of the Group and 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 related to the internal control system for risk management.

- Approve the entity's policies in relation to the management of different risks.
- Approve trading and counterparty limits, according to defined attributions.
- Approve exposure and limits for different types of risks.
- Approve the procedures to be followed when exceeding the established limits.
- Approve different procedures and methodologies for risk management.
- Approve the allocation of human, physical and technical resources for risk management.
- Indicate the responsibility and attributes assigned to the different positions and areas in charge of risk management.
- Create the committees that are needed to ensure the proper organization, control and monitoring of operations that generate risk exposure, and define the duties of such committees.
- Approve internal control systems for risk management.
- Require management of the Group to submit different periodic reports on the levels of exposure to various risks.
- Evaluate recommendations and corrective actions proposed for risk management processes.
- Conduct monitoring and follow-up at regular meetings, based on periodic 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 business and markets where the Group will operate.

b. Risk committees

Comprehensive risk management committee

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

- Measuring the Group's comprehensive risk profile.
- Designing systems to monitor and follow of exposure to the different risks the Group faces.
- Reviewing and proposing to the Board of Directors the 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 risk appetite in the various risk management systems.
- Assessing the inherent risks in new markets, products, segments and countries, among others.

Credit and treasury risk committee

The objective is to discuss, measure, control and analyze credit risk management and treasury risk management of the Group. Its primary duties involve:

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

- Evaluating incursion into new markets and new products.
- Assessing policies, strategies and rules of procedure in commercial activities with respect to treasury and loan operations.
- Ensuring that risk management and measurement methodologies are appropriate, given the entity's characteristics and activities.

Assets and liabilities committee

The objective of this committee is to support senior management by establishing risk policies and limits, oversee monitoring, control and measurement systems to support the management of assets and liabilities and liquidity risk management though the different liquidity risk management systems (SARL - Spanish acronym).

Its main duties include:

- Establishing adequate procedures and mechanisms for liquidity risk management.
- Monitoring liquidity risk exposure reports.
- Identifying the origin of risk exposure through sensitivity analysis, in order to assess the probability of lower returns for the entity to assess the necessity of new liquidity resources.

Audit committee

Its objective is to evaluate and monitor the internal control system.

Among the main duties of these committees are the following:

- Proposing to the Board of Directors, for its approval, the structure, procedures and methods required for the Internal Control System to operate.
- Assessing the structure of the internal control of the Group, in order to establish if the procedures are designed reasonably to protect its assets, as well as those of third parties under its administration and custody, and if there are controls to verify that transactions are being properly authorized and registered. For such purpose, the areas in charge of the administration of the various systems of risk, the Statutory Auditor and the Internal Auditor submit the established periodical reports to the Committee as well as other reports that the members of the Committee may require.
- Monitoring risk exposure, implications for the entities, and control and mitigation actions.

c. Credit and treasury risk management

The Credit and treasury risk management have, among others, the following duties.

- Oversee of each subsidiary in the Group adequate compliance of the policies and procedures established by the Board of Directors and the various committees for risk management.
- Designing methodologies and procedures to be followed by the administration for risk management.
- Establishing ongoing monitoring procedures to allow timely identification of any deviations of the policies established for risk management.

- Preparing timely reports for the different risk committees, the Board of Directors of each subsidiaries and for the government entities in charge of control and supervision in relation with compliance of risk policies and assess the results of indicators, detecting deviations, analyzing causalities and executing corrective actions.

d. Administrative processes for risk management

In accordance with its business models, the Group has well defined structures and procedures and documented in manuals on administrative processes that must be followed for managing different risks and also has different technological tools to monitor and control risks, these are detailed later.

e. Internal audit

The internal audit of the Bank and each of the Group´s subsidiaries are independent from management and depends directly on the audit committees. In performance of their functions, carry out periodic compliance assessments of risk management policies and procedures followed by the Group for the managing of risks. Their reports are submitted directly to the risk and audit committees, which are in charge of monitoring the Group management in terms of the corrective measures taken.

BAC Credomatic Group

BAC Credomatic Group is consolidated by the Group through its subsidiary Leasing Bogotá S.A. Panamá, whose main operations are in Central America, BAC Credomatic Group has its own policies, purposes and procedures for risk management; however, they are aligned with the guidelines set forth by Banco de Bogotá.

Risk is periodically managed and monitored through the following corporate-governance bodies, established at the regional level and in the countries where BAC Credomatic Group operates: the Comprehensive Risk Management Committee, the Assets and Liabilities Committee (ALCO, Spanish acronym), the Compliance Committee, the Credit Committee, the Audit Committee and the Investment Committee, as applicable.

With regard to credit risk management, BAC has a centralized structure headed by a National Risk Director who reports to the CEO of BAC. In turn, the CEO 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 entity in each country, compliance with policies and procedures is reported to the Regional Risk Director.

In terms of market risk, BAC has a regional unit to manage policy concerning investment and the management of assets and liabilities. It establishes guidelines to determine limits on country and counterparty risk, 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 Asset and Liability Committee, which is made up of the BAC Board Members.

6.4 Individual risk analysis

The Group is comprised largely of entities in the financial sector. Consequently, they are exposed to a range of financial, operational, reputational and legal risks in the normal course of their business.

Financial risks include: i) market risk (trading risk, price risks, interest rate risk and exchange rate risk, as explained later), and ii) structural risks structural risks stemming from the composition of the assets and liabilities on the Group's consolidated statement of financial position, among which stand out these include credit and liquidity risks.

The Group´s subsidiaries that do business in areas other than the financial sector, commonly known as the "non-financial sector" have less exposure to financial risk, but are exposed to adverse changes in the prices of their products.

An analysis of each of the aforementioned risks, in order of importance, is provided below. These risks are managed separately by each of the entities. Unless otherwise indicated, Banco de Bogotá consolidate the risks information of BAC Credomatic Group.

a. Credit risk

Consolidated credit risk exposure

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 as a result of their loan activities and transactions with counterparties that give rise to financial assets acquisition.

The detail of the parameters considered for determining the existence of low credit risk, or on the contrary, significant increase of the same, are as follows:

i. Low credit risk

The Group establish that the financial asset has not suffered any significant increase in credit risk as from its initial recognition, if the same is cataloged as of low risk as of the reporting date.

Thus, the Group considers the following as low risk financial assets that:

- Have an international rating of investment grade.
- Be a government debt issued in national currency.

In case the financial asset loses its low risk condition, it is not transferred to stage 2 automatically, but it is assessed if it has suffered a significant increase in credit risk.

ii. Significant increase in credit risk

When it has been determined that the credit risk of a financial asset has significantly increased as from its initial recognition, the Group considers reasonable and sustainable information which is relevant and available without disproportionate cost or effort, including information and qualitative and quantitative analysis, based on historical experience, as well as an assessment by experts in credit of the Group, including information with future projection.

The Group identifies if a significant increase of credit risk has occurred comparing:

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

- The during the remaining life to this point in time, which was estimated at the time of initial recognition of the exposure.
- Qualitative aspects as well as the refutable presumption that there is a significant increase in credit risk shall be considered when the financial asset shows more than 30 days of default.

iii. Objective evidence of impairment

The Group deems 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 presents default of more than 90 days in any material credit obligation. Overdrafts are deemed as in default once the customer has exceeded the recommended limit, or if a shorter limit has been recommended for the balance in force, except for housing portfolios for which, given their characteristics, the 90 days of default were rejected for considering a credit in default and the default term was defined as greater than 180 days.
- Customers under bankruptcy proceedings, such as Law 1116 of the Republic of Colombia.

For financial assets for investment, the objective evidence of impairment includes the following concepts, among others:

- Decrease in the issuer’s external rating.
- Contractual payments are not carried out on their expiration date or during the term or grace period established.
- A virtual certainty exists regarding payment suspension.
- It is likely that bankruptcy occurs or a petition of bankruptcy or similar action is filed.
- The financial asset does not have more than one active market due to its financial difficulties.

While assessing if a debtor is in default, the Group considers 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.

Measurement of Estimated Credit Loss - ECL

ECL is the estimated weighted probability of credit loss according to a credit risk exposure 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.

Rating for credit risk categories

The Group assigns a credit risk rating to each exposure based on a variety of data determine as predictive of the Likelihood of Default - **LD**, applying expert credit judgment. The Group uses these ratings for purposes of identifying significant increases in credit risk. 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 are subject to continued monitoring, that may result in displacement of an exposure to a different credit risk rating.

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 for analyzing data stored and generate estimates of impairment likelihood for the remaining life of the exposures, and how such impairment likelihood will change as a result of time elapsing. Such analysis includes identifying and tuning the relationships among changes in the impairment rates and in key macroeconomic factors as well as a deep analysis of certain factors in impairment risk (for example, write-offs of loan portfolio). For most credits, key economic factors include gross domestic product growth, changes in market interest rates and unemployment.

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 estimates 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 (Loan to Value "LTV") are the parameters utilize 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 measures the **ED** considering the risk of default during the maximum contractual period, (including options of debt extension for the customer) 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 customer, the Group measures 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.

When 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. For portfolios for which the Group has limited historic information, comparative information shall be used for supplementing the internal information available.

Forecast of future economic conditions

The Group includes 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 of multiple current and projected external information, the Group formulates 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 "Organización para la Cooperación y el Desarrollo Económico" (OECD), and "Fondo Monetario Internacional", and others, 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 economic scenarios used as at December 31, 2019 include the following ranges of key indicators for Colombia for the year 2020:

Variables	Year 2020							
	Quarter 1		Quarter 2		Quarter 3		Quarter 4	
	Base %	Range %	Base %	Range %	Base %	Range %	Base %	Range %
Variation (annual) housing price index (used) (%)	1.24	(1.93) - 4.86	1.96	(1.81) - 5.87	1.41	(1.98) - 5.28	1.42	(2.33) - 5.53
Annual variation of GDP (Gross domestic product) of the last twelve month period at constant prices	3.33	2.92 - 3.87	3.27	2.61 - 3.96	3.26	2.30 - 4.18	3.22	2.17 - 4.19
Quarterly variation of GDP at constant prices	0.81	0.72 - 0.93	1.23	1.07 - 1.40	0.64	0.46 - 0.72	0.48	(0.25) - 1.00
Annual variation of quarterly GDP of at constant prices	3.27	2.42 - 4.03	3.18	2.18 - 4.12	3.26	2.07 - 4.28	3.19	2.02 - 4.12
Annual variation of GDP of the last twelve month period at current prices	7.38	6.85 - 7.83	7.20	6.30 - 7.99	7.08	5.75 - 8.32	6.96	5.41 - 8.36
Unemployment rate 7 areas	12.27	12.79 - 11.60	10.71	11.33 - 9.94	10.52	11.25 - 9.74	10.22	11.12 - 9.30
Effective annual real interest rate (DTF – inflation)	0.65	0.98 - 0.62	0.98	1.19 - 1.07	1.14	1.49 - 1.20	1.16	1.50 - 1.42
Effective annual real interest rate (Central Bank- inflation)	0.37	0.53 - 0.21	0.70	0.73 - 0.64	0.86	1.14 - 0.88	0.87	1.04 - 1.18

Modified financial assets

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

When the terms of a financial asset are changed and the modification does not result in a withdrawal of the asset in the statement of financial position, 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 statement of financial position based in the terms modified with the probability of default in the remaining life estimated based on the date of initial recognition and the original contractual terms.

The Group re-negotiates loans with customers having financial difficulties for maximizing collection opportunities and minimizing default risk.

Under re-negotiation policies of the Group, customers 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's 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. Therefore, a restructured debtor is required to evidence a consistent payment behavior over a period of time before not being considered as an impaired loan or that the **LD** has decreased in such a manner that the provision may be reverted and the loan measured for impairment within a twelve-month time span subsequent to the closing date of the financial statements.

The Group's maximum exposure to credit risk at the consolidated level is reflected in the carrying value of the financial assets listed in the consolidated statement of financial position as follows:

		December 31, 2019	December 31, 2018
Cash and cash equivalents (1)	$	**19,965,690**	**17,532,833**
Debt securities investments at fair value through profit or loss			
Government		382,530	229,054
Central Banks		13,966	12,914
Financial entities		1,047,477	562,261
Other sectors		195,512	158,265
		1,639,485	**962,494**
Debt securities investments at fair value through OCI			
Government		8,909,868	5,026,956
Central Banks		970,095	1,131,740
Financial entities		2,509,101	2,876,639
Other sectors		677,277	630,053
		13,066,341	**9,665,388**
Investments at amortized cost			
Government		23,043	32,321
Financial entities		1,017	9,123
Other sectors		1,394,127	1,319,767
		1,418,187	**1,361,211**
Derivatives at fair value		**499,152**	**356,472**
Loan portfolio and financial leases at amortized cost			
Commercial		69,208,778	70,446,069
Consumer		33,440,079	31,170,583
Mortgage		15,199,012	14,115,974
Microcredits		403,969	418,288
		118,251,838	**116,150,914**
Other accounts receivable		**2,026,304**	**2,102,349**
Total financial assets with credit risk		**156,866,997**	**148,131,660**
Off- statement of financial position credit risk instruments at their face value			
Financial guarantees and unused letters of credit		3,442,324	3,223,800

		December 31, 2019	December 31, 2018
Credit commitments		21,174,505	20,007,679
Total exposure to off- statement of financial position credit risk		**24,616,829**	**23,231,479**
Total maximum exposure to credit risk	$	**181,483,826**	**171,363,139**

(1) Not including cash held by the entity because they do not have credit risk because they are in their own power.

For guarantees and commitments to extend the credit amounts, the maximum exposure credit risk is the amount of the commitment (see note 31.1 to that effect), credit risk is mitigated by guarantees and collateral, as described below:

Mitigation of credit risk, collateral and other credit risk enhancements

In defined cases, maximum exposure to credit risk for the Group is reduced by collateral and other credit enhancements, which lower 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 enough sources of funding to allow for the debt to be paid. At the Group, collateralized loans accounted for 47.2% of total exposure at December 31, 2019 (48.7% at December 31, 2018), including commercial and personal loans. This percentage is higher for mortgage and commercial loans, whereas consumer loans generally are not collateralized.

The methods used to assess collateral involve the use of independent real estate appraisers, the market value of securities or the valuation of the companies issuing the securities. All collateral must be legally evaluated and drafted following the parameters for its creation, pursuant to Colombian legal regulations.

The details of the loan portfolio according to the type of collateral received on loans granted is as follows:

		December 31, 2019					
		Commercial	Consumer	Mortgage	Microcredit	Financial leases	Total
Unsecured loans	$	34,346,405	27,765,788	0	285,609	0	62,397,802
Collateralized loans:							
Mortgage		235,549	42,294	14,635,974	2,008	9,255	14,925,080
Other real estate		15,045,306	1,353,411	3,495	351	118,256	16,520,819
Deposits in cash or cash equivalents		772,972	151,419	0	0	0	924,391
Other assets		15,050,525	3,886,666	73,672	116,001	4,356,882	23,483,746
Total	$	**65,450,757**	**33,199,578**	**14,713,141**	**403,969**	**4,484,393**	**118,251,838**

		December 31, 2018					
		Commercial	Consumer	Mortgage	Microcredit	Financial leases	Total
Unsecured loans	$	33,770,046	25,468,444	0	283,183	0	59,521,673
Collateralized loans:							
Mortgage		231,140	42,385	13,616,966	3,185	4,644	13,898,320
Other real estate		14,342,544	1,334,220	4,432	433	111,368	15,792,997
Deposits in cash or cash equivalents		798,532	150,897	0	0	0	949,429
Other assets		17,854,769	3,930,819	70,913	131,487	4,000,507	25,988,495
Total	$	**66,997,031**	**30,926,765**	**13,692,311**	**418,288**	**4,116,519**	**116,150,914**

Policies to prevent excessive credit-risk concentration

In order to prevent excessive concentrations of credit risk at an individual, country or economic sectors level, the Group maintains updated the maximum risk-level concentration rates at the individual level and for sector portfolios. The Group's exposure limit in a loan commitment to a specific customer depends on the customer's risk rating.

Pursuant to Colombian regulations the Group cannot grant unsecured loan to a borrower, which on a combined basis exceed 10% of its regulatory capital calculated according to the regulations. However, such loans and no more than 25% of the bank's regulatory capital, if they are secured by acceptable guarantees.

The following is a breakdown of Group-wide credit risk in the different geographic areas. It is determined according to the debtor's country of residence, without considering credit-risk impairment:

		December 31, 2019					
		Commercial	Consumer	Mortgage	Microcredit	Financial leases	Total
Colombia	$	35,862,722	13,054,153	3,599,904	403,969	3,514,110	56,434,858
Panamá		5,319,681	5,900,357	2,444,897	0	83,198	13,748,133
United States		4,819,109	0	0	0	0	4,819,109
Costa Rica		5,103,718	5,388,382	4,525,877	0	788,798	15,806,775
Nicaragua		1,791,156	873,900	393,492	0	5,472	3,064,020
Honduras		3,790,735	2,322,700	964,977	0	34,125	7,112,537
El Salvador		2,444,937	2,778,912	978,368	0	6,639	6,208,856
Guatemala		6,134,322	2,881,174	1,805,626	0	52,051	10,873,173
Other countries		184,377	0	0	0	0	184,377
Total	$	**65,450,757**	**33,199,578**	**14,713,141**	**403,969**	**4,484,393**	**118,251,838**

		December 31, 2018					
		Commercial	Consumer	Mortgage	Microcredit	Financial leases	Total
Colombia	$	38,592,461	11,639,035	3,085,561	418,288	3,156,912	56,892,257
Panamá		5,461,264	5,618,362	2,381,741	0	109,927	13,571,294
United States		4,530,196	583	0	0	0	4,530,779
Costa Rica		4,790,465	5,190,354	4,343,247	0	802,601	15,126,667
Nicaragua		1,947,643	1,163,054	436,891	0	5,416	3,553,004
Honduras		3,526,583	2,085,005	857,799	0	3,247	6,472,634
El Salvador		2,175,309	2,636,766	969,731	0	6,630	5,788,436
Guatemala		5,507,686	2,593,606	1,617,341	0	31,786	9,750,419
Other countries		465,424	0	0	0	0	465,424
Total	$	**66,997,031**	**30,926,765**	**13,692,311**	**418,288**	**4,116,519**	**116,150,914**

The following is a breakdown of the loan portfolio, by economic sector:

		December 31, 2019		December 31, 2018	
		Total	% Share	Total	% Share
Consumer services	$	51,908,920	43%	48,930,613	42%
Commercial services		26,896,228	22%	30,685,182	26%
Food, beverages and tobacco		7,667,726	6%	6,797,573	6%
Construction		6,629,906	6%	5,602,855	4%
Chemical products		4,514,243	4%	4,288,324	4%
Transport and communications		4,346,800	3%	4,871,162	4%
Public services		3,702,680	4%	4,482,429	4%
Agriculture		3,361,910	3%	3,069,837	3%
Others industrial and manufactured products		3,304,896	3%	3,070,687	3%
Government		1,963,134	2%	1,327,776	1%
Trade and tourism		1,897,309	2%	1,368,889	1%

		December 31, 2019		December 31, 2018	
		Total	% Share	Total	% Share
Mining products and oil		1,213,003	1%	817,630	1%
Others		845,083	1%	837,957	1%
Total	$	**118,251,838**	**100%**	**116,150,914**	**100%**

Sovereign debt

Investments in debt instruments at December 31, 2019 and 2018 consisted largely of securities issued or guaranteed by Colombian government institutions or foreign governments, representing 63.88% and 53.66% respectively of the total investment portfolio.

The following is a breakdown of sovereign debt exposure, by country:

		December 31, 2019		December 31, 2018	
		Amount	% Share	Amount	% Share
Investment grade (1)	$	**5,132,297**	**49.83%**	**3,141,382**	**48.83%**
Colombia		4,179,884	40.59%	2,240,191	34.82%
Panamá		770,854	7.48%	550,674	8.56%
United states		154,568	1.50%	324,097	5.04%
Chile		26,991	0.26%	26,420	0.41%
Speculative (2)		**5,167,205**	**50.17%**	**3,291,601**	**51.17%**
Costa Rica		2,984,770	28.98%	1,646,616	25.60%
Guatemala		1,269,458	12.33%	952,902	14.81%
Honduras		596,840	5.79%	586,275	9.11%
Nicaragua		79,300	0.77%	64,918	1.01%
El Salvador		236,837	2.30%	40,890	0.64%
Total sovereign risk		**10,299,502**	**100.00%**	**6,432,983**	**100.00%**
Others (3)		5,824,511		5,556,109	
Total	$	**16,124,013**		**11,989,092**	

(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 Standard & Poor's.
(3) Corresponds to other debt securities with non-financial sector, other public agencies and multilateral entities, Default - In bankruptcy law and Not rated or not available.

The process for granting counterpart loans and allocations

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

The principles and rules on managing loans and credit risk are outlined in our Loan Manual, which is conceived for traditional banking activity, as well as treasury operations. The assessment criteria applied to measure credit risk follows the principal guidelines set by the Credit and Treasury Risk Committee.

The board of directors is the highest authority on credit within the Group. This board guide policy and have the power to grant the largest amount of credit allowed. In the banking operation, the authority to grant loans and limits on credit depends on the amount, the term, credit rating and the collateral offered by the customer.

The board of directors of each subsidiary has delegated part of their lending authority to different areas and executives who process the loan applications and are responsible for analysis, follow-up and results.

In terms of treasury operations, it is the boards of directors that approve operational and counterparty limits. Risk control is carried out essentially through three mechanisms: annual allocation of operational limits and daily control; quarterly assessment of solvency by issuer; and reporting on the concentration of investments, by economic group. Additionally, for the approval of credits certain considerations are taken into account, including but not limited to the probability of default, counterpart lines of credit, and recovery percentage of guarantees received, tenor and concentration by economic sector.

The Bank has a credit risk management system (SARC), which is run by Vice President of risk and credit at Banco de Bogotá. 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.

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 (consumer, mortgage and microcredit). These models are based on information regarding behavior with the Bank and with the system, as well as demographic 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.

The credit-risk monitoring process

The monitoring process used by the Group is conducted in several stages. These include daily collection monitoring and management based on an analysis of past due loans according to the amount of time they are overdue, classification according to risk levels, permanent monitoring of high-risk customers, a restructuring process, and the receipt of foreclosed assets.

The following is a summary of the past due non-impaired or impaired loan portfolio.

		December 31, 2019				
		1 to 30 days	31 to 60 days	61 to 90 days	Total customers in arrears but not impaired	Impaired
Commercial	$	888,407	496,194	54,465	1,439,066	1,557,206
Consumer		1,203,267	495,727	338,420	2,037,414	868,278
Mortgage		655,755	181,698	86,418	923,871	420,095
Microcredit		48,404	11,062	7,005	66,471	53,273
Financial leases		186,218	21,334	7,484	215,036	172,655
Total	$	**2,982,051**	**1,206,015**	**493,792**	**4,681,858**	**3,071,507**

		December 31, 2018				
		1 to 30 days	31 to 60 days	61 to 90 days	Total customers in arrears but not impaired	Impaired
Commercial	$	1,099,393	140,139	90,691	1,330,223	1,820,254
Consumer		1,170,821	466,965	310,984	1,948,770	821,582
Mortgage		632,378	161,590	74,617	868,585	273,713
Microcredit		50,976	10,558	7,209	68,743	51,374

		December 31, 2018				
		1 to 30 days	31 to 60 days	61 to 90 days	Total customers in arrears but not impaired	Impaired
Financial leases		171,629	25,392	16,789	213,810	127,605
Total	$	**3,125,197**	**804,644**	**500,290**	**4,430,131**	**3,094,528**

The Group evaluates commercial loans quarterly, by economic sector, including an assessment of macro sectors. The objective, in this respect, is to monitor concentration by economic sector and risk-level. It also conducts an annually assessment of individual credit risk on outstanding balances in excess of $2,000, evaluated on the basis of updated financial information on the customer, compliance with agreed terms, collateral received and inquiries with credit bureaus. This information is used to classify customers at different risk levels. The following categories are used for this purpose: Category A – Normal, B – Acceptable, C – Appreciable, D – Significant and E – Being uncollectible. These categories are described below.

Category A – "Normal risk": Loans and financial leases in this category are appropriately serviced. The debtor's financial statements or its projected cash flows, and all other credit information available Group to the Group, reflect adequate capacity to pay.

Category B – "Acceptable risk": Loans and financial leases in this category are acceptably serviced and guaranty protected, but, there are weaknesses that potentially could affect, temporarily or on a permanent basis, the debtor's paying capacity or its projected cash flows. If not corrected in due course, these weaknesses would affect the normal collection of credit or contracts.

Category C – "Appreciable risk": Loans and financial leases in this category have debtors with insufficient paying capacity or relate to projects with an insufficient cash flow, which could compromise normal collection of the respective obligations.

Category D – "Significant risk": Loans and financial leases in this category largely have the same shortcomings as those in category C but the probability of collection is highly uncertain.

Category E – "Risk of being uncollectible": Loans and financial leases in this category are regarded as uncollectible.

The foregoing classification, by risk level, is done monthly for mortgage and microcredit, essentially according to the amount of time past due and other risk factors.

The Group also consolidates each customer's debts and determines and calculates the probability of impairment at a consolidated level.

Exposure to credit risk is managed through a regular analysis of borrowers and potential borrowers to determine their ability to pay principal and interest. Exposure to credit risk also is mitigated, in part, by obtaining collateral and corporate or personal guarantees.

The following is a summary of the loan portfolio divided according to risk-rating levels:

		December 31, 2019	December 31, 2018
Commercial			
"A" Normal risk	$	59,814,065	61,555,086
"B" Acceptable risk		1,762,118	1,380,349
"C" Appreciable risk		1,508,392	1,913,062
"D" Significant risk		1,237,032	1,006,858

	December 31, 2019	December 31, 2018
"E" Risk of Being Uncollectible	1,129,150	1,141,676
	65,450,757	**66,997,031**
Consumer		
"A" Normal risk	29,051,622	26,903,986
"B" Acceptable risk	1,356,463	1,487,966
"C" Appreciable risk	1,592,384	1,459,294
"D" Significant risk	942,411	820,694
"E" Risk of Being Uncollectible	256,698	254,825
	33,199,578	**30,926,765**
Mortgage		
"A" Normal risk	13,350,865	12,637,649
"B" Acceptable risk	391,656	360,058
"C" Appreciable risk	564,300	454,773
"D" Significant risk	132,074	74,055
"E" Risk of Being Uncollectible	274,246	165,776
	14,713,141	**13,692,311**
Microcredit		
"A" Normal risk	325,295	341,346
"B" Acceptable risk	11,559	10,536
"C" Appreciable risk	7,988	7,560
"D" Significant risk	7,701	8,643
"E" Risk of Being Uncollectible	51,426	50,203
	403,969	**418,288**
Financial leases		
"A" Normal risk	3,846,435	3,579,389
"B" Acceptable risk	156,466	135,417
"C" Appreciable risk	109,903	106,132
"D" Significant risk	284,789	239,328
"E" Risk of Being Uncollectible	86,800	56,253
	4,484,393	**4,116,519**
Total	$ **118,251,838**	**116,150,914**

Based on the foregoing classifications, the Group prepares a list of clients who potentially could have an important impact on losses for the Group. Based on that list, it assigns staff to monitor each customer individually. This process includes meetings with the customer to identify potential sources of risk and to work together to find solutions that will enable the debtor to fulfill its obligations.

The portfolio according to the different stages is detailed at note 10.4.

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 on granting this sort of refinancing is to provide the customer with the financial feasibility that will enable it to adapt debt payment conditions to a new situation for generating funds, based on its financial viability.

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

Restructured loans are included for impairment assessment and to determine impairment. 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.

The following is the balance of restructured loans:

		December 31, 2019	December 31, 2018
Local	$	1,451,338	1,405,509
Foreign		1,768,031	1,275,565
Total	$	**3,219,369**	**2,681,074**

Foreclosed assets

When persuasive collection or loan restructuring processes do not produce satisfactory results within a reasonable period of time, collection is carried out through legal means or agreements are reached with the customer to receive foreclosed assets.

The Group has clearly established policies for receiving foreclosed assets and has separate departments that specialize in handling these cases, in receiving foreclosed assets and in the subsequent sale thereof.

The following table shows foreclosed assets and those sold:

		December 31, 2019	December 31, 2018
Received	$	187,841	161,967
Sold	$	141,434	41,433

b. Market risk

The Group takes part in monetary, exchange and capital markets to satisfy its needs and those of its customers. This is done pursuant to established policies and risk levels. In that regard, it manages various portfolios of financial assets within the limits and the risk levels allowed.

Market risk originates with the Group’s open positions in investment portfolios comprised of debt securities, equity securities and operations with derivatives. It is due to adverse changes in risk factors such as prices, interest rates, foreign currency exchange rates, share prices, credit margins on instruments.

Trading risk

The Group trades financial instruments for various reasons, the following are the main ones:

- To offer products tailored to the customer’s needs. One such function, among others, is to hedge the customer’s financial risks.
- To structure portfolios to take advantage of arbitrage between different curves, assets and markets, and to obtain returns on the adequate use of equity.
- To conduct derivative operations to hedge asset and liability risk positions on the statement of financial position, to act as brokers for customers or to capitalize on opportunities for arbitrage concerning exchange and interest rates on local and foreign markets.

In carrying out these operations, the entities incur risks, within defined limits, or mitigate them through the use of other derivative transactions or financial instruments.

The following is a breakdown of the Group's financial assets and liabilities at fair value that were subject to trading risk:

		December 31, 2019	December 31, 2018
Assets			
Debt financial assets			
investments at fair value through profit or loss	$	1,639,485	962,494
investments at fair value through other comprehensive income		13,066,341	9,665,388
		14,705,826	**10,627,882**
Trading derivatives		336,148	323,491
Hedging derivatives		163,004	32,981
Total assets		**15,204,978**	**10,984,354**
Liabilities			
Trading derivatives		358,093	379,995
Hedging derivatives		89,360	181,311
Total liabilities		**447,453**	**561,306**
Net position	$	**14,757,525**	**10,423,048**

Description of risk management objectives, polices and processes

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 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.

Description of risk exposure

- **Interest rate**

The Group's treasury portfolios are exposed to interest-rate risk when a change in the market value of asset positions compared to a change in interest rates does not match the change in the market value of the liability position, 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 rate**

The Group's treasury portfolios are exposed to exchange risk when i) 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, ii) 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, iii) 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, iv) when the margin depends directly on exchange rates.

Risk management

Senior management and the board of directors of the Group play an active role in managing and controlling risk. They do so by analyzing a protocol of established reports and presiding over a number of committees that comprehensively monitor - both technically and fundamentally - the different variables that influence domestic and foreign markets. This process is intended to support strategic decisions.

Analyzing and monitoring the various risks the Group incurs in its operations also is essential for decision-making and to evaluate the results. An ongoing analysis of macroeconomic conditions is vital to achieving an ideal combination of risk, return and liquidity.

The risks assumed in financial operations are reflected in a structure of limits on positions in different instruments, according to their specific strategy, the depth of the markets where the Group operates, the impact on level of risk assets and capital adequacy, as well as the structure of the statement of financial position and liquidity management. These limits are monitored and reported regularly to the Board of Directors of the Bank and to each subsidiary.

In addition, and to minimize interest-rate and exchange-rate risks to certain statement of financial position items, the Group implements hedging strategies by taking positions in derivative instruments. In addition, fair value hedging derivatives are used in the subsidiary Leasing Bogotá S.A. Panamá.

According to the Group’s risk management strategy, the exposure to exchange risk generated by investments in foreign subsidiaries and branches is hedged through a combination of "non-derivative" instruments (debt issued in USD) and derivative instruments. 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 9.5.

Methods used to measure risk

Market risks are quantified through the use of value-at-risk models (internal and standard), and measurements are done according to the historical simulation method. The Board of Directors approves a framework of limits based on the value-at-risk associated with the annual budget for profits and establishes additional limits, according to the different types of risk.

The Group uses the standard model to measure, control and manage market interest, exchange risk and the price of the shares in both the treasury and bank books, as stipulated by the Financial Superintendence of Colombia. Actually, 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 Superintendence of Colombia, compared to the historical scenarios used in the internal methodologies that have been applied 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 PRECIA S.A. (the price vendor for identifying on a daily basis, process with significant differences compared to other financial information tools (e.g., the Bloomberg platform).

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.

In the same way, the Group also has a model to analyze the liquidity of debt 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 Bank for its main financial subsidiaries:

		December 31, 2019			
		Minimum	Average	Maximum	Latest
Interest rate	$	444,950	520,569	607,973	568,537
Exchange rate		277,932	334,039	383,189	379,406
Shares of stock		8,394	9,601	10,964	10,964
Mutual funds		270,918	308,799	322,458	321,177
Total VaR	$	**1,002,195**	**1,173,008**	**1,318,037**	**1,280,084**

		December 31, 2018			
		Minimum	Average	Maximum	Latest
Interest rate	$	352,595	387,828	420,474	352,595
Exchange rate		234,509	263,363	298,257	298,257

		December 31, 2018			
		Minimum	Average	Maximum	Latest
Shares of stock		6,647	7,605	8,335	8,231
Mutual funds		200,510	226,030	266,906	265,684
Total VaR	$	**828,688**	**884,826**	**969,931**	**924,767**

Following is a summary the VaR indicators for the Bank and its main financial subsidiaries:

		December 31, 2019		December 31, 2018	
		Amount	Basis points of regulatory capital	Amount	Basis points of regulatory capital
Banco Bogotá S.A. and financial subsidiaries	$	1,280,084	141	924,767	116

The following is a sensitivity analysis of the impact the average portfolio of debt securities at fair value through profit or loss would have had on net income if interest rates for Group had increased by 25 or 50 basis points (BP):

		December 31, 2019			December 31, 2018		
		Average value of the portfolio	25 basis points	50 basis points	Average value of the portfolio	25 basis points	50 basis points
Banco de Bogotá	$	728,779	1,822	3,644	549,744	687	1,374
Leasing Bogotá S.A. Panamá	$	127,278	318	636	129,137	161	323

Investment price risk in equity securities

Equity investments

The Group also is exposed to financial asset price risk in equity securities listed on the stock exchange (mainly the Colombian Stock Exchange). 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 $60 and $63 as of December 31, 2019 and 2018, respectively.

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 vendor. A sensitivity analysis of the variables used by the price vendor is provided in note 5.4.

- **Foreign exchange rate risk**

The Group operates internationally and is exposed to changes in the exchange rate that come from exposure in a number of currencies, primarily the United States dollar and the euro. For the most part, foreign exchange risk is present when there are assets and liabilities and the investments made in subsidiaries and branches abroad, loan portfolios, obligations in foreign currency, and in future commercial transactions, also in foreign currency.

Banks in Colombia are authorized by the Central Bank of Colombia to trade currencies and to maintain balances in foreign currency in accounts abroad. The legal standards in Colombia allow banks to hold their own positions in foreign currency, determined by the difference between foreign currency-denominated rights and obligations recorded on and off the statement of financial position, whose three-day average cannot exceed the equivalent in foreign currency of twenty percent (20%) of the technical capital as indicated further below in note 32. Also, the three business-day average in foreign currency can be negative, without exceeding the equivalent in foreign currency of five percent (5%) of said technical capital.

To calculate the own position, the value of investments controlled abroad must be excluded. They must also exclude derivatives and other obligations designated as hedging instruments for investments controlled abroad.

Determination of the maximum or minimum amount of the own daily position and its own cash position in foreign currency is established on the basis of the regulatory capital reported with the financial statements to the Financial Superintendence of Colombia corresponding to the second previous calendar month. Regulatory capital are converted to US dollars using the average of the official exchange rate for the previous calendar month on which the own position is calculated.

The following is a breakdown of assets and liabilities in foreign currency, by its equivalent in Colombian pesos, held by the Group:

	December 31, 2019			
	US millions of dollars	Millions of Euros	Other currencies expressed in millions of US Dollars	Total (in millions of Colombian pesos)
Assets				
Cash and cash equivalents	4,756.04	29.65	1,235.55	$ 19,744,010
Debt securities investments at fair value through profit or loss	202.42	0.00	16.93	718,821
Equity securities investments at fair value through profit or loss	0.01	0.01	10.62	34,853
Debt securities investments at fair value through other comprehensive income	464.65	0.00	2,196.18	8,719,928
Equity securities investments at fair value through other comprehensive income	1.43	0.12	3.77	17,476
Investments at amortized cost	7.03	0.00	0.00	23,043
Trading derivatives	1.75	0.09	0.36	7,214
Loan portfolio and financial leases at amortized cost, net	14,080.30	1.91	5,004.03	62,549,010
Other accounts receivable, net	94.95	0.00	167.98	861,648
Total assets	**19,608.58**	**31.78**	**8,635.42**	**92,676,003**
Liabilities				
Trading derivatives	0.63	0.08	0.33	3,418
Hedging derivatives	6.67	0.00	0.00	21,872
Checking accounts deposits	5,452.91	7.51	2,295.31	25,419,538
Savings accounts deposits	2,286.60	4.50	1,189.46	11,408,055
Time certificates of deposit	7,831.20	3.39	2,351.92	33,383,957
Others deposits	71.58	0.44	25.23	318,867
Interbank borrowings and overnight funds	196.73	0.22	84.33	921,894
Borrowings from banks and others	3,737.30	2.31	365.74	13,454,688
Bonds issued	2,209.79	0.00	319.42	8,288,570
Development entities	13.06	0.00	0.00	42,812
Lease contracts	226.01	0.00	7.24	764,385
Accounts payables and other liabilities	203.35	0.00	195.59	1,307,390
Total liabilities	**22,235.83**	**18.45**	**6,834.57**	**95,335,446**
Net asset position (liabilities)	**(2,627.25)**	**13.33**	**1,800.85**	**$ (2,659,443)**

	December 31, 2018			
	US millions of dollars	Millions of Euros	Other currencies expressed in millions of US Dollars	Total (in millions of Colombian pesos)
Assets				
Cash and cash equivalents	4,666.55	32.35	1,046.58	$ 18,671,382
Debt securities investments at fair value through profit or loss	104.39	0.00	14.80	387,312
Equity securities investments at fair value through profit or loss	0.01	0.01	10.07	32,791
Debt securities investments at fair value through other comprehensive income	506.75	0.00	1,653.01	7,018,686

	December 31, 2018			
	US millions of dollars	Millions of Euros	Other currencies expressed in millions of US Dollars	Total (in millions of Colombian pesos)
Equity securities investments at fair value through other comprehensive income	0.91	0.13	3.80	15,740
Investments at amortized cost	9.95	0.00	0.00	32,321
Trading derivatives	0.63	0.23	1.12	6,430
Hedging derivatives	3.54	0.00	0.00	11,497
Loan portfolio and financial leases at amortized cost, net	13,904.96	0.99	4,703.93	60,477,477
Other accounts receivable, net	182.47	0.00	175.71	1,164,011
Total assets	**19,380.16**	**33.71**	**7,609.02**	**87,817,647**
Liabilities				
Trading derivatives	0.67	0.22	2.37	10,587
Hedging derivatives	0.19	0.00	0.00	614
Checking accounts deposits	5,138.50	11.06	1,918.70	22,970,072
Savings accounts deposits	2,043.79	3.16	1,038.37	10,026,536
Time certificates of deposit	6,887.25	4.09	2,071.34	29,126,436
Others deposits	74.23	0.53	31.86	346,493
Interbank borrowings and overnight funds	337.80	0.00	211.71	1,785,746
Borrowings from banks and others	4,894.37	0.99	152.70	16,404,944
Bonds issued	2,207.42	0.00	299.28	8,146,152
Development entities	83.50	0.00	0.00	271,365
Accounts payables and other liabilities	228.82	0.01	225.14	1,475,276
Total liabilities	**21,896.54**	**20.06**	**5,951.47**	**90,564,221**
Net asset position (liabilities)	**(2,516.38)**	**13.65**	**1,657.55**	$ **(2,746,574)**

If the exchange rate increased by $10 Colombian pesos to US $ 1 USD, the effect on the net position of the group would decrease $8,115 and $8,452 for December 31, 2019 and 2018, respectively.

The objective of the Group with regard to transactions in foreign currency is to meet the needs of its foreign-trade customers in terms of conducting transactions and obtaining financing in foreign currency, in addition to assuming 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 net foreign currency position of each subsidiary is monitored daily by the treasury division at the subsidiary that is responsible for closing these positions by adjusting them to the established tolerance levels.

The Group has a number of investments in foreign subsidiaries and branches whose net assets are exposed to risk from translation of financial statements for consolidation purposes. The exposure arising from net assets in foreign operations is hedged primarily with financial obligations, bonds and derivative instruments in foreign currency (see note 9.5).

- **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 the extent of mismatch in the re-pricing of assets and liabilities due to changes in interest rates.

The following table shows the financial assets and liabilities subject to re-pricing bands:

	December 31, 2019				
	Under one month	Between one and six months	From six to twelve months	More than one year	Total
Assets					
Cash and cash equivalents	$ 24,809,110	0	0	0	24,809,110
Debt securities investments at fair value through profit or loss	924,002	52,452	42,037	620,994	1,639,485
Debt securities investments at fair value through other comprehensive income	794,517	1,296,154	1,054,094	9,921,576	13,066,341
Investments at amortized cost	1,387,365	7,779	23,043	0	1,418,187
Commercial loans	20,781,501	17,916,315	6,688,501	23,822,461	69,208,778
Consumer loans	10,955,004	7,385,807	1,426,875	13,672,393	33,440,079
Mortgage loans	7,184,098	1,825,092	896,746	5,293,076	15,199,012
Microcredits loans	30,899	13,194	39,225	320,651	403,969
Total assets	**66,866,496**	**28,496,793**	**10,170,521**	**53,651,151**	**159,184,961**
Liabilities					
Checking accounts deposits	33,990,651	0	0	0	33,990,651
Savings accounts deposits	34,744,932	0	0	0	34,744,932
Time certificates of deposit	7,823,816	20,405,123	9,672,527	10,838,041	48,739,507
Interbank borrowings and overnight funds	3,893,658	0	0	0	3,893,658
Borrowings from banks and others	1,473,546	6,379,553	2,241,565	3,360,375	13,455,039
Bonds issued	188,273	303,550	195,048	7,739,297	8,426,168
Development entities	1,101,095	862,725	4,224	175,548	2,143,592
Lease contracts	92,839	128,723	149,534	1,069,573	1,440,669
Total liabilities	**$ 83,308,810**	**28,079,674**	**12,262,898**	**23,182,834**	**146,834,216**

	December 31, 2018				
	Under one month	Between one and six months	From six to twelve months	More than one year	Total
Assets					
Cash and cash equivalents	$ 22,061,097	0	0	0	22,061,097
Debt securities investments at fair value through profit or loss	92,168	453,508	21,616	395,202	962,494
Debt securities investments at fair value through other comprehensive income	148,298	1,386,896	790,226	7,339,968	9,665,388
Investments at amortized cost	1,316,518	34,358	9,308	1,027	1,361,211
Commercial loans	25,015,978	16,813,023	5,742,190	22,874,878	70,446,069
Consumer loans	10,354,798	6,909,265	1,436,624	12,469,896	31,170,583
Mortgage loans	7,612,005	1,613,355	358,697	4,531,917	14,115,974
Microcredits loans	31,725	11,776	38,245	336,542	418,288
Total assets	**66,632,587**	**27,222,181**	**8,396,906**	**47,949,430**	**150,201,104**
Liabilities					
Checking accounts deposits	19,257,369	12,395,858	0	0	31,653,227
Savings accounts deposits	10,451,251	20,697,541	0	0	31,148,792
Time certificates of deposit	6,861,550	19,677,863	10,061,352	8,654,211	45,254,976
Interbank borrowings and overnight funds	1,226,622	714,994	0	0	1,941,616
Borrowings from banks and others	1,281,367	10,999,746	678,846	3,457,967	16,417,926
Bonds issued	41,487	577,446	182,288	7,479,667	8,280,888
Development entities	454,974	9,417	1,455,245	0	1,919,636
Total liabilities	**$ 39,574,620**	**65,072,865**	**12,377,731**	**19,591,845**	**136,617,061**

The following is a breakdown of the interest rate on financial assets and liabilities:

	December 31, 2019				
	Under one year		More than one year		Total
	Variable	Fixed	Variable	Fixed	
Assets					
Debt securities investments at fair value through profit or loss	$ 95,680	348,434	170,606	1,024,765	1,639,485

	December 31, 2019				
	Under one year		More than one year		Total
	Variable	Fixed	Variable	Fixed	
Debt securities investments at fair value through other comprehensive income	7,433	3,095,185	328,560	9,635,163	13,066,341
Investments at amortized cost	1,389,538	28,649	0	0	1,418,187
Commercial loans	28,308,001	2,455,256	37,039,447	1,406,074	69,208,778
Consumer loans	256,630	14,046,120	9,296,258	9,841,071	33,440,079
Mortgage loans	5,732	249,432	11,107,820	3,836,028	15,199,012
Microcredits loans	240	223,417	0	180,312	403,969
Abandoned accounts - Icetex	0	0	149,674	0	149,674
Total assets	**30,063,254**	**20,446,493**	**58,092,365**	**25,923,413**	**134,525,525**
Liabilities					
Checking accounts deposits	14,723,559	19,267,092	0	0	33,990,651
Savings accounts deposits	11,618,715	23,126,217	0	0	34,744,932
Time certificates of deposit	7,691,894	27,256,166	3,060,499	10,730,948	48,739,507
Interbank borrowings and overnight funds	0	3,893,658	0	0	3,893,658
Borrowings from banks and others	1,069,507	7,619,547	1,880,237	2,885,748	13,455,039
Bonds issued	165,768	772,057	0	7,488,343	8,426,168
Development entities	431,541	9,271	1,702,780	0	2,143,592
Lease contracts	0	400,409	0	1,040,260	1,440,669
Total liabilities	$ **35,700,984**	**82,344,417**	**6,643,516**	**22,145,299**	**146,834,216**

	December 31, 2018				
	Under one year		More than one year		Total
	Variable	Fixed	Variable	Fixed	
Assets					
Debt securities investments at fair value through profit or loss	$ 94,191	473,101	192,968	202,234	962,494
Debt securities investments at fair value through other comprehensive income	0	2,299,248	236,999	7,129,141	9,665,388
Investments at amortized cost	1,315,178	40,416	0	5,617	1,361,211
Commercial loans	29,460,009	2,273,778	35,663,750	3,048,532	70,446,069
Consumer loans	231,567	12,935,500	9,167,064	8,836,452	31,170,583
Mortgage loans	14,021	207,880	10,597,777	3,296,296	14,115,974
Microcredits loans	95	223,680	0	194,513	418,288
Abandoned accounts - Icetex	0	0	129,705	0	129,705
Total assets	**31,115,061**	**18,453,603**	**55,988,263**	**22,712,785**	**128,269,712**
Liabilities					
Checking accounts deposits	14,613,714	17,039,513	0	0	31,653,227
Savings accounts deposits	10,251,487	20,897,305	0	0	31,148,792
Time certificates of deposit	6,389,498	26,126,734	4,089,951	8,648,793	45,254,976
Interbank borrowings and overnight funds	0	1,941,616	0	0	1,941,616
Borrowings from banks and others	2,786,100	8,103,259	2,078,652	3,449,915	16,417,926
Bonds issued	0	635,335	165,886	7,479,667	8,280,888
Development entities	454,974	9,417	1,455,245	0	1,919,636
Total liabilities	$ **34,495,773**	**74,753,179**	**7,789,734**	**19,578,375**	**136,617,061**

If interest rates had been 50 basis points lower (higher) with all other variables held constant, the Group's net income for the years ended December 31, 2019 and 2018 would have increased (decreased) by $54,407 and $92,140 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.

c. Liquidity risk

Liquidity risk is related to the Group inability to fulfill the obligations acquired with customers and financial market counterparties at any time, currency and 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 is done by adhering to the fundamental principles of the Liquidity Risk Management Systems (SARL Spanish acronym), which signal the minimum reasonable parameters that the entities must monitor in their operations 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, 30 and 90 days, as established in the Financial Superintendence of Colombia standard model.

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 assesses 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 assets and liabilities. 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.

A quantification of funds obtained on the money market is an integral part of the liquidity measurement each entity of the Group does. Based on technical studies, primary and secondary sources of liquidity are identified by the Group in order to ensure funding stability and sufficiency by having a range of funding suppliers. This also minimizes any concentration of funding sources. Once identified, sources of funding are assigned to the different lines of business, according to budget, nature and depth of the markets.

The availability of resources is monitored daily, not only to meet reserve requirements, but also to forecast and/or anticipate possible changes in the Group’s liquidity risk profile and to be able to make strategic decisions, as appropriate. In this respect, there are liquidity warning indicators to ascertain the current situation, as well as strategies to be implemented in each case. Among others, these indicators include the LRI, deposit concentration levels, and use of the Central Bank’s liquidity quotas.

Through the technical committees on assets and liabilities, senior management at the Group knows the institution’s liquidity situation and makes the necessary decisions. These take into account the high-quality liquid assets that must be maintained, the tolerance in handling liquidity or minimum liquidity legal floating reserve requirements, the strategies for granting loans and obtaining funds; policies on placing surplus liquidity, changes in the characteristics of new and existing products, diversification of the sources of funds to prevent concentration of deposits funds in few investors or savers, hedging strategies; the Group’s results, and the changes in the structure of the statement of financial position.

Statistical analysis to quantify, with a predetermined level of confidence, the stability of deposits, both with and without contractual maturity, is done to control liquidity risk between assets and liabilities.

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.

Details on the percentage requested in each country are shown below:

Legal reserve required

Country	Item	%
	Checking account and savings accounts	11%
Colombia	Time certificates of deposit > 18 months	4.5%
	Time certificates of deposit = or < 18 months	0%
Guatemala	Deposits and capital raising	14.6%
	1st demand deposits	25%
El Salvador	2nd demand deposits	25%
	3rd debt securities	50%
Honduras	Demand deposits, mandatory investments in local and foreign currency	12%
Nicaragua	Daily, financial liabilities in local and foreign currency	12%
	Biweekly, financial liabilities in local and foreign currency	15%
Costa Rica	Deposits and capital raising in local and foreign	15%

There are no reserve requirements for our subsidiaries located in Panama because there is no Central Bank to regulate such requirements.

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.

		Available liquid assets at the end of the period (1)	From 1 to 7 days (2) and (3)	From 1 to 15 days (2) and (3)	From 1 to 30 days (2) and (3)	From 1 to 90 days (2) and (3)
December 31, 2019	$	11,480,613	9,127,754	6,892,223	2,141,891	(14,048,998)
December 31, 2018	$	10,936,886	10,370,295	9,260,812	8,892,523	321,897

(1) Liquid assets are the sum of the assets at the end of each period that is readily convertible to cash, given the characteristics of such assets. 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 that it conducts and have not subsequently been used in borrowing operations on the money market, investment in debt securities at fair value, investments in open mutual funds with no permanence agreement, and debt securities at amortized cost, provided they involve forced or mandatory investments subscribed in the primary market and can be used for money market operations. For purposes of calculating the liquid assets, all the aforementioned investments, without exception, are calculated at their fair value market price on the date of the assessment.

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

(3) The IRL decreased compared to 2018 due to the entry into force of the external circular 009 of 2018 issued by the Financial Superintendence of Colombia that seeks to align with Basel and proposes a new methodology for the calculation of the Net Withdrawal Factor applicable to deposits.

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

The Group analyzed the maturities for financial assets and financial liabilities showing the following remaining contractual maturities:

		December 31, 2019				
		Under one month	Between one and six months	From six to twelve months	More than one year	Total
Assets						
Cash and cash equivalents	$	24,809,110	0	0	0	24,809,110
Debt securities investments at fair value through profit or loss		926,354	128,368	121,665	611,620	1,788,007

	December 31, 2019				
	Under one month	Between one and six months	From six to twelve months	More than one year	Total
Debt securities investments at fair value through other comprehensive income	710,414	1,577,637	1,623,745	12,549,426	16,461,222
Investments at amortized cost	323,829	542,244	563,131	0	1,429,204
Trading derivatives	336,148	0	0	0	336,148
Hedging derivatives	163,004	0	0	0	163,004
Commercial loans	9,872,398	21,359,234	12,111,094	50,401,394	93,744,120
Consumer loans	8,090,782	14,591,316	7,071,877	23,441,775	53,195,750
Mortgage loans	382,349	784,176	930,000	26,484,684	28,581,209
Microcredits loans	54,764	120,618	122,207	237,720	535,309
Total assets	**45,669,152**	**39,103,593**	**22,543,719**	**113,726,619**	**221,043,083**
Liabilities					
Trading derivatives	358,093	0	0	0	358,093
Hedging derivatives	73,080	16,280	0	0	89,360
Checking accounts deposits	33,990,651	0	0	0	33,990,651
Savings accounts deposits	34,744,932	0	0	0	34,744,932
Time certificates of deposit	6,864,248	18,390,182	10,705,464	16,293,077	52,252,971
Others deposits	319,895	0	0	0	319,895
Interbank borrowings and overnight funds	548,509	3,345,149	0	0	3,893,658
Borrowings from banks and others	1,296,789	4,895,544	3,122,035	5,133,587	14,447,955
Bonds issued	4,970	486,556	499,584	9,932,985	10,924,095
Development entities	39,128	215,993	266,003	1,937,890	2,459,014
Lease contracts	91,651	121,101	143,841	1,089,182	1,445,775
Commercial accounts and others to pay	3,531,778	0	0	0	3,531,778
Total liabilities	$ **81,863,724**	**27,470,805**	**14,736,927**	**34,386,721**	**158,458,177**

	December 31, 2018				
	Under one month	Between one and six months	From six to twelve months	More than one year	Total
Assets					
Cash and cash equivalents	$ 22,061,412	0	0	0	22,061,412
Debt securities investments at fair value through profit or loss	540,679	14,163	37,096	494,952	1,086,890
Debt securities investments at fair value through other comprehensive income	148,814	1,294,840	1,100,108	8,365,021	10,908,783
Investments at amortized cost	1,316,534	34,641	9,416	1,019	1,361,610
Trading derivatives	323,491	0	0	0	323,491
Hedging derivatives	32,981	0	0	0	32,981
Commercial loans	8,781,480	16,826,725	8,998,321	40,932,332	75,538,858
Consumer loans	5,579,896	9,353,691	3,650,912	18,464,234	37,048,733
Mortgage loans	253,007	689,651	822,570	26,475,387	28,240,615
Microcredits loans	56,665	121,124	123,822	253,022	554,633
Total assets	**39,094,959**	**28,334,835**	**14,742,245**	**94,985,967**	**177,158,006**
Liabilities					
Trading derivatives	379,995	0	0	0	379,995
Hedging derivatives	181,311	0	0	0	181,311
Checking accounts deposits	31,653,227	0	0	0	31,653,227
Savings accounts deposits	31,148,792	0	0	0	31,148,792
Time certificates of deposit	5,572,240	17,888,985	10,111,478	14,784,728	48,357,431
Others deposits	347,528	0	0	0	347,528
Interbank borrowings and overnight funds	1,941,616	0	0	0	1,941,616
Borrowings from banks and others	1,341,662	6,543,273	4,246,475	5,344,788	17,476,198
Bonds issued	104,973	453,098	1,092,749	9,506,342	11,157,162
Development entities	31,146	297,807	210,901	1,708,495	2,248,349
Commercial accounts and others to pay	3,792,526	524,863	67,042	299	4,384,730
Total liabilities	$ **76,495,016**	**25,708,026**	**15,728,645**	**31,344,652**	**149,276,339**

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.

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) takes 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.

The operational risk profile at December 31, 2019 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.

Leasing Bogotá S.A. Panamá and subsidiaries 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 Tread way 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.

The priority is to identify and manage the primary risk factors, regardless of whether or not they might result in monetary loss of the Group. 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 a continuous multi-stage process:

- Measurement from the standpoint of the control environment.
- Identification and assessment of operational risks.
- Treatment and mitigation of operational risks.
- Risk monitoring and risk review.
- Recording 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 Group 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 Group.

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

Following table shows the figures from each update of the operational risk profile of each entity during the periods ended at December 31, 2019 and 2018:

	December 31, 2019				December 31, 2018			
	Processes	Risks	Causes	Controls	Processes	Risks	Causes	Controls
Banco de Bogotá	257	1,665	1,901	4,153	251	1,720	1,423	4,282
BAC S.A.	237	11,586	11,586	9,674	227	3,694	3,694	2,876
Banco de Bogotá Panamá S.A.	52	290	358	366	64	358	386	414
Fiduciaria Bogotá S.A.	20	271	935	1,438	20	259	911	1,423
Almaviva S.A.	25	80	477	476	0	0	0	0
Porvenir S.A.	16	446	820	1,050	24	129	531	513
Megalínea S.A.	53	688	481	774	0	0	0	0
Aval Soluciones Digitales S.A.	34	192	93	223	16	446	784	1,270
Total	**694**	**15,218**	**16,651**	**18,154**	**602**	**6,606**	**7,729**	**10,778**

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

		December 31, 2019	December 31, 2018
BAC S.A.	$	29,750	18,500
Banco de Bogotá		19,547	18,818
Almaviva S.A.		1,105	4,260
Porvenir S.A.		814	711
Fiduciaria Bogotá S.A.		569	338

		December 31, 2019	December 31, 2018
Aval Soluciones Digitales S.A.		104	0
Megalínea S.A.		50	0
Banco de Bogotá Panamá S.A.		7	4
Total	$	**51,946**	**42,691**

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

Risk of Basel	Amount		Value
External fraud	35,922	$	41,206
Proceeding development and administration	32,437		6,471
Labor relationships	73		3,087
Damages to physical assets	109		850
Legal	31		818
Technological faults	591		806
Customers	117		44
Internal fraud	81		(1,336)
Total	**69,361**	$	**51,946**

This classification shows that 92% of the total losses of the Group are consolidated in external fraud, Proceeding development and administration.

Likewise, there is a recovery by the Banco de Bogotá through a global banking policy that amounts to $1,652 corresponding to the case of internal fraud materialized in the Cartagena branch which, in the consolidated of the Group, generates a negative behavior for this classification of Basel.

e. Risk of cybersecurity

Information security model and cybersecurity risk

The Banco de Bogotá to maintain information security and cybersecurity risk, has designed a model that supports corporate IT protection policies, in accordance with legal, regulatory, technical and business requirements.

Within the model of information security and cybersecurity risk, the Bank has defined and implemented a set of principles, policies, standards, procedures and regulatory requirements, for information management and administration of computer resources, based on best practices , focused on preserving and protecting the confidentiality, integrity, availability, privacy and auditability of the information, which allow clear guidelines to maintain a reasonably safe environment in the Bank, in order to support the strategies and objectives of the business.

The implementation of the Bank's information security and cybersecurity model has been implemented gradually, in accordance with the priorities established in senior management regarding risk control activities, strategic business plans, information technology and requirements of current regulations.

The model is applied to all levels of the organization: users (including Bank employees and shareholders), customers, third parties (suppliers, contractors, control entities, among others) and subsidiaries of the Bank; independent of its location (own, third-party infrastructure or in cyberspace, it applies to all information created, stored, processed or used in the business support.

Process of updating and monitoring compliance with the information security and cybersecurity model

The process of monitoring and follow-up on compliance with the information security and cybersecurity model is reviewed and / or updated annually or when there are significant changes in the law, regulation or regulations adopted by the Bank. The adjusted model must be approved by the Strategic Information Security Committee.

Principles of Information Security and Cybersecurity

The Bank has established as fundamental the following principles that govern the information security and cybersecurity model, based on international security standards in accordance with NTC-ISO, COBIT, NIST SP800-53, COSO - Security techniques.

- Confidentiality.
- Integrity.
- Availability.
- Privacy.
- Auditability.

The Bank in 2019 focused on strengthening its principles, policies, standards, processes and alignment in the understanding of digital strategy, information security and cybersecurity, with the aim of increasing the capacity to prevent, detect and defend in a way timely possible threats and / or cyber attacks.

During the year 2019 there was no materialization of cybersecurity incidents, product of the support given by the Administration to this front and the management carried out by the areas that execute the Bank's cybersecurity and security strategy, which must be disclosed in the financial statements.

f. Environmental and Social Risk Management System (SARAS)

The Group, as part of its sustainability strategy and being aware of the need to preserve, protect and conserve the environment and in search of the well-being of society, has assumed the commitment to adopt a proactive position and manage these issues, implementing the Environmental and Social Risk Management System - SARAS, which is formed by the set of policies, mechanisms, tools and procedures for the identification, evaluation and administration of environmental and social risks generated by the activities of our clients. The objective of SARAS is to reduce possible impacts generated by our credit operations or our administrative activities.

The implementation of our environmental management system is aligned with the commitments acquired with the Bank's adhesion to the Green Protocol, proposed by The Banks Association, where we are dynamic agents through actions that promote sustainability. As part of these actions, changes were made in the structure of the Bank with the inclusion of the Environmental Technical Unit in the Credit Vice Presidency and the SARAS Unit in the office of the Credit and Treasury Risk director, as well as the creation of the Green Committee.

With the implementation of SARAS, it is expected to evaluate more than 75% of the amounts approved in the next year, generating financing opportunities through the Sustainable Development Line, launched in the second half of 2019, which promotes focused projects and investments to the preservation of the planet and the development of society, consolidating the Bank's Sustainability and Risk Management strategy.

g. Risk of money laundering and terrorism financing

Efforts to support the Group's Money Laundering and Terrorist Financing Risk Management System (SARLAFT – Spanish acronym) 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 recommendations outlined in international standards on the matter and the policies and methods adopted by the board of directors.

- **Managing the risk**

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 2019. Banco de Bogotá's Compliance Officer visited Honduras, Nicaragua, Panamá Costa Rica, Guatemala, 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 Bogotá Panamá, Banco de Bogotá Nassau, Banco de Bogotá Miami and Banco de Bogotá New York. The following committees were developed during 2019:

- 12 committees at the national affiliates.
- 12 BAC Credomatic compliance committees.
- 6 Banco de Bogotá Panamá S.A. compliance committees.
- 6 Banco de Bogotá Nassau compliance committees.
- 12 Banco de Bogotá Miami compliance committees.
- 12 Banco de Bogotá New York compliance committees.

- **Stages of the risk management system**

In response to international recommendations and Colombian law on SARLAFT, the approach to dealing with what the Group 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 Group 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.

Regarding the identification stage, the Group continues to carry out periodic revisions and updates to the risks identified, without any relevant novelty. With respect to the measurement stage, the risks identified relate to measurements inherent to the results of the assessment of probability and impact, deriving from the associated risks defined by the Colombian Regulator (Legal, Reputational, Operational and Contagion), that the risk identified could generate, without accounting for mitigation or control measures.

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 defining 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 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 Unidad de Información y Análisis Financiero (UIAF – Spanish acronym). 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.

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 2019, a monitored were 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 Unidad de Información y Análisis Financiero (UIAF – Spanish acronym), 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.

This 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 SARLAFT, continuing with the management of the previous periods and accepting the recommendations made by the Grupo Aval S.A., the Parent Company, the Board of Directors and the Control Organs.

The risk of ML/TF 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 ML/TF, as part of its Corporate Responsibility, in the face of society and regulators.

h. Legal risk

The Legal Division supports legal risk management in the Group’s operations. Specifically this division defines and institutes the necessary procedures to adequately control the legal risks inherent in banking operations, making sure these controls meet legal standards and are properly documented. It also analyzes and drafts contracts for operations carried out 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 provisions to cover probable losses. This was done according to instructions issued by the oversight authority. With regard to copyrights, each subsidiary in the Group uses only software or licenses that have been acquired legally and allows only officially approved software to be used on its computers. The lawsuits pending against the Group, apart from those considered unlikely to succeed, are described in note 31 to the financial statements.

Note 7 – Operating segments

Operating segments are defined as a component of an entity that: (i) develops business activities from which it can obtain revenue from ordinary activities and incur expenses; (ii) generates operating income that is reviewed regularly by the highest operational decision-making authority within the firm, to decide on the resources that should be allocated to the segment and evaluate its performance; and (iii) 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 of the Group's results as a whole evaluating performance and decision-making related to investment 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 S.A. Panamá and Subsidiaries, and Porvenir and Subsidiary. Details on their primary activities and places of business are provided in note 1.

7.1 Banco de Bogotá

Banco de Bogotá is a lending institution that offers different types of financial services at different maturities. For the most part, these include loans, financial leases, commercial, consumer and residential mortgage loans, and microcredit loans. Banco de Bogotá has a portfolio of bonds and equity investments, including a stake in subsidiaries and other firms. It also operates on the currency and derivatives markets.

7.2 Leasing Bogotá S.A. Panamá and subsidiaries

Leasing Bogotá S.A. Panamá is a financial holding company that is in the business of investing. It owns 100% of BAC Credomatic Inc., which provides a wide variety of financial services through its subsidiary BAC International Bank Inc., a Panamanian bank. For the most part, these include loans, investments and services for individuals and institutions, mainly in Guatemala, Honduras, El Salvador, Nicaragua, Costa Rica and Panamá.

7.3 Porvenir S.A. and subsidiary

Porvenir S.A. manages mandatory pension, severance and voluntary pension funds, as well as independent pension trusts.

The operating segments identified above are based on the way the Group is managed internally, taking into account the focus of their economic activities on specialized financial services developed through the Bank and the subsidiaries.

The following is information, by segment, on the assets, liabilities, equity, revenue and expenses that must be reported.

Assets and liabilities, by segment

	December 31, 2019					
	Segments			Conciliations		
	Banco de Bogotá	Leasing Bogotá S.A. Panamá and subsidiaries	Porvenir S.A. and subsidiary	Other subsidiaries	Eliminations	Consolidated
Assets						
Cash and cash equivalents	**$ 9,669,151**	**11,979,894**	**230,493**	**7,743,616**	**(4,814,044)**	**24,809,110**
Financial assets	**7,620,170**	**7,389,188**	**2,831,286**	**1,248,824**	**(5,571)**	**19,083,897**
Investments at fair value through profit or loss	**1,266,959**	**174,522**	**2,112,718**	**310,835**	**(214)**	**3,864,820**
Debt securities	921,450	139,726	367,338	211,185	(214)	1,639,485
Equity securities	345,509	34,796	1,745,380	99,650	0	2,225,335
Investments at fair value through other comprehensive income	**4,442,095**	**7,214,666**	**712,664**	**933,400**	**(768)**	**13,302,057**
Debt securities	4,224,936	7,197,202	712,664	931,539	0	13,066,341

	December 31, 2019					
	Segments			Conciliations		
	Banco de Bogotá	Leasing Bogotá S.A. Panamá and subsidiaries	Porvenir S.A. and subsidiary	Other subsidiaries	Eliminations	Consolidated
Equity securities	217,159	17,464	0	1,861	(768)	235,716
Investments at amortized cost	**1,416,851**	**0**	**1,017**	**4,589**	**(4,589)**	**1,417,868**
Debt securities	1,416,851	0	1,017	4,589	(4,589)	1,417,868
Derivatives at fair value	**494,265**	**0**	**4,887**	**0**	**0**	**499,152**
Trading derivatives	331,261	0	4,887	0	0	336,148
Hedging derivatives	163,004	0	0	0	0	163,004
Loan portfolio and financial leases at amortized cost, net	**56,418,588**	**55,016,717**	**4,606**	**1,670,341**	**(125)**	**113,110,127**
Commercial	42,323,197	25,207,261	4,606	1,673,839	(125)	69,208,778
Consumer	13,056,446	20,377,419	0	6,214	0	33,440,079
Mortgage	4,085,774	11,113,238	0	0	0	15,199,012
Microcredits	403,969	0	0	0	0	403,969
Impairment	(3,450,798)	(1,681,201)	0	(9,712)	0	(5,141,711)
Other accounts receivable, net	**1,001,827**	**806,270**	**65,595**	**100,228**	**(38,976)**	**1,934,944**
Non-current assets held for sale	**135,561**	**42,655**	**0**	**0**	**0**	**178,216**
Investments in associates and joint ventures	**21,112,577**	**0**	**0**	**249,882**	**(16,610,101)**	**4,752,358**
Property, plant and equipment	**704,879**	**1,237,240**	**74,481**	**82,014**	**1,046**	**2,099,660**
Right of use assets	**574,308**	**778,526**	**24,961**	**68,690**	**(4,455)**	**1,442,030**
Investment property	**277,733**	**0**	**42,208**	**102**	**(1,451)**	**318,592**
Goodwill	**556,067**	**5,148,935**	**345,934**	**0**	**0**	**6,050,936**
Other intangible assets	**379,931**	**167,139**	**7,963**	**24,407**	**0**	**579,440**
Income tax	**292,426**	**181,226**	**0**	**24,823**	**0**	**498,475**
Current	292,426	40,587	0	22,334	0	355,347
Deferred	0	140,639	0	2,489	0	143,128
Other assets	**17,425**	**144,279**	**0**	**91**	**0**	**161,795**
Total assets	**98,760,643**	**82,892,069**	**3,627,527**	**11,213,018**	**(21,473,677)**	**175,019,580**
Liabilities						
Financial liabilities derivatives at fair value	**422,164**	**0**	**25,289**	**0**	**0**	**447,453**
Trading derivatives	354,675	0	3,418	0	0	358,093
Hedging derivatives	67,489	0	21,871	0	0	89,360
Financial liabilities at amortized cost	**74,781,049**	**66,365,006**	**635,934**	**10,195,614**	**(4,823,492)**	**147,154,111**
Customer deposits	**56,209,958**	**56,279,705**	**0**	**10,124,170**	**(4,818,848)**	**117,794,985**
Checking accounts	14,594,756	19,135,868	0	4,966,466	(4,706,439)	33,990,651
Savings accounts	23,791,596	10,929,808	0	131,133	(107,605)	34,744,932
Time certificates of deposit	17,737,941	25,979,861	0	5,026,509	(4,804)	48,739,507
Others	85,665	234,168	0	62	0	319,895
Financial obligations	**18,571,091**	**10,085,301**	**635,934**	**71,444**	**(4,644)**	**29,359,126**
Interbank borrowings and overnight funds	3,345,149	548,509	0	0	0	3,893,658
Borrowings from banks and others	5,113,719	7,731,158	609,811	414	(63)	13,455,039
Bonds issued	7,379,399	1,046,769	0	0	0	8,426,168
Development entities	2,143,592	0	0	0	0	2,143,592
Lease contracts	589,232	758,865	26,123	71,030	(4,581)	1,440,669
Employee benefits	**235,079**	**188,423**	**26,760**	**30,355**	**0**	**480,617**
Provisions	**26,746**	**34,410**	**340,719**	**7,538**	**0**	**409,413**
Income tax	**120,455**	**421,879**	**144,713**	**7,882**	**0**	**694,929**
Current	4,556	197,605	94,153	7,335	0	303,649
Deferred	115,899	224,274	50,560	547	0	391,280
Accounts payables and other liabilities	**2,522,662**	**1,271,246**	**115,149**	**103,036**	**(39,038)**	**3,973,055**
Total liabilities	**$ 78,108,155**	**68,280,964**	**1,288,564**	**10,344,425**	**(4,862,530)**	**153,159,578**

	December 31, 2018					
	Segments			Conciliations		
	Banco de Bogotá	Leasing Bogotá S.A. Panamá and subsidiaries	Porvenir S.A. and subsidiary	Other subsidiaries	Eliminations	Consolidated
Assets						
Cash and cash equivalents	**$ 8,217,231**	**11,626,484**	**263,874**	**5,140,640**	**(3,187,132)**	**22,061,097**
Financial assets	**5,346,202**	**5,975,663**	**2,325,438**	**930,510**	**(220,021)**	**14,357,792**

	December 31, 2018					
	Segments			Conciliations		
	Banco de Bogotá	Leasing Bogotá S.A. Panamá and subsidiaries	Porvenir S.A. and subsidiary	Other subsidiaries	Eliminations	Consolidated
Investments at fair value through profit or loss	**869,641**	**147,564**	**1,644,097**	**118,577**	**(208)**	**2,779,671**
Debt securities	536,108	114,831	286,201	25,562	(208)	962,494
Equity securities	333,533	32,733	1,357,896	93,015	0	1,817,177
Investments at fair value through other comprehensive income	**2,785,954**	**5,823,530**	**658,870**	**807,344**	**(215,223)**	**9,860,475**
Debt securities	2,609,493	5,807,920	658,870	589,105	0	9,665,388
Equity securities	176,461	15,610	0	218,239	(215,223)	195,087
Investments at amortized cost	**1,352,061**	**0**	**9,114**	**4,589**	**(4,590)**	**1,361,174**
Debt securities	1,352,061	0	9,114	4,589	(4,590)	1,361,174
Derivatives at fair value	**338,546**	**4,569**	**13,357**	**0**	**0**	**356,472**
Trading derivatives	317,061	1,683	4,747	0	0	323,491
Hedging derivatives	21,485	2,886	8,610	0	0	32,981
Loan portfolio and financial leases at amortized cost, net	**56,280,660**	**53,293,422**	**0**	**1,444,162**	**(8)**	**111,018,236**
Commercial	44,243,173	24,751,870	0	1,451,034	(8)	70,446,069
Consumer	11,652,464	19,513,525	0	4,594	0	31,170,583
Mortgage	3,509,224	10,606,750	0	0	0	14,115,974
Microcredits	418,288	0	0	0	0	418,288
Impairment	(3,542,489)	(1,578,723)	0	(11,466)	0	(5,132,678)
Other accounts receivable, net	**993,666**	**887,635**	**47,123**	**112,982**	**(22,538)**	**2,018,868**
Non-current assets held for sale	**107,144**	**57,875**	**0**	**0**	**0**	**165,019**
Investments in associates and joint ventures	**18,513,325**	**0**	**0**	**0**	**(14,356,310)**	**4,157,015**
Property, plant and equipment	**696,218**	**1,078,265**	**84,677**	**84,096**	**1,058**	**1,944,314**
Investment property	**252,832**	**0**	**35,670**	**577**	**(1,428)**	**287,651**
Goodwill	**556,067**	**5,105,900**	**345,934**	**0**	**0**	**6,007,901**
Other intangible assets	**375,959**	**134,894**	**0**	**11,161**	**0**	**522,014**
Income tax	**348,614**	**153,880**	**0**	**18,046**	**0**	**520,540**
Current	215,001	40,401	0	16,097	0	271,499
Deferred	133,613	113,479	0	1,949	0	249,041
Other assets	**52,420**	**189,350**	**0**	**292**	**0**	**242,062**
Total assets	**91,740,338**	**78,503,368**	**3,102,716**	**7,742,466**	**(17,786,379)**	**163,302,509**
Liabilities						
Financial liabilities derivatives at fair value	**550,104**	**6,394**	**4,808**	**0**	**0**	**561,306**
Trading derivatives	369,408	5,779	4,808	0	0	379,995
Hedging derivatives	180,696	615	0	0	0	181,311
Financial liabilities at amortized cost	**69,033,651**	**63,683,840**	**608,147**	**6,830,883**	**(3,191,932)**	**136,964,589**
Customer deposits	**54,131,160**	**50,656,949**	**0**	**6,808,346**	**(3,191,932)**	**108,404,523**
Checking accounts	12,841,697	17,261,527	0	4,643,655	(3,093,652)	31,653,227
Savings accounts	21,405,390	9,637,119	0	199,764	(93,481)	31,148,792
Time certificates of deposit	19,815,853	23,478,995	0	1,964,927	(4,799)	45,254,976
Others	68,220	279,308	0	0	0	347,528
Financial obligations	**14,902,491**	**13,026,891**	**608,147**	**22,537**	**0**	**28,560,066**
Interbank borrowings and overnight funds	714,994	1,226,622	0	0	0	1,941,616
Borrowings from banks and others	4,959,572	10,827,670	608,147	22,537	0	16,417,926
Bonds issued	7,308,289	972,599	0	0	0	8,280,888
Development entities	1,919,636	0	0	0	0	1,919,636
Employee benefits	**315,538**	**199,937**	**22,445**	**29,541**	**0**	**567,461**
Provisions	**28,619**	**1,779**	**230,108**	**5,944**	**0**	**266,450**
Income tax	**30,725**	**352,477**	**118,109**	**8,599**	**0**	**509,910**
Current	5,963	231,349	46,137	6,405	0	289,854
Deferred	24,762	121,128	71,972	2,194	0	220,056
Accounts payables and other liabilities	**3,137,301**	**1,450,750**	**95,891**	**103,622**	**(22,545)**	**4,765,019**
Total liabilities	**$ 73,095,938**	**65,695,177**	**1,079,508**	**6,978,589**	**(3,214,477)**	**143,634,735**

Statement of income for the period, by segment

	Year ended at December 31, 2019					
	Segments			Conciliations		
	Banco de Bogotá	Leasing Bogotá S.A. Panamá and subsidiaries	Porvenir S.A. and subsidiary	Other subsidiaries	Eliminations	Consolidated
Interest income	$ **5,859,272**	**6,304,511**	**48,871**	**240,207**	**(77,640)**	**12,375,221**
Loan portfolio and financial leases	5,635,341	5,970,074	7,196	218,554	(77,427)	11,753,738
Investments	223,931	334,437	41,675	21,653	(213)	621,483
Interest expenses	**2,565,225**	**2,156,424**	**35,770**	**200,040**	**(77,946)**	**4,879,513**
Customer deposits	**1,784,508**	**1,579,400**	**0**	**193,814**	**(77,645)**	**3,480,077**
Checking account	176,372	134,398	0	93,374	(2,225)	401,919
Savings account	653,749	141,299	0	893	(75,215)	720,726
Time certificates of deposit	954,387	1,303,703	0	99,547	(205)	2,357,432
Financial obligations	**780,717**	**577,024**	**35,770**	**6,226**	**(301)**	**1,399,436**
Interbank borrowings and overnight funds	125,601	8,107	23	5	0	133,736
Borrowings from banks and others	119,439	463,688	33,556	473	0	617,156
Bonds issued	416,702	66,120	0	0	0	482,822
Development entities	85,647	0	0	0	0	85,647
Lease contracts	33,328	39,109	2,191	5,748	(301)	80,075
Net interest income	**3,294,047**	**4,148,087**	**13,101**	**40,167**	**306**	**7,495,708**
Net Impairment loss on financial assets	**1,356,602**	**1,260,960**	**7,507**	**527**	**(1)**	**2,625,595**
Loan portfolio, financial leases and other accounts receivable	1,508,354	1,251,548	7,528	387	0	2,767,817
Recovery of write-offs	(153,165)	0	0	0	0	(153,165)
Investments	1,413	9,412	(21)	140	(1)	10,943
Net interest income, after impairment	**1,937,445**	**2,887,127**	**5,594**	**39,640**	**307**	**4,870,113**
Income from contracts with customers for commissions and other services	**1,023,528**	**2,562,074**	**1,086,853**	**286,471**	**(6,323)**	**4,952,603**
Banking services	524,396	1,764,416	202	7,355	(4,166)	2,292,203
Credit cards	467,623	757,116	0	0	(3)	1,224,736
Pension and severance fund management	0	40,542	1,086,651	0	0	1,127,193
Trust activities and portfolio management	0	0	0	179,215	(953)	178,262
Storage services	0	0	0	99,422	(1,147)	98,275
Drafts, checks and checkbooks	25,610	0	0	479	(9)	26,080
Office network services	5,899	0	0	0	(45)	5,854
Costs and expenses of contracts with customers for commissions and other services	**172,393**	**100,232**	**130,237**	**4,998**	**(10,278)**	**397,582**
Net income from contracts with customers for commissions and other services	**851,135**	**2,461,842**	**956,616**	**281,473**	**3,955**	**4,555,021**
Net income from trading financial assets or liabilities	**214,038**	**20,136**	**250,112**	**11,061**	**(4)**	**495,343**
Loss on valuation of derivatives instruments for trading	12,199	(1,422)	880	(14)	0	11,643
Loss on valuation of derivative instruments for hedging	125,301	(34,199)	(4,758)	0	0	86,344
Gain on valuation of investments for trading	76,538	55,757	253,990	11,075	(4)	397,356
Other income	**2,509,619**	**429,419**	**3,291**	**83,956**	**(1,755,212)**	**1,271,073**
Net gain on exchange difference	8,742	271,708	(3,566)	377	(1)	277,260
Others	2,500,877	157,711	6,857	83,579	(1,755,211)	993,813
Other expenses	**2,473,466**	**3,975,586**	**438,790**	**228,122**	**2,888**	**7,118,852**
Administrative	1,479,032	1,788,732	186,093	96,744	(134,686)	3,415,915
Employee benefits	747,727	1,772,910	155,221	110,801	0	2,786,659
Depreciation and amortization	222,943	373,585	13,424	22,899	(471)	632,380
Others	23,764	40,359	84,052	(2,322)	138,045	283,898
Net income before income tax	**3,038,771**	**1,822,938**	**776,823**	**188,008**	**(1,753,842)**	**4,072,698**
Income tax expense	284,276	477,575	207,226	29,964	0	999,041
Net income for the period	$ **2,754,495**	**1,345,363**	**569,597**	**158,044**	**(1,753,842)**	**3,073,657**

	December 31, 2018					
	Segments			Conciliations		
	Banco de Bogotá	Leasing Bogotá S.A. Panamá and subsidiaries	Porvenir S.A. and subsidiary	Other subsidiaries	Eliminations	Consolidated
Interest income	**$ 5,683,271**	**5,349,924**	**47,301**	**184,255**	**(69,386)**	**11,195,365**
Loan portfolio and financial leases	5,487,868	5,152,223	6,454	165,298	(69,296)	10,742,547
Investments	195,403	197,701	40,847	18,957	(90)	452,818
Interest expenses	**2,375,592**	**1,853,940**	**30,330**	**138,374**	**(69,389)**	**4,328,847**
Customer deposits	**1,768,406**	**1,318,738**	**0**	**137,305**	**(69,389)**	**3,155,060**
Checking account	177,231	107,562	0	53,388	(96)	338,085
Savings account	656,012	117,341	0	869	(69,290)	704,932
Time certificates of deposit	935,163	1,093,835	0	83,048	(3)	2,112,043
Financial obligations	**607,186**	**535,202**	**30,330**	**1,069**	**0**	**1,173,787**
Interbank borrowings and overnight funds	73,352	8,296	29	74	0	81,751
Borrowings from banks and others	75,032	469,217	30,301	995	0	575,545
Bonds issued	376,586	57,689	0	0	0	434,275
Development entities	82,216	0	0	0	0	82,216
Net interest income	**3,307,679**	**3,495,984**	**16,971**	**45,881**	**3**	**6,866,518**
Net Impairment loss on financial assets	**1,368,439**	**1,126,431**	**(1,435)**	**469**	**0**	**2,493,904**
Loan portfolio, financial leases and other accounts receivable	1,493,579	1,118,251	(1,458)	521	0	2,610,893
Recoveries	(123,930)	0	0	0	0	(123,930)
Investments	(1,210)	8,180	23	(52)	0	6,941
Net interest income, after impairment	**1,939,240**	**2,369,553**	**18,406**	**45,412**	**3**	**4,372,614**
Income from contracts with customers for commissions and other services	**978,353**	**2,198,348**	**953,864**	**276,575**	**(6,174)**	**4,400,966**
Banking services	486,136	1,537,321	58	9,774	(1,037)	2,032,252
Credit cards	454,539	629,616	0	0	0	1,084,155
Pension and severance fund management	0	31,411	953,806	0	0	985,217
Trust activities and portfolio management	0	0	0	166,718	(902)	165,816
Storage services	0	0	0	99,634	(588)	99,046
Drafts, checks and checkbooks	22,981	0	0	449	(2)	23,428
Office network services	14,697	0	0	0	(3,645)	11,052
Costs and expenses of contracts with customers for commissions and others services	**180,500**	**75,897**	**125,830**	**5,543**	**(9,029)**	**378,741**
Net income from contracts with customers for commissions and other services	**797,853**	**2,122,451**	**828,034**	**271,032**	**2,855**	**4,022,225**
Net income from trading financial assets or liabilities	**350,062**	**2,623**	**53,285**	**6,105**	**(3)**	**412,072**
Gain on valuation of derivatives instruments for trading	194,121	(3,737)	(460)	(107)	0	189,817
Gain on valuation of derivative instruments for hedging	154,554	27,890	24,775	0	0	207,219
Gain on valuation of investments for trading	1,387	(21,530)	28,970	6,212	(3)	15,036
Other income	**2,466,596**	**562,632**	**(17,243)**	**30,165**	**(1,458,201)**	**1,583,949**
Net gain on exchange difference	(161,321)	495,680	(31,786)	202	0	302,775
Others	2,627,917	66,952	14,543	29,963	(1,458,201)	1,281,174
Other expenses	**2,384,397**	**3,383,847**	**317,471**	**222,429**	**1,461**	**6,309,605**
Administrative	1,460,465	1,566,832	180,502	104,618	(141,270)	3,171,147
Employee benefits	736,893	1,564,754	141,860	103,604	0	2,547,111
Depreciation and amortization	149,018	195,247	8,246	10,740	12	363,263
Others	38,021	57,014	(13,137)	3,467	142,719	228,084
Net income before income tax	**3,169,354**	**1,673,412**	**565,011**	**130,285**	**(1,456,807)**	**4,081,255**
Income tax expense	**219,981**	**493,677**	**204,724**	**31,661**	**0**	**950,043**
Net income for the period	**$ 2,949,373**	**1,179,735**	**360,287**	**98,624**	**(1,456,807)**	**3,131,212**

The geographic zones defined by the Group are Colombia, Panamá, 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).

The following table shows the geographic distribution of the Group's consolidated revenue and assets, for which information must be provided:

		December 31, 2019						
		Colombia	Panamá	Guatemala	Costa Rica	Others (2)	Eliminations	Consolidated
Income for the period (1)	$	**8,774,096**	**1,696,166**	**1,336,620**	**3,320,433**	**2,779,820**	**(83,968)**	**17,823,167**
Non-current assets other than financial instruments		**2,803,747**	**4,440,885**	**241,253**	**802,706**	**2,030,011**	**(3,408)**	**10,315,194**
Property, plant and equipment		821,077	210,069	139,793	403,107	524,567	1,047	2,099,660
Right of use assets		666,846	128,482	75,938	283,490	291,729	(4,455)	1,442,030
Intangible assets		1,313,336	4,005,751	17,981	101,324	1,191,984	0	6,630,376
Deferred Income Tax -Assets	$	2,488	96,583	7,541	14,785	21,731	0	143,128

		December 31, 2018						
		Colombia	Panamá	Guatemala	Costa Rica	Others (2)	Eliminations	Consolidated
Income for the period (1)	$	**8,340,459**	**1,426,662**	**1,141,017**	**2,797,835**	**2,377,991**	**(75,561)**	**16,008,403**
Non-current assets other than financial instruments		**2,248,289**	**4,283,942**	**136,014**	**481,521**	**1,572,446**	**1,058**	**8,723,270**
Property, plant and equipment		823,803	212,601	108,167	378,554	420,131	1,058	1,944,314
Intangible assets		1,288,924	3,979,443	15,988	100,631	1,144,929	0	6,529,915
Deferred Income Tax -Assets	$	135,562	91,898	11,859	2,336	7,386	0	249,041

(1) Corresponds to income from interest, income from commissions and other services and income financial assets and liabilities held for sale, net.
(2) Corresponds to Nicaragua, Honduras, El Salvador, United States, the British Virgin Islands and Cayman Islands.

The Group reported no concentration of revenue in customers with more than a 10% share of revenue from ordinary activities. Is considers single customers, other than related parties, as those under common control, based on the information it has at hand. See note 34 for details on income of related parties.

Note 8 – Cash and cash equivalents

The following table shows cash and cash equivalents:

		December 31, 2019	December 31, 2018
In Colombian pesos			
Cash	$	2,216,546	2,328,116
Central Bank		2,728,959	883,889
Bank and other financial entities		117,509	174,249
Clearing house		67	1,013
Liquidity administration		2,019	2,449
		5,065,100	**3,389,716**
In foreign currency			
Cash		2,177,539	1,943,241
Bank and other financial entities		17,566,471	16,728,140
		19,744,010	**18,671,381**
Total	$	**24,809,110**	**22,061,097**

The following table shows a breakdown of the credit ratings determined by independent credit-rating agencies for the principal financial institutions where the Group has cash accounts:

		December 31, 2019	December 31, 2018
Investment grade	$	12,111,865	10,079,123
Speculative		7,853,825	7,453,710
Without grade or not available (1)		4,843,420	4,528,264
Total	$	**24,809,110**	**22,061,097**

(1) Cash held by Bank in custody in vaults, ATMs and cash.

The legal reserve requirement in Colombia at December 31, 2019 and 2018 was 11% for deposits in current and savings accounts and 4.5% for certificates of deposit under 18 months and 0% over 18 months.

The legal reserve required meeting liquidity requirements on current deposits at December 31, 2019 and 2018 was $3,676,790 and $3,528,661, respectively.

The legal reserve required meeting liquidity requirements for certificates of deposit fewer than 18 months at December 31, 2019 and 2018 was $301,462 and $416,358, respectively.

The legal reserve required by the US Federal Reserve's for Miami and New York agencies, on the amount of net transactions, at December 31, 2019 was $680,016.

Following, the required reserve requirement in Central America by country is detailed, both for deposits and raising funds in local and foreign currency:

Country		2019	2018
Guatemala	$	1,374,055	1,275,616
El Salvador		1,858,172	1,845,594
Honduras		1,331,492	970,041
Nicaragua		624,387	630,161
Costa Rica		2,621,803	2,697,271
Total	$	**7,809,909**	**7,418,683**

There are no restrictions on cash and cash equivalents, in addition to those reported in the previous paragraphs.

Note 9 – Financial assets

9.1 Investments at fair value through profit or loss

The balance of investments in debt and equity securities at fair value through profit or loss includes the following:

		December 31, 2019	December 31, 2018
Debt securities issued or secured			
In Colombian Pesos			
Colombian Government	$	250,740	130,899
Other Colombian Government entities		145,704	88,385
Other financial entities		789,400	503,697
Non-financial sector entities		23,430	28,541
Others		23,826	17,104
		1,233,100	768,626
In foreign currency			
Other Colombian Government entities		0	20,473
Other financial entities		258,077	58,564
Central banks		13,966	12,914
Foreign Governments		131,790	98,155
Others		2,552	3,762
		406,385	193,868
Total debt securities		**1,639,485**	**962,494**
Equity securities			
In Colombian Pesos			
Collective investment funds		30,158	361,851
Mandatory investment funds (1)		1,815,121	1,422,535
		345,203	0
		2,190,482	1,784,386

		December 31, 2019	December 31, 2018
In foreign currency			
Collective investment funds		57	58
Corporate stock		34,796	32,733
		34,853	32,791
Total equity securities		**2,225,335**	**1,817,177**
Total	$	**3,864,820**	**2,779,671**

(1) Corresponds to the stabilization reserve of the pension and severance funds which is the 1% of the value of each administrated fund.

The following is the breakdown of the credit quality, by credit risk level and type of issuer based on the rating issued by the independent credit rating agency:

		December 31, 2019	December 31, 2018
Debt securities issued or secured			
Investment grade			
Sovereign (1)	$	250,740	130,899
Corporate		47,256	45,645
Financial entities		799,483	535,632
Other Colombian Government entities (2)		145,704	108,858
		1,243,183	821,034
Speculative grade			
Sovereign (1)		131,790	98,155
Central banks		13,966	12,914
Financial entities		247,994	26,628
		393,750	137,697
Without grade or not available			
Corporate		2,552	3,763
		2,552	3,763
Total debt securities		**1,639,485**	**962,494**
Equity securities			
Investment grade		468,750	446,159
Without grade or not available		1,756,585	1,371,018
Total equity securities		**2,225,335**	**1,817,177**
Total	$	**3,864,820**	**2,779,671**

(1) A sovereign credit rating considers the risk of Treasury issuer or similar agency (government debt portfolio).
(2) Derived from operations with government entities; including public administrations regional and local governments.

Debt securities pledged as collateral

The following is a list of investments at fair value through profit or loss that are being used as collateral in repo operations, pledged as collateral for transactions with financial instruments, or pledged to third parties as collateral to secure financial obligations with other banks.

		December 31, 2019	December 31, 2018
Pledged as collateral in money market operations			
Central banks		12,454	11,533
Foreign Governments	$	53,900	51,055
		66,354	**62,588**
Pledged as collateral to special entities such as CRCC, BR and/or BVC (1)			
Colombian Government		5,433	2,221
		5,433	**2,221**
Total	$	**71,787**	**64,809**

(1) Central Counterpart Clearing House (CRCC), Central Bank of Colombia (BR), Colombian Stock Exchange (BVC)

9.2 Investments at fair value through other comprehensive income

The balance of investments in debt and equity securities at fair value through other comprehensive income includes the following:

		December 31, 2019			
		Cost	Unrealized gain	Unrealized loss	Fair value
Debt securities issued or secured					
In Colombian Pesos					
Colombian Government	$	3,602,529	16,580	(24,019)	3,595,090
Other Colombian Government entities		213,715	2,509	(671)	215,553
Other financial entities		511,775	9,959	(1,573)	520,161
Non-financial sector entities		15,427	182	0	15,609
		4,343,446	29,230	(26,263)	4,346,413
In foreign currency					
Colombian Government		333,639	685	(270)	334,054
Other Colombian Government entities		171,231	13,379	0	184,610
Other financial entities		1,979,879	9,319	(258)	1,988,940
Central banks		969,832	2,354	(2,091)	970,095
Foreign Governments		4,761,327	219,787	(390)	4,980,724
Others		257,677	3,876	(48)	261,505
		8,473,585	249,400	(3,057)	8,719,928
Total debt securities		**12,817,031**	**278,630**	**(29,320)**	**13,066,341**
Equity securities					
In Colombian Pesos					
Corporate stock		138,488	80,407	(655)	218,240
In foreign currency					
Corporate stock		11,480	5,996	0	17,476
Total equity securities		**149,968**	**86,403**	**(655)**	**235,716**
Total	$	**12,966,999**	**365,033**	**(29,975)**	**13,302,057**

		December 31, 2018			
		Cost	Unrealized gain	Unrealized loss	Fair value
Debt securities issued or secured					
In Colombian Pesos					
Colombian Government	$	1,964,320	40	(22,229)	1,942,131
Other Colombian Government entities		133,118	1,383	(756)	133,745
Other financial entities		542,390	6,402	(493)	548,299
Non-financial sector entities		22,383	147	(3)	22,527
		2,662,211	7,972	(23,481)	2,646,702
In foreign currency					
Colombian Government		168,990	0	(1,828)	167,162
Other Colombian Government entities		242,572	1,535	(915)	243,192
Other financial entities		2,368,780	72	(40,512)	2,328,340
Non-financial sector entities		234,225	0	(68,347)	165,878
Central banks		1,133,338	1,059	(2,657)	1,131,740
Foreign Governments		2,944,128	9,162	(35,627)	2,917,663
Others		66,332	64	(1,685)	64,711
		7,158,365	11,892	(151,571)	7,018,686
Total debt securities		**9,820,576**	**19,864**	**(175,052)**	**9,665,388**
Equity securities					
In Colombian Pesos					
Corporate stock		138,488	41,234	(375)	179,347
In foreign currency					
Corporate stock		15,719	21	0	15,740
Total equity securities		**154,207**	**41,255**	**(375)**	**195,087**
Total	$	**9,974,783**	**61,119**	**(175,427)**	**9,860,475**

Following is a breakdown of the main equity securities at fair value through other comprehensive income:

		December 31, 2019	December 31, 2018
Credibanco S.A.	$	151,688	131,842
A.C.H. Colombia S.A.		46,555	29,886
Bolsa de Valores S.A.		6,024	6,222
Almacenadora Guatemalteca S.A.		7,588	5,693
Redeban Multicolor S.A Megabanco		7,990	3,778
Sociedad Portuaria Regional de Buenaventura S.A.		1,093	3,016
Latinex Holdings, Inc.		1,644	1,856
Flor del Monte SA		1,448	1,448
Cámara de Compensación de Divisas		1,601	1,287
Others		10,085	10,059
Total	$	**235,716**	**195,087**

The following is the breakdown of the credit quality, by credit risk level and type of issuer based on the rating issued by the independent credit rating agency:

		December 31, 2019	December 31, 2018
Debt securities issued or secured			
Investment grade			
Sovereign (1)	$	4,858,514	2,978,163
Corporate		55,070	58,729
Financial entities		2,083,918	2,403,146
Multilaterals		69,741	61,669
Other Colombian Government entities (2)		400,163	376,938
		7,467,406	5,878,645
Speculative grade			
Sovereign (1)		4,051,354	2,048,792
Central banks		970,095	1,131,740
Corporate		152,303	186,759
Financial entities		425,183	411,824
		5,598,935	3,779,115
Default			
Corporate		0	7,628
		0	7,628
Total debt securities		**13,066,341**	**9,665,388**
Equity securities			
Investment grade		205,360	170,966
Without grade or not available		30,356	24,121
Total equity securities		**235,716**	**195,087**
Total	$	**13,302,057**	**9,860,475**

(1) A sovereign credit rating considers the risk of Treasury issuer or similar agency (government debt portfolio).
(2) Derived from operations with government entities; including public administrations regional and local governments.

Debt securities pledged as collateral

The following is a list of investments at fair value through other comprehensive income that are being used as collateral in repo operations, pledged as collateral for transactions with financial instruments, or pledged to third parties as collateral to secure financial obligations with other banks.

		December 31, 2019	December 31, 2018
Pledged as collateral in money market operations			
Colombian Government	$	2,751,872	17,412
Foreign Governments		0	202,300
		2,751,872	**219,712**
Pledged as collateral to special entities such as CRCC, BR and/or BVC (1)			
Colombian Government		323,455	208,905
		323,455	**208,905**

		December 31, 2019	December 31, 2018
Other collaterals			
Central banks		167,042	167,634
		167,042	**167,634**
Total	$	**3,242,369**	**596,251**

(1) Central Counterpart Clearing House (CRCC), Central Bank of Colombia (BR), Colombian Stock Exchange (BVC)

Impairment of investments at fair value through other comprehensive income

The following is the movement of impairment of investments at fair value through other comprehensive income, by stages:

		Stage 1	Stage 2	Total
Balance at December 31, 2017	$	**0**	**0**	**0**
Changes in accounting policies		12,836	370	13,206
Balance adjusted		**12,836**	**370**	**13,206**
Impairment with effect in net income		11,758	450	12,208
Impairment recovery of sold/expired instruments		(5,471)	(383)	(5,854)
Recoveries		(922)	(8)	(930)
Exchange difference		704	0	704
Balance at December 31, 2018	$	**18,905**	**429**	**19,334**
Impairment with effect in net income		24,196	0	24,196
Impairment recovery of sold/expired instruments		(10,150)	(429)	(10,579)
Recoveries		(3,158)	0	(3,158)
Exchange difference		704	0	704
Balance at December 31, 2019	$	**30,497**	**0**	**30,497**

Fundamentally, the variations in fair value reflect variations in market conditions, mainly because of changes in interest rates, exchange rates, credit spreads and other economic conditions within the country where the investment is held. The Group considers that the fair value of financial assets reflected no significant losses as of December 31, 2019 and 2018 due to credit risk impairment.

An analysis of sensitivity to changes in interest rates on financial assets at fair value is disclosed in note 6 Financial Risk Management.

Financial assets in equity securities at fair value through 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, 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, $10,166 and $17,748 were recognized in the statement of income for the periods ended as of December 31, 2019 and 2018, respectively. Moreover, no accumulated profits from the sale of those investments were transferred from the OCI account during that period.

9.3 Investments at amortized cost

The balance of investments in debt securities at amortized cost includes the following:

		December 31, 2019	December 31, 2018
Debt securities issued or secured			
In Colombian Pesos			
Other Colombian Government entities	$	1,394,127	1,319,767
Other financial entities		1,017	9,123
		1,395,144	1,328,890

		December 31, 2019	December 31, 2018
In foreign currency			
Foreign Governments		23,043	32,321
		23,043	32,321
		1,418,187	**1,361,211**
Impairment		(319)	(37)
Total debt securities	$	**1,417,868**	**1,361,174**

The following is the breakdown of the credit quality, by credit risk level and type of issuer based on the rating issued by the independent credit rating agency:

		December 31, 2019	December 31, 2018
Investment grade			
Sovereign (1)	$	23,043	32,321
Financial entities		1,017	9,123
Other Colombian Government entities (2)		1,394,127	1,319,767
Total	$	**1,418,187**	**1,361,211**

(1) A sovereign credit rating considers the risk of Treasury issuer or similar agency (government debt portfolio).
(2) Derived from operations with government entities; including public administrations (regional and local governments).

Maturity by time bands of investments at amortized cost

The following is a summary of investments at amortized cost, by time bands:

		December 31, 2019	December 31, 2018
Up to 1 month	$	328,280	301,502
More than 3 months and no more than 1 year		1,089,907	1,058,682
More than 1 year and no more than 5 years		0	1,027
	$	**1,418,187**	**1,361,211**

Impairment of investments at amortized cost

The following is the movement of impairment of investments at amortized cost, by stages:

		Stage 1
Balance at December 31, 2017	$	**0**
Changes in accounting policies		317
Balance adjusted		**317**
Recoveries		(280)
Balance at December 31, 2018		**37**
Impairment with effect in net income		432
Impairment recovery of sold/expired instruments		(141)
Recoveries		(9)
Balance at December 31, 2019	$	**319**

There were no reclassifications between investment categories for the period reported.

9.4 Trading derivatives

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

		December 31, 2019		December 31, 2018	
		Notional amount	Fair value	Notional amount	Fair value
Assets					
Forward contracts (1)					
Foreign currency to buy	$	917,977	20,139	5,320,742	220,709
Foreign currency to sell		(6,189,281)	215,856	(851,894)	7,242
		(5,271,304)	**235,995**	**4,468,848**	**227,951**
Swaps					
Cross currency		455,466	31,091	380,692	38,050
Interest rate		4,313,019	46,058	3,989,415	27,983
		4,768,485	**77,149**	**4,370,107**	**66,033**
Futures contracts (2)					
Foreign currency to buy		2,082,622	0	5,874,411	0
Foreign currency to sell		(2,564,296)	0	(118,453)	0
		(481,674)	**0**	**5,755,958**	**0**
Options contracts					
Currency to buy		1,168,833	23,004	928,186	29,507
Total assets		**184,340**	**336,148**	**15,523,099**	**323,491**
Liabilities					
Forward contracts (1)					
Foreign currency to buy		(6,727,837)	242,383	(690,214)	16,504
Foreign currency to sell		909,340	26,586	5,559,461	197,183
		(5,818,497)	**268,969**	**4,869,247**	**213,687**
Swaps					
Cross currency		468,147	24,660	1,233,354	135,771
Interest rate		3,610,377	33,197	2,867,483	14,053
		4,078,524	**57,857**	**4,100,837**	**149,824**
Futures contracts (2)					
Currency to buy		(5,013,114)	0	(320,913)	0
Currency to sell		222,846	0	1,635,924	0
		(4,790,268)	**0**	**1,315,011**	**0**
Options contracts					
Currency to sell		1,062,386	31,267	813,811	16,484
Total liabilities	$	**(5,467,855)**	**358,093**	**11,098,906**	**379,995**

(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 variation as of December 31, 2019 with respect to December 31, 2018 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.

9.5 Hedging derivatives

The financial derivatives used for hedging include following:

		December 31, 2019		December 31, 2018	
		Notional amount	Fair value	Notional amount	Fair value
Assets					
Forward contracts					
Foreign currency to buy	$	6,556	2	1,038,297	28,324
Foreign currency to sell		(3,972,549)	163,002	(162,488)	1,771
Securities to sell		0	0	(215,297)	2,886
		(3,965,993)	**163,004**	**660,512**	**32,981**
Futures contracts (1)					
Currency to buy		0	0	1,091,916	0
Currency to sell		(3,252,561)	0	(188,486)	0
		(3,252,561)	**0**	**903,430**	**0**
Total assets		**(7,218,554)**	**163,004**	**1,563,942**	**32,981**
Liabilities					
Forward contracts					
Foreign currency to buy		(1,846,437)	73,163	(126,740)	1,127
Foreign currency to sell		842,225	16,197	3,628,346	179,570
Securities to sell		0	0	285,523	614
		(1,004,212)	**89,360**	**3,787,129**	**181,311**
Futures contracts (1)					
Foreign currency to buy		(974,949)	0	(103,992)	0
Foreign currency to sell		2,343,155	0	4,497,654	0
		1,368,206	**0**	**4,393,662**	**0**
Total liabilities	$	**363,994**	**89,360**	**8,180,791**	**181,311**

(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, 2019 with respect to December 31, 2018 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, 2019	December 31, 2018
Investment grade	$	232,640	341,558
Speculative		310	1,534
Without grade or not available		266,202	13,380
Total	$	**499,152**	**356,472**

Derivatives guarantees

Following shows the nominal amounts delivered and received as guarantees to support operations with derivatives:

		December 31, 2019	December 31, 2018
Cash			
Delivered	$	34,990	253,698
Received		56,269	29,410
Total		**91,259**	**283,108**
Financial instruments			
Delivered		298,084	192,620
Total	$	**298,084**	**192,620**

Hedge accounting

The Group has decided to use hedge accounting for its assts and liabilities in foreign currency of foreign subsidiaries and branches 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) represented by assts and liabilities in foreign currency of foreign subsidiaries and branches.

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 assts and liabilities in foreign currency of foreign subsidiaries and branches or the exchange gains or losses that are not completely eliminated in the consolidation with foreign branches are recorded in other comprehensive income (OCI).

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 assts and liabilities in foreign currency of foreign subsidiaries and branches.

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 assets and liabilities in foreign currency of foreign subsidiaries and branches not covered by non-derivative instruments (debt). The idea is afford as much protection as possible against the spot exchange rate of assets and liabilities in foreign currency of foreign subsidiaries and branches.

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 assets and liabilities that are 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 assets and liabilities in foreign currency of foreign subsidiaries and branches. 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.

- **Effectiveness of hedge forward contracts**

For measuring the hedging effectiveness of derivative instruments, the Dollar offset method is utilized, determining the ratio between the exchange in fair value of the forward contract attributable to USD/COP exchange rate variations and daily changes of the value in pesos of the portion of the assets and liabilities hedged.

- **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 peso, which is the functional currency of the Group. The effectiveness tests are based on the Comparison Method of the critical terms: To the extent that the amount of the hedge instrument matches exactly the portion of the assets and liabilities hedged, the relationship is perfectly effective.

Hedge accounting effect of assets and liabilities 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 Financial Superintendence of Colombia. The effects of changes in the peso / dollar exchange rate are recorded in other comprehensive income.

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

		December 31, 2019								
		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		Exchange difference Investment	Exchange difference in foreign currency obligations	Exchange difference in forward and futures contracts	Net
					Assets	Liabilities				
Leasing Bogotá S.A. Panamá	$	4,475	2,868	(2,067)	(2,040)	(352)	4,230,937	(1,502,374)	(2,716,214)	12,349
Other subsidiaries and agencies Banco de Bogotá (1)		140	85	0	(158)	20	129,616	0	(127,333)	2,283
Total	$	**4,615**	**2,953**	**(2,067)**	**(2,198)**	**(332)**	**4,360,553**	**(1,502,374)**	**(2,843,547)**	**14,632**

		December 31, 2018								
		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		Exchange difference Investment	Exchange difference in foreign currency obligations	Exchange difference in forward and futures contracts	Net
					Assets	Liabilities				
Leasing Bogotá S.A. Panamá	$	3,964	2,868	(2,067)	450	(2,346)	4,129,381	(1,445,756)	(2,669,831)	13,794
Other subsidiaries and agencies Banco de Bogotá (1)		126	81	0	(26)	(95)	125,978	0	(123,398)	2,580
Total	$	**4,090**	**2,949**	**(2,067)**	**424**	**(2,441)**	**4,255,359**	**(1,445,756)**	**(2,793,229)**	**16,374**

(1) Includes Banco de Bogotá Panamá, 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 S.A. Panamá 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 of its assets and liabilities in foreign currency of foreign subsidiaries and branches, 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 S.A. Panamá for US$398 million.
- In May 2016, the Bank issued US$600 million in bonds on international markets under regulation 144A. They were designated immediately as instruments to hedge Leasing Bogotá S.A. Panamá's investment of US$581 million to replace positions in forwards.
- In November 2016, the Bank issued US$500 million in bonds on international markets under regulation 144A. They were designated immediately to hedge Leasing Bogotá S.A. Panamá'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 S.A. Panamá for US$588 million to replace of the credit agreement granted in January 2017.

Fair value hedging

Leasing Bogotá Panama on December 10, 2019 liquidated the debt securities investment portfolio through disposition, which was covered by forward derivatives with the objective of mitigating risk exposure; reason why these derivatives were not renewed.

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

		December 31, 2018					
		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	$	500,819	2,886	(614)	2,272	(29,701)	Other assets at fair value through profit or loss / Other liabilities
Hedging instrument - Government and corporate bonds	$	0	429,278	0	(2,370)	33,093	Investment available for sale

Note 10 – Loan portfolio and financial leases at amortized cost, net

Loans are recorded at amortized cost on the statement of financial position and are classified as commercial, consumer, mortgage, and microcredit. Due to the significance of the financial leasing portfolio for the Group, these amounts are also presented in all the tables in the note of credit risks and this note for disclosure purposes:

		December 31, 2019		
		Balance on the consolidated statement of financial position	Reclassification of financial leases	Balance according to disclosure
Commercial	$	69,208,778	(3,758,021)	65,450,757
Consumer		33,440,079	(240,501)	33,199,578
Mortgage		15,199,012	(485,871)	14,713,141
Microcredit		403,969	0	403,969

		December 31, 2019		
		Balance on the consolidated statement of financial position	Reclassification of financial leases	Balance according to disclosure
Financial leases		0	4,484,393	4,484,393
Total	$	**118,251,838**	**0**	**118,251,838**

		December 31, 2018		
		Balance on the consolidated statement of financial position	Reclassification of financial leases	Balance according to disclosure
Commercial	$	70,446,069	(3,449,038)	66,997,031
Consumer		31,170,583	(243,818)	30,926,765
Mortgage		14,115,974	(423,663)	13,692,311
Microcredit		418,288	0	418,288
Financial leases		0	4,116,519	4,116,519
Total	$	**116,150,914**	**0**	**116,150,914**

10.1 Loan portfolio, by credit lines

The following shows the distribution of the Group's loan portfolio, by credit lines:

		December 31, 2019	December 31, 2018
Ordinary loans	$	67,479,887	71,162,337
Mortgage		14,575,262	13,599,047
Credit cards		13,907,505	12,778,339
Payroll installment loans		9,112,556	3,684,775
Financial leases out immovable property		2,899,450	2,783,954
Loans to micro - businesses and SMEs		2,410,511	2,419,120
Loans with resources from other institutions		2,110,952	1,879,207
Financial leases out movable assets		1,584,944	1,332,565
Home builder loans		1,197,841	942,141
Found in current banking account		461,066	411,742
Microcredit		403,969	418,288
Discounts		347,636	324,624
Consignment in transit		228,937	0
Employee loans		145,149	98,938
Non-recourse factoring		75,016	49,970
Letters of credit, hedged		65,393	137,020
Collateral and guarantees covered		112	0
Others		1,245,652	4,128,847
Total gross loan portfolio		**118,251,838**	**116,150,914**
Impairment		(5,141,711)	(5,132,678)
Total	$	**113,110,127**	**111,018,236**

10.2 Loan portfolio, by maturity

The following shows the distribution of the Group's loan portfolio, by maturity:

		December 31, 2019				
		Up to 1 year	1 to 3 years	3 to 5 years	More than 5 years	Total
Commercial	$	30,096,396	12,477,062	9,266,250	13,611,049	65,450,757
Consumer		14,295,286	6,128,847	4,923,356	7,852,089	33,199,578
Mortgage		232,305	446,875	543,540	13,490,421	14,713,141
Microcredit		223,657	167,530	10,613	2,169	403,969
Financial leases		697,185	1,153,963	1,012,016	1,621,229	4,484,393
Total	$	**45,544,829**	**20,374,277**	**15,755,775**	**36,576,957**	**118,251,838**

		December 31, 2018				
		Up to 1 year	1 to 3 years	3 to 5 years	More than 5 years	Total
Commercial	$	33,175,317	12,837,527	8,212,615	12,771,572	66,997,031
Consumer		13,156,866	5,796,718	4,731,225	7,241,956	30,926,765
Mortgage		203,218	385,849	506,069	12,597,175	13,692,311
Microcredit		223,774	178,601	12,605	3,308	418,288
Financial leases		649,685	1,054,284	949,561	1,462,989	4,116,519
Total	$	**47,408,860**	**20,252,979**	**14,412,075**	**34,077,000**	**116,150,914**

10.3 Loan portfolio, by type of currency

The following is the classification of the loan gross portfolio, by type of currency:

		December 31, 2019			December 31, 2018		
		Local	Foreign	Total	Local	Foreign	Total
Commercial	$	33,462,753	31,988,004	65,450,757	35,804,019	31,193,012	66,997,031
Consumer		13,047,939	20,151,639	33,199,578	11,635,023	19,291,742	30,926,765
Mortgage		3,599,902	11,113,239	14,713,141	3,085,561	10,606,750	13,692,311
Microcredit		403,969	0	403,969	418,288	0	418,288
Financial leases		3,466,262	1,018,131	4,484,393	3,109,528	1,006,991	4,116,519
Total	$	**53,980,825**	**64,271,013**	**118,251,838**	**54,052,419**	**62,098,495**	**116,150,914**

10.4 Loan portfolio, by stages

The following is a breakdown of the portfolio according to the different stages:

		December 31, 2019			
		Stage 1	Stage 2	Stage 3	Total
Commercial	$	59,712,728	2,030,496	3,707,533	65,450,757
Consumer		29,068,106	2,684,204	1,447,268	33,199,578
Mortgage		13,124,608	1,151,042	437,491	14,713,141
Microcredit		324,257	24,602	55,110	403,969
Financial leases		3,825,388	210,496	448,509	4,484,393
Total	$	**106,055,087**	**6,100,840**	**6,095,911**	**118,251,838**

		December 31, 2018			
		Stage 1	Stage 2	Stage 3	Total
Commercial	$	61,459,157	1,385,478	4,152,396	66,997,031
Consumer		26,794,076	2,776,608	1,356,081	30,926,765
Mortgage		12,270,221	1,140,949	281,141	13,692,311
Microcredit		338,759	24,925	54,604	418,288
Financial leases		3,556,476	163,597	396,446	4,116,519
Total	$	**104,418,689**	**5,491,557**	**6,240,668**	**116,150,914**

10.5 Activity in loan portfolio impairment

Following table shows the activity in loan portfolio impairment:

		Commercial	Consumer	Mortgage	Microcredit	Financial leases	Total
Balance at December 31, 2017	$	**1,686,811**	**1,269,654**	**70,498**	**72,915**	**127,100**	**3,226,978**
Changes in accounting policies (see note 2.21)		164,750	622,294	42,895	10,963	12,284	853,186
Balance at January 1, 2018 (adjusted)		**1,851,561**	**1,891,948**	**113,393**	**83,878**	**139,384**	**4,080,164**
Write-offs		(184,027)	(1,546,431)	(44,711)	(38,958)	(11,957)	(1,826,084)
Impairment with effect in net income		728,358	1,684,175	89,870	34,278	67,812	2,604,493
Reversal of caused interests		147,865	29,172	2,366	7,682	12,571	199,656

		Commercial	Consumer	Mortgage	Microcredit	Financial leases	Total
Exchange difference		16,724	52,618	4,946	0	161	74,449
Balance at December 31, 2018	$	**2,560,481**	**2,111,482**	**165,864**	**86,880**	**207,971**	**5,132,678**
Write-offs		(1,078,451)	(1,801,011)	(70,442)	(52,641)	(29,131)	(3,031,676)
Impairment with effect in net income		777,190	1,745,041	130,702	44,536	54,624	2,752,093
Reversal of caused interests		195,219	34,616	3,601	10,365	15,610	259,411
Exchange difference		(3,159)	38,008	(5,513)	0	(131)	29,205
Balance at December 31, 2019	$	**2,451,280**	**2,128,136**	**224,212**	**89,140**	**248,943**	**5,141,711**

Following table shows the activity in loan portfolio impairment by stages:

		Stage 1	Stage 2	Stage 3	Total
Balance at December 31, 2017	$	**733,978**	**318,247**	**2,174,753**	**3,226,978**
Changes in accounting policies (see note 2.21)		311,930	487,720	53,536	853,186
Balance at January 1, 2018 (adjusted)		**1,045,908**	**805,967**	**2,228,289**	**4,080,164**
Write-offs		(139,442)	(28,401)	(1,658,241)	(1,826,084)
Impairment with effect in net income		(38,779)	592,334	2,050,938	2,604,493
Reversal of caused interests		32,675	(3,809)	170,790	199,656
Exchange difference		3,633	0	70,816	74,449
Reclassification from Stage 1 to Stage 2		(152,892)	152,892	0	0
Reclassification from Stage 1 to Stage 3		(32,387)	0	32,387	0
Reclassification from Stage 2 to Stage 3		0	(465,021)	465,021	0
Reclassification from Stage 3 to Stage 2		0	95,279	(95,279)	0
Reclassification from Stage 2 to Stage 1		264,955	(264,955)	0	0
Reclassification from Stage 3 to Stage 1		163,312	0	(163,312)	0
Balance at December 31, 2018	$	**1,146,983**	**884,286**	**3,101,409**	**5,132,678**
Write-offs		(26,024)	(11,320)	(2,994,332)	(3,031,676)
Impairment with effect in net income		(159,632)	491,687	2,420,038	2,752,093
Reversal of caused interests		280	2,155	256,976	259,411
Exchange difference		52,715	49,148	(72,658)	29,205
Reclassification from Stage 1 to Stage 2		(157,536)	157,536	0	0
Reclassification from Stage 1 to Stage 3		(49,845)	0	49,845	0
Reclassification from Stage 2 to Stage 3		0	(471,069)	471,069	0
Reclassification from Stage 3 to Stage 2		0	88,112	(88,112)	0
Reclassification from Stage 2 to Stage 1		278,784	(278,784)	0	0
Reclassification from Stage 3 to Stage 1		83,150	0	(83,150)	0
Balance at December 31, 2019	$	**1,168,875**	**911,751**	**3,061,085**	**5,141,711**

10.6 Loan portfolio assessed individually and collectively

The detailed information of credit risk impairment provisions accrued, taking into account how they were determined individually for loans above of $2,000 and collectively for 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, 2019					
		Commercial	Consumer	Mortgage	Microcredit	Financial leases	Total
Impairment							
Individually assessed loans	$	1,352,347	2,190	0	0	184,121	1,538,658
Collectively assessed loans		1,098,933	2,125,946	224,212	89,140	64,822	3,603,053
Total impairment		**2,451,280**	**2,128,136**	**224,212**	**89,140**	**248,943**	**5,141,711**
Gross balance of financial assets by loan portfolio:							
Individually assessed loans (1)		34,167,445	52,616	9,104	0	2,508,687	36,737,852
Collectively assessed loans		31,283,312	33,146,962	14,704,037	403,969	1,975,706	81,513,986
Total gross loan portfolio	$	**65,450,757**	**33,199,578**	**14,713,141**	**403,969**	**4,484,393**	**118,251,838**

		December 31, 2018					
		Commercial	Consumer	Mortgage	Microcredit	Financial leases	Total
Impairment							
Individually assessed loans	$	1,442,993	1,800	0	0	138,807	1,583,600
Collectively assessed loans		1,117,488	2,109,682	165,864	86,880	69,164	3,549,078
Total impairment		**2,560,481**	**2,111,482**	**165,864**	**86,880**	**207,971**	**5,132,678**
Gross balance of financial assets by loan portfolio:							
Individually assessed loans (1)		31,831,087	43,275	8,361	0	2,429,957	34,312,680
Collectively assessed loans		35,165,944	30,883,490	13,683,950	418,288	1,686,562	81,838,234
Total gross loan portfolio	$	**66,997,031**	**30,926,765**	**13,692,311**	**418,288**	**4,116,519**	**116,150,914**

(1) Includes all individually assessed loans of more than $2,000, regardless of whether they are judged as impaired or otherwise.

10.7 Loan portfolio assessed individually

The following is a breakdown of the loans assessed individually for impairment:

		December 31, 2019		
		Registered gross value	Collateral guarantees	Constituted impairment
No registered impairment				
Commercial	$	47,703	47,703	0
		47,703	**47,703**	**0**
With registered impairment				
Commercial		2,966,372	491,532	1,352,347
Consumer		3,075	832	2,190
Financial leases		415,768	21,644	184,121
		3,385,215	**514,008**	**1,538,658**
Totals				
Commercial		3,014,075	539,235	1,352,347
Consumer		3,075	832	2,190
Financial leases		415,768	21,644	184,121
Total	$	**3,432,918**	**561,711**	**1,538,658**

		December 31, 2018		
		Registered gross value	Collateral guarantees	Constituted impairment
No registered impairment				
Commercial	$	18,789	18,789	0
		18,789	**18,789**	0
With registered impairment				
Commercial		3,437,125	286,984	1,442,993
Consumer		2,493	560	1,800
Financial leases		366,267	19,945	138,807
		3,805,885	**307,489**	**1,583,600**
Totals				
Commercial		3,455,914	305,773	1,442,993
Consumer		2,493	560	1,800
Financial leases		366,267	19,945	138,807
Total	$	**3,824,674**	**326,278**	**1,583,600**

10.8 Financial leases portfolio

The following is the reconciliation of the gross investment in financial leases to the present value of the minimum payments receivable:

		December 31, 2019	December 31, 2018
Gross investment in financial leases agreements	$	**7,069,603**	**6,798,015**
Less unrealized financial income		(2,585,210)	(2,681,496)
Net investment in financial leases agreements		**4,484,393**	**4,116,519**
Impairment of net investment in financial leases agreements	$	**(248,943)**	**(207,971)**

Below is a breakdown of the gross and net investment in financial leases contracts receivable in each of the following periods:

		December 31, 2019		December 31, 2018	
		Gross investment	Net investment	Gross investment	Net investment
Up to 1 year	$	178,706	177,702	177,619	175,866
1 to 5 years		2,779,340	1,575,290	1,668,940	1,532,457
More than 5 years		4,111,557	2,731,401	4,951,456	2,408,196
Total	$	**7,069,603**	**4,484,393**	**6,798,015**	**4,116,519**

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.

Note 11 – Other accounts receivable, net

The following is a breakdown of other accounts receivable:

		December 31, 2019	December 31, 2018
Electronic transfers in process	$	439,728	325,904
Electronic deposits Offset - Credibanco		266,643	293,439
Prepayments to contractors and suppliers		218,580	146,541
Commissions		193,974	216,057
Fees, services and others		183,915	242,874
Abandoned account transfers to “Instituto Colombiano de Crédito Educativo y Estudios Técnicos en el Exterior (ICETEX)”		149,674	129,705
Prepaid expenses		100,885	71,970
Collateral deposits and others(1)		67,946	284,715
Discountable taxes, prepayments and withholdings		47,960	3,991
Sale of goods and services		43,482	68,549
Transfers to the National Treasury		38,486	36,519
Managed pension funds		24,121	24,276
Insurance companies		17,822	12,864
Insufficiency in savings accounts		12,195	6,864
Balances in favor of leasing operations		8,870	8,192
Buy-sell agreements		6,167	13,343
Forward compliance		656	129,280
Other		205,200	87,266
		2,026,304	**2,102,349**
Impairment of other accounts receivable		(91,360)	(83,481)
Total	**$**	**1,934,944**	**2,018,868**

(1) Deposits to guarantee the margin call for derivative instruments with offshore counterparties amounted to $34,990, and $253,698, respectively, as of December 31, 2019 and 2018.

The following shows the movement in the impairment:

		December 31, 2019	December 31, 2018
Balance at the beginning of the period	$	**83,481**	**66,914**
Changes in accounting policies (see note 2.21)		0	5,726
Balance adjusted		**83,481**	**72,640**
Impairment		20,149	15,210
Write-offs (1)		(8,011)	4,036
Recoveries		(4,437)	(8,633)
Exchange difference		178	228
Balance at the end of the period	$	**91,360**	**83,481**

(1) At December 31, 2018 includes reversal adjustment of write-offs for $7,680 of Leasing Bogotá S.A. Panamá.

Note 12 – Non-current assets held for sale

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 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 6.4 on credit risk contain information about assets received through foreclosure and sold during the period.

By December 31, 2019 and 2018 there were no changes in plans for the disposal of non-current assets held for sale.

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

		December 31, 2019	December 31, 2018
Non-current assets held for sale			
Movables	$	196	75,876
Residential real estate		34,162	33,622
Non-mortgaged real estate		140,163	29,569
		174,521	**139,067**
Assets returned from leasing agreements			
Machinery and equipment		584	34
Vehicles		80	858
Property		2,852	25,060
Residential leasing real estate		179	0
		3,695	**25,952**
Total	$	**178,216**	**165,019**

The following shows the movement of cost of non-current assets held for sale:

		December 31, 2019	December 31, 2018
Balance at the beginning of the period	$	**205,803**	**103,466**
Additions		187,841	161,967
Disposals/ Sales		(141,434)	(41,433)
Changes in fair value		(5,733)	(37)
Write-offs		(14,454)	0
Reclassifications (1)		(55,601)	(20,533)
Exchange difference		1,794	2,373
Balance at the end of the period	$	**178,216**	**205,803**

(1) At December 31, 2019 transfers were made: to investment properties for $32,422, other assets for $23,179.
(2) At December 31, 2018 transfers were made: to investment properties for $20,213, other assets for $299 and investments for $21.

The following shows the movement of impairment of non-current assets held for sale:

		December 31, 2019	December 31, 2018
Balance at the beginning of the period	$	**40,784**	**25,407**
Assets sold		(10,672)	(9,546)
Impairments charged to expenses, net		(8,055)	24,923
Write-offs		(14,454)	0
Reclassifications (1)		(8,200)	0
Exchange difference		597	0
Balance at the end of the period	$	**0**	**40,784**

(1) At December 31, 2019 corresponds to transfers from other assets for $8,200.

The liabilities associated with the groups of assets held for sale at December 31,2019 and 2018, came to $5,282 and $7,889, respectively.

Marketing plan

The Group 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 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 13 – Investments in associates and joint ventures

Following is a breakdown of investments in associates and joint ventures:

		December 31, 2019	December 31, 2018
Associates	$	4,751,086	4,155,968
Joint ventures		1,272	1,047
Total	$	**4,752,358**	**4,157,015**

13.1 Investments in associates

The following table shows the shareholding and book value in each associate:

	December 31, 2019			December 31, 2018		
	% Shareholding		Book value	% Shareholding		Book value
Corporación Financiera Colombiana S.A.	33.25%	$	4,738,280	32.93%	$	4,146,207
Casa de Bolsa S.A.	22.80%		8,353	22.80%		7,869
Servicios de Identidad Digital S.A.S. (1)	33.33%		2,352	0.00%		0
A Toda Hora S.A.	19.99%		2,101	19.99%		1,892
Pizano S.A. - entity in liquidation.	18.47%		0	18.47%		0
Total		$	**4,751,086**		$	**4,155,968**

(1) The entity Servicios de Identidad Digital S.A.S. enters as an associate on December 27, 2019.

The following is the corporate purpose and headquarters of the associates:

	Associates	Corporate Purpose	Headquarters
1	Corporación Financiera Colombiana S.A.	Specializes in a wide range of products for private banking, investment banking, treasury operations and investments in equity securities.	Bogotá D.C.
2	Casa de Bolsa S.A.	Brokerage house (securities brokerage and securities fund management).	Bogotá D.C.
3	Servicios de Identidad Digital S.A.S.	Provide basic and special digital citizen services, and digital procedures.	Bogotá D.C.
4	A Toda Hora S.A.	Financial transactions services.	Bogotá D.C.
5	Pizano S.A. - entity in liquidation.	Manufactures laminated wood products.	Barranquilla

The following is condensed financial information of the investments in associates:

	December 31, 2019					
	Assets	Liabilities	Equity	Income	Expenses	Net income
Corporación Financiera Colombiana S.A.	$ 14,798,012	7,153,586	7,644,426	3,030,591	1,464,284	1,566,307
Casa de Bolsa S.A.	35,304	3,649	31,655	61,233	59,135	2,098
Servicios de Identidad Digital S.A.S.	7,824	769	7,055	1	53	(52)
A Toda Hora S.A.	11,663	1,159	10,504	11,994	10,949	1,045
Pizano S.A. (1)	0	0	0	0	0	0
Total	$ **14,852,803**	**7,159,163**	**7,693,640**	**3,103,819**	**1,534,421**	**1,569,398**

	December 31, 2018					
	Assets	Liabilities	Equity	Income	Expenses	Net income
Corporación Financiera Colombiana S.A.	$ 11,958,020	6,022,781	5,935,239	3,252,209	1,642,631	1,609,578
Casa de Bolsa S.A.	33,440	3,909	29,531	66,883	68,042	(1,159)
A Toda Hora S.A.	10,262	802	9,460	12,044	10,860	1,184
Pizano S.A. (1)	0	0	0	0	0	0
Total	$ **12,001,722**	**6,027,492**	**5,974,230**	**3,331,136**	**1,721,533**	**1,609,603**

(1) There is not show summary financial information of Pizano S.A. because entering into liquidation process on January 31, 2018.

The following is the movement of investments in associates:

	December 31, 2019	December 31, 2018
Balance at beginning of the period	$ **4,155,968**	**3,416,105**
Changes in accounting policies (see note 2.21)	0	124,030
Balance at January 1, 2018 adjusted	**4,155,968**	**3,540,135**
Share in net income	524,128	568,746
Share in other comprehensive income	68,621	(67,840)
Additions (1)	2,369	0
Waiver of shares subscription Corficolombiana	0	122,568
	4,751,086	**4,163,609**
Impairment (2)	0	(7,641)
Balance at end of the period	$ **4,751,086**	**4,155,968**

(1) Corresponds to Servicios de Identidad Digital S.A.S.
(2) Corresponds to investment in Pizano S.A., entity in liquidation.

The variation in investments in associates as of December 31, 2019 compared to December 31, 2018, corresponds mainly to the increase in the book value of investment in Corporación Financiera Colombiana S.A. for $592,073, as a result of the recognition of equity method on net income for the period.

13.2 Investments in joint ventures

The following table shows the shareholding and book value:

	December 31, 2019		December 31, 2018	
	% Shareholding	Book value	% Shareholding	Book value
A Toda Hora S.A. – Joint accounts	25.00%	$ 1,272	25.00%	$ 1,047

The following is the corporate purpose and headquarters of the joint venture:

	Joint ventures	Corporate Purpose	Headquarters
1	A Toda Hora S.A. – Joint accounts	Financial transactions services.	Bogotá D.C.

The following is condensed financial information of the investments in joint ventures:

	December 31, 2019					
	Assets	Liabilities	Equity	Income	Expenses	Net income
A Toda Hora S.A. – Joint accounts	$ 63,787	58,701	5,086	246,564	245,665	899

	December 31, 2018					
	Assets	Liabilities	Equity	Income	Expenses	Net income
A Toda Hora S.A. – Joint accounts	$ 41,249	37,062	4,187	210,800	213,001	(2,201)

The following is the movement of investments in joint ventures:

	December 31, 2019	December 31, 2019
Balance at the beginning of the period	$ **1,047**	**1,597**
Share in net income	225	(550)
Balance at the end of the period	$ **1,272**	**1,047**

There is no contingent liability for the Group's shareholding in investments in associates and joint ventures.

It is not considered necessary to calculate the fair value of investments in associates and joint ventures because the cost of their valuation exceeds the benefit of the disclosure, except for Corporación Financiera Colombiana S.A. entity that is listed on the stock exchange.

Note 14 – Property, plant and equipment

The following is a breakdown of property, plant and equipment:

	December 31, 2019			
	Cost	Accumulated depreciation	Impairment	Net
Land	$ 427,356	0	0	427,356
Buildings and constructions	1,199,550	(410,764)	0	788,786
Machinery	17,164	(10,757)	(37)	6,370
Vehicles	44,382	(25,433)	0	18,949
Office furniture, fixtures and equipment	777,151	(543,751)	0	233,400
Computer hardware, networking and communications	1,468,031	(1,022,338)	0	445,693
Leasehold improvements	344,164	(192,999)	0	151,165
Construction in progress	27,941	0	0	27,941
Total	$ **4,305,739**	**(2,206,042)**	**(37)**	**2,099,660**

		December 31, 2018			
		Cost	Accumulated depreciation	Impairment	Net
Land	$	412,471	0	0	412,471
Buildings and constructions		1,170,698	(368,883)	0	801,815
Machinery		14,227	(9,932)	(37)	4,258
Vehicles		40,947	(21,562)	0	19,385
Office furniture, fixtures and equipment		732,615	(496,307)	0	236,308
Computer hardware, networking and communications		1,189,279	(871,999)	0	317,280
Leasehold improvements		323,247	(192,420)	0	130,827
Construction in progress		21,970	0	0	21,970
Total	$	**3,905,454**	**(1,961,103)**	**(37)**	**1,944,314**

The following is the activity of cost in property, plant and equipment:

		December 31, 2018	Additions	Disposals/ Sales	Reclassifi-cations (1)	Exchange difference	December 31, 2019
Land	$	412,471	3,734	(2,558)	9,534	4,175	427,356
Buildings and constructions		1,170,698	16,636	(15,167)	20,179	7,204	1,199,550
Machinery		14,227	2,941	(4)	0	0	17,164
Vehicles		40,947	6,608	(3,866)	0	693	44,382
Office furniture, fixtures and equipment		732,615	46,695	(21,877)	10,320	9,398	777,151
Computer hardware, networking and communications		1,189,279	189,146	(110,427)	178,539	21,494	1,468,031
Leasehold improvements		323,247	7,904	(32,651)	35,809	9,855	344,164
Construction in progress		21,970	83,324	(4,576)	(69,052)	(3,725)	27,941
Total	$	**3,905,454**	**356,988**	**(191,126)**	**185,329**	**49,094**	**4,305,739**

(1) Corresponds to transfers from other assets for $191,517 and investment property for $4,985 and to right of use assets for $6,720 and to investment property for $4,453.

		December 31, 2017	Additions	Disposals/ Sales	Reclassifi-cations (1)	Exchange difference	December 31, 2018
Land	$	399,628	4,224	(1,132)	452	9,299	412,471
Buildings and constructions		1,122,946	19,668	(41,815)	40,090	29,809	1,170,698
Machinery		13,544	698	(366)	351	0	14,227
Vehicles		37,298	9,589	(7,546)	0	1,606	40,947
Office furniture, fixtures and equipment		679,921	43,992	(15,599)	1,151	23,150	732,615
Computer hardware, networking and communications		1,066,307	126,476	(39,232)	617	35,111	1,189,279
Leasehold improvements		299,807	9,121	(9,136)	10,645	12,810	323,247
Construction in progress		48,432	40,307	(10,158)	(56,733)	122	21,970
Total	$	**3,667,883**	**254,075**	**(124,984)**	**(3,427)**	**111,907**	**3,905,454**

(1) Corresponds to transfers to investment property for $2,722 and to other assets for $705.

The following is the activity in depreciation on property, plant and equipment:

		December 31, 2018	Depreciation	Disposals / Sales	Reclassifi-cations (1)	Exchange difference	December 31, 2019
Buildings and constructions	$	(368,883)	(47,411)	6,661	308	(1,439)	(410,764)
Machinery		(9,932)	(829)	4	0	0	(10,757)
Vehicles		(21,562)	(6,481)	2,766	0	(156)	(25,433)
Office furniture, fixtures and equipment		(496,307)	(59,483)	20,163	(2,334)	(5,790)	(543,751)
Computer hardware, networking and communications		(871,999)	(160,323)	108,946	(86,410)	(12,552)	(1,022,338)

		December 31, 2018	Depreciation	Disposals / Sales	Reclassifi-cations (1)	Exchange difference	December 31, 2019
Leasehold improvements		(192,420)	(28,025)	32,262	82	(4,898)	(192,999)
Total	$	**(1,961,103)**	**(302,552)**	**170,802**	**(88,354)**	**(24,835)**	**(2,206,042)**

(1) Corresponds to transfers from other assets for $89,902 and to right of use assets for $1,548.

		December 31, 2017	Depreciation	Disposals / Sales	Reclassifi-cations (1)	Exchange difference	December 31, 2018
Buildings and constructions	$	(327,836)	(52,416)	20,457	311	(9,399)	(368,883)
Machinery		(9,044)	(916)	362	(334)	0	(9,932)
Vehicles		(20,746)	(5,738)	6,786	0	(1,864)	(21,562)
Office furniture, fixtures and equipment		(439,157)	(55,072)	14,679	474	(17,231)	(496,307)
Computer hardware, networking and communications		(771,489)	(111,763)	35,247	222	(24,216)	(871,999)
Leasehold improvements		(163,248)	(29,002)	7,842	10	(8,022)	(192,420)
Total	$	**(1,731,520)**	**(254,907)**	**85,373**	**683**	**(60,732)**	**(1,961,103)**

(1) Corresponds to transfers between concepts.

Following is the activity of impairment in property, plant and equipment:

		December 31, 2018	Impairment charged to expenses	Disposals/ Sales	December 31, 2019
Machinery	$	(37)	(12)	12	(37)
Total	$	**(37)**	**(12)**	**12**	**(37)**

		December 31, 2017	Impairment charged to expenses	Disposals/ Sales	December 31, 2018
Machinery	$	(42)	(12)	17	(37)
Total	$	**(42)**	**(12)**	**17**	**(37)**

There are no restrictions on ownership of property, plant and equipment.

At December 31, 2019, the Group carried out a qualitative analysis that takes into account the internal and external sources of information and based on them, it can determine its recoverable value based on the fair value determined by the technical appraisal of an independent appraiser.

Note 15 – Right of use assets

Breakdown of balance by type of right of use assets:

		December 31, 2019		
		Cost	Accumulated depreciation	Net
Land	$	162	(65)	97
Buildings		1,562,135	(191,915)	1,370,220
Mobilization team and machinery		58	(14)	44
Vehicles		41,693	(5,957)	35,736
Computer hardware		40,032	(4,099)	35,933
Total	$	**1,644,080**	**(202,050)**	**1,442,030**

The activity of cost in assets right of use:

		Balance at the beginning	Implementing IFRS 16	Sublease	Additions	Contracts adjustment	Cancellations	Reclassification (1)	Exchange difference	Balance at the end
Land	$	0	162	0	0	0	0	0	0	162
Buildings		0	1,484,709	(676)	84,026	5,517	(58,913)	0	47,472	1,562,135
Mobilization team and machinery		0	0	0	58	0	0	0	0	58
Vehicles		0	37,949	0	0	0	0	0	3,744	41,693
Computer hardware		0	2,308	0	31,429	0	0	6,295	0	40,032
Total	$	**0**	**1,525,128**	**(676)**	**115,513**	**5,517**	**(58,913)**	**6,295**	**51,216**	**1,644,080**

(1) IBM Contracts that already had financial lease treatment and accounted as property, plant and equipment.

The activity of depreciation in assets right of use:

		Balance at the beginning	Depreciation	Depreciation accumulated (1)	Cancellations	Exchange difference	Balance at the end
Land	$	0	(65)	0	0	0	(65)
Buildings		0	(197,236)	0	4,841	480	(191,915)
Mobilization team and machinery		0	(14)	0	0	0	(14)
Vehicles		0	(6,035)	0	0	78	(5,957)
Computer hardware		0	(2,976)	(1,123)	0	0	(4,099)
Total	$	**0**	**(206,326)**	**(1,123)**	**4,841**	**558**	**(202,050)**

(1) Corresponds to: Contracts with IBM that already had financial leasing treatment and dismantling costs, accounted for as property, plant and equipment.

In the development of its operations, the Group lease several properties such as lands, buildings, computer hardware, mobilization equipment and warehouses. Normally, lease contracts are made for 1 to 15 years fixed periods. The lease conditions are negotiated individually and have a wide range of different terms and conditions. Lease contracts do not impose any agreement, but leased assets cannot be used as collateral for loan purposes.

Note 16 – Investment property

The following is a breakdown by type of property:

		December 31, 2019	December 31, 2018
Land	$	259,761	232,589
Buildings		58,831	55,062
Total	$	**318,592**	**287,651**

The following table shows the activity in the cost:

		Land	Buildings	Total
Balance at December 31, 2017	$	**203,349**	**51,596**	**254,945**
Changes in fair value		25,695	3,571	29,266
Reclassifications (1)		19,754	3,181	22,935
Disposals / Sales		(16,209)	(3,286)	(19,495)
Balance at December 31, 2018	$	**232,589**	**55,062**	**287,651**
Additions		0	4	4
Changes in fair value		7,275	(1,870)	5,405
Disposals / Sales		(6,765)	(2,927)	(9,692)

		Land	Buildings	Total
Reclassifications (2)		26,239	5,651	31,890
Revaluation with effect in OCI		423	2,911	3,334
Balance at December 31, 2019	$	**259,761**	**58,831**	**318,592**

(1) Corresponds to transfers from Property, plant and equipment for $2,722 and non-current assets held for sale for $20,213.
(2) Corresponds to transfers from non-current assets held for sale for $32,422 and property, plant and equipment for $4,453, and to property, plant and equipment $4,985.

The following is the detail of figures included in net income of the period:

		December 31, 2019	December 31, 2018
Rental income from investment property	$	3,848	2,796
Direct operating expenses arising from investment property generating rental income		(100)	(134)
Total	$	**3,748**	**2,662**

There were no contractual obligations to acquire investment property, nor repairs, maintenance and improvements, during the periods in question.

There are no restrictions on the sale of investment property.

Note 17 – Goodwill

17.1 Impairment assessment of cash-generating units with allocated goodwill

The Group's management assesses impairment of the goodwill that is recorded annually in its consolidated financial statements. This goodwill is regarded as an asset with an indefinite useful life, based on studies performed 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 (CGU) that are assigned the goodwill upon acquisition. This is done using the discounted future cash flow method 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, 2019, since their recoverable amounts exceeds the book value.

The following is the movement on goodwill:

		December 31, 2019	December 31, 2018
Balance at the beginning of the period	$	**6,007,901**	**5,590,364**
Exchange difference		43,035	417,537
Balance at the end of the period	$	**6,050,936**	**6,007,901**

The value of goodwill recorded in the financial statements of the Group was generated from the following acquisitions:

Buyer Company	Acquisition	CGU Group		December 31, 2019	December 31, 2018
Banco de Bogotá	Megabanco	**Banco de Bogotá**	$	**465,905**	**465,905**
	AFP Horizonte			**436,096**	**436,096**
Banco de Bogotá	Direct acquisition by the Bank	**Porvenir S.A.**		90,162	90,162
Porvenir S.A.	Acquisition through Porvenir			345,934	345,934
Leasing Bogotá S.A Panamá (1)				**5,148,935**	**5,105,900**
	BAC Credomatic	**Leasing Bogotá S.A Panamá**		3,214,262	3,187,397
	BBVA Panamá			1,041,391	1,032,687
	Banco Reformador			752,241	745,954
	Transcom Bank			141,041	139,862
Total Goodwill			$	**6,050,936**	**6,007,901**

(1) The changes are related with the exchange from foreign currency.

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, 2019			
		Goodwill carrying amount	CGU Book value	CGU Fair value	Excess
CGU in Banco de Bogotá (Megabanco)	$	465,905	8,239,489	11,106,623	2,867,134
Pensiones y Cesantías Porvenir (AFP Horizonte)		436,096	2,338,963	5,731,871	3,392,908
Leasing Bogotá Panamá		5,148,935	14,611,105	21,490,101	6,878,996
Total	$	**6,050,936**	**25,189,557**	**38,328,595**	**13,139,038**

		December 31, 2018			
		Goodwill carrying amount	CGU Book value	CGU Fair value	Excess
CGU in Banco de Bogotá (Megabanco)	$	465,905	7,403,179	9,865,076	2,461,897
Pensiones y Cesantías Porvenir (AFP Horizonte)		436,096	2,023,208	4,056,799	2,033,591
Leasing Bogotá Panamá		5,105,900	12,808,191	18,531,491	5,723,300
Total	$	**6,007,901**	**22,234,578**	**32,453,366**	**10,218,788**

17.2 Breakdown of Goodwill, by acquired company:

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.

Until December 31, 2017, the goodwill was allocated to the cash-generating units groups related to the following business lines: commercial, consumer, microcredit, payroll installment loans and vehicles. As of January 1st, 2018, in order to improve the allocation method and in accordance with the operating segments defined by the Bank, the goodwill is assigned to the banking operation segment in Banco de Bogotá (see note 7).

The latest valuation update for the business lines of cash-generating units groups to which this goodwill was allocated was done by the expert Deloitte Asesores y Consultores Ltda. This valuation is included in its January 2020 report and is based on the Banco de Bogotá's financial statements at September 30, 2019, 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 a possible impairment, since

$11,106,623 exceeds in $2,867,134 the fair value resulting from the assessment valuation exceeds for $8,239,489 in book value for the CGU groups of banking operation segment.

The following table shows the averages of the primary premises used in the last impairment test at December 31, 2019:

	December 31, 2018				
	2020	2021	2022	2023	2024
Lending rate on the loan portfolio and investments	9.0%	9.4%	10.0%	10.3%	10.4%
Borrowing rate	3.7%	3.7%	4.1%	4.4%	4.3%
Growth in income from commissions	13.4%	7.6%	7.7%	8.3%	8.6%
Growth in expenses	0.1%	5.3%	5.7%	5.2%	4.9%
Inflation	3.2%	2.7%	3.5%	3.3%	3.3%
Discount rate after taxes	13.0%				
Growth rate after five years	3.3%				

	December 31, 2018				
	2019	2020	2021	2022	2023
Lending rate on the loan portfolio and investments	9.4%	10.0%	10.1%	10.3%	10.5%
Borrowing rate	3.5%	3.8%	3.9%	4.2%	4.3%
Growth in income from commissions	9.9%	7.5%	8.0%	7.9%	8.3%
Growth in expenses	3.7%	3.9%	3.1%	3.5%	3.6%
Inflation	2.9%	3.1%	2.7%	3.5%	3.3%
Discount rate after taxes	14.0%				
Growth rate after five years	3.1%				

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 expectations of the company and independent specialists (The Economist Intelligence Unit "EIU").
- The borrowing rates were projected based on the company expectations and money market rates consulted in of The Economist Intelligence Unit "EIU".
- Estimated growth in fees is based on historical percentages of the gross portfolio.
- Estimated growth in expenses is 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.
- The growth rate used for the terminal value was 3.3%, 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 13% 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 $10,030,439 which is well above the book value of $8,239,489.

AFP Horizonte Pensiones y Cesantías S.A.

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, the value of that goodwill net amortization at December 31, 2013 came to $90,162 and $345,934, respectively, corresponding to the cost attributed to January 1, 2014.

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., in its report presented on January 2020 based on Porvenir's financial statements at September 30, 2019, there are no situations indicative of possible impairment, since $5,731,871 in fair value exceeds the book value at December, 2019 of $2,338,963 of the cash-generation units to which the goodwill was allocated. It was concluded that there is none impairment Goodwill.

The following are the main premises used in the impairment test done on December 2019:

	December 31, 2019				
	2020	2021	2022	2023	2024
Lending interest rate on investments	5.4%	5.7%	6.5%	6.3%	6.3%
Borrowing rate	6.3%	6.3%	6.3%	6.3%	6.3%
Growth in income from commissions	0.7%	6.3%	7.5%	6.5%	6.4%
Growth in expenses	3.4%	4.8%	5.5%	(0.5%)	3.2%
Inflation	3.2%	2.7%	3.5%	3.3%	3.3%
Discount interest rate after taxes	12.0%				
Growth rate after twenty years	3.2%				

	December 31, 2018				
	2019	2020	2021	2022	2023
Lending interest rate on investments	4.6%	5.7%	5.7%	6.5%	6.3%
Borrowing rate	6.3%	6.3%	6.3%	6.3%	6.3%
Growth in income from commissions	1.0%	9.4%	7.5%	7.8%	6.8%
Growth in expenses	4.3%	4.6%	5.6%	6.6%	0.5%
Inflation	2.9%	3.1%	2.7%	3.5%	3.3%
Discount interest rate after taxes	13.0%				
Growth rate after twenty years	3.1%				

A 20-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.
- Finally, the growth rate used for the terminal value was 3.2%, which is the average projected inflation provided by the independent specialists.

The discount interest 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 12% 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 $5,128,364 and exceeds their book value at December 31, 2019 of $2,338,963.

Leasing Bogotá S.A. Panamá:

On December 9, 2010, Banco de Bogotá 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.

With the acquisition of BAC COM, through LBP, BAC's corporate structure now is controlled by Banco de Bogotá, which is controlled, in turn, by Grupo Aval S.A. Goodwill was generated and recognized as a result of that operation. Banco de Bogotá was authorized by the Financial Superintendence 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 Superintendence 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 Superintendence 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, that entered the consolidated financial statements of the Bank in the first quarter of 2016.

Up until June 30, 2015, an independent impairment test was performed individually for the goodwill generated through these acquisitions (BAC COM, BBVA Panama, Reformer and Transcom). However, since the second half of 2015 and after several mergers, this goodwill has been included in the consolidated financial statements of the subsidiary Leasing Bogotá Panama S.A as it consolidates with these companies both operationally and financially. Accordingly, for the purpose of assessing impairment of the goodwill generated via the acquisition of BAC COM, BBVA Panama, Reformer and Transcom through Leasing Bogotá S.A. Panama, these should be assigned to the consolidated level in Leasing Bogotá S.A. Panama, by December 2015 was performed a unitary impairment test at consolidated level.

The latest valuation update for the groups of cash generating units to which this goodwill was allocated was done by Ernst and Young in February 2020, based on the financial statements of BAC Credomatic at September 30th, 2019. The respective report indicates there are no situations that would imply possible impairment, since the in use value of $21,490,101 exceeds the book value of $14,611,105 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 at December 2019:

	December 31, 2019				
	2020	2021	2022	2023	2024
Lending rate on the loan portfolio and investments	11.3%	11.4%	11.4%	11.3%	11.3%
Borrowing rate	2.8%	2.8%	2.8%	2.8%	2.8%
Growth in income from commissions	(0.2%)	6.6%	8.4%	8.7%	8.7%
Growth in expenses	5.9%	5.5%	5.4%	5.7%	6.2%
Discount rate after taxes	11.5%				
Growth rate after ten years	3.0%				

	December 31, 2018				
	2019	2020	2021	2022	2023
Lending rate on the loan portfolio and investments	11.4%	11.4%	11.4%	11.3%	11.3%
Borrowing rate	2.9%	3.0%	3.0%	3.0%	3.0%
Growth in income from commissions	2.0%	7.7%	8.0%	7.8%	7.7%
Growth in expenses	5.3%	6.2%	5.8%	6.0%	6.3%
Discount rate after taxes	11.8%				
Growth rate after ten years	3.0%				

A 10-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 country 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.

- For its part, for the growth in commissions was projected considering the increase in the commercial loan portfolios; this allows promoting greater revenue collection through products and services such as insurance, memberships, exchange commissions, among others, as well as the implementation of new services. 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 11.5% had been 1.0% higher; 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 $18,763,763 and exceeds the book value as of December 31, 2019 of $14,611,105.

Note 18 – Other intangible assets

Intangible assets other than goodwill:

The following is the movement of intangible assets:

		Cost	Amortization	Total
Balance at December 31, 2017	$	**747,373**	**(290,316)**	**457,057**
Additions		252,010	0	252,010
Reclassifications		(747)	(34,564)	(35,311)
Disposals / Sales		(69,519)	53,510	(16,009)
Amortization charged to expenses		0	(109,625)	(109,625)
Exchange difference		(20,655)	(5,453)	(26,108)
Balance at December 31, 2018		**908,462**	**(386,448)**	**522,014**
Additions		111,297	0	111,297
Other capitalized costs		66,489	0	66,489
Reclassifications		(28,668)	28,668	0
Disposals / Sales		(407)	407	0
Amortization charged to expenses		0	(125,381)	(125,381)
Exchange difference		16,618	(11,597)	5,021
Balance at December 31, 2019	$	**1,073,791**	**(494,351)**	**579,440**

18.1 Intangible assets developed internally

Those assets that are fully developed of entity internally; in the development process the costs can be capitalized, when the asset is finished it is used in production, activating the amortization.

The following is the movement of intangible assets intern:

		Licenses	Computer software and applications	Total
Balance at December 31, 2017	$	**2,071**	**584,563**	**586,634**
Additions		0	200,498	200,498
Reclassifications		(1,408)	1,982	574
Disposals / Sales		0	(68,642)	(68,642)
Exchange difference		0	(20,816)	(20,816)
Balance at December 31, 2018		**663**	**697,585**	**698,248**
Other capitalized costs		0	66,489	66,489
Reclassifications		(663)	(446,755)	(447,418)
Exchange difference		0	17	17
Balance at December 31, 2019	$	**0**	**317,336**	**317,336**

The following is the movement of the amortization of intangible assets developed internally:

		Licenses	Computer software and applications	Total
Balance at December 31, 2017	$	**(907)**	**(232,916)**	**(233,823)**
Reclassifications		642	(35,871)	(35,229)
Disposals / Sales		0	52,633	52,633
Amortization charged to expenses		(105)	(72,738)	(72,843)
Exchange difference		0	(7,313)	(7,313)
Balance at December 31, 2018	$	**(370)**	**(296,205)**	**(296,575)**
Reclassifications		370	249,911	250,281

		Licenses	Computer software and applications	Total
Amortization charged to expenses		0	(22,104)	(22,104)
Balance at December 31, 2018	$	**0**	**(68,398)**	**(68,398)**

18.2 Intangible assets not developed internally

Those intangible assets ready in place and in necessary conditions to be used at the time of acquisition.

The following is the movement of the cost of intangible assets external:

		Trade marks	Intellectual 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, 2017	$	**3,249**	**35,808**	**84,385**	**31,665**	**5,632**	**0**	**160,739**
Additions		0	0	48,161	3,349	0	2	51,512
Reclassifications		0	0	73	(153)	(1,241)	0	(1,321)
Disposals / Sales		0	0	(877)	0	0	0	(877)
Exchange difference		67	3,189	(192)	62	(2,965)	0	161
Balance at December 31, 2018	$	**3,316**	**38,997**	**131,550**	**34,923**	**1,426**	**2**	**210,214**
Additions		0	0	55,451	55,846	0	0	111,297
Reclassifications		0	0	132,576	286,175	0	(2)	418,749
Disposals / Sales		0	0	(405)	(2)	0	0	(407)
Exchange difference		229	329	7,203	8,742	99	0	16,602
Balance at December 31, 2019	$	**3,545**	**39,326**	**326,375**	**385,684**	**1,525**	**0**	**756,455**

The following is the movement of the amortization of intangible assets external:

		Intellectual 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, 2017	$	**(8,057)**	**(37,043)**	**(10,850)**	**(543)**	**0**	**(56,493)**
Reclassifications		0	(79)	(497)	1,241	0	665
Disposals / Sales		0	877	0	0	0	877
Amortization charged to expenses		(3,548)	(23,860)	(5,028)	(4,345)	(1)	(36,782)
Exchange difference		(1,068)	57	16	2,855	0	1,860
Balance at December 31, 2018	$	**(12,673)**	**(60,048)**	**(16,359)**	**(792)**	**(1)**	**(89,873)**
Reclassifications		0	(98,710)	(122,903)	0	1	(221,612)
Disposals / Sales		0	405	2	0	0	407
Amortization charged to expenses		(3,938)	(62,537)	(36,552)	(250)	0	(103,277)
Exchange difference		(102)	(5,474)	(5,963)	(59)	0	(11,598)
Balance at December 31, 2019	$	**(16,713)**	**(226,364)**	**(181,775)**	**(1,101)**	**0**	**(425,953)**

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 $100,010 with a remaining amortization period between 15 and 60 months and computer software and applications internally developed and currently in use such as: Summit – fase II (corresponds to the implementation of debt securities products, monetary operations and derivatives on securities, in the treasury tool) for $20,724 with a remaining amortization period of 113 months, CONEXION AVAL - ERP (Technological Platform that allows the optimization of the administration, operation, control and security processes in the Bank's accounting, allowing the implementation of a corporate accounting model for the generation of the books IFRS FULL, IFRS PARTIAL and COL GAAP. This phase will implement the following modules: FI, CO, AA, AP, AR, TR and TX) for $13,112 with a remaining amortization period of 86 months and in phase II development for $15,648.

Note 19 – Income tax

19.1 Components of the income tax expense

The income tax expense for the years ended at December 31, 2019 and 2018 includes the following:

		December 31, 2019	December 31, 2018
Income tax of the current period	$	1,001,295	1,146,822
Income tax surcharge		0	35,516
Adjustment current tax of previous periods		(1,714)	(784)
Subtotal current tax		**999,581**	**1,181,554**
Net deferred taxes of the period		17,634	(248,150)
Adjustment deferred tax of previous period		2,290	(7,886)
Subtotal deferred tax		**19,924**	**(256,036)**
Provision for uncertain tax positions		(20,464)	24,525
Total income tax	$	**999,041**	**950,043**

Current and deferred taxes are recognized as income or expense in net income, except to the extent if they derive from transaction or event recognized outside net income, in other comprehensive income (OCI), in equity. During the years ended at December 31, 2019 and 2018, an expense was recognized for deferred tax for $278,552 and $72,917, respectively, in other comprehensive income in equity. Furthermore, an income of current tax of $247,153 and $372,715 was recognized at December 31, 2019 and 2018, respectively, mainly relating to exchange difference of hedge instruments and investments in subsidiaries abroad, for accounting purposes are recognized in OCI account, and for tax purposes form part of taxable income (see item 19.5).

19.2 Reconciliation of the nominal tax rate and the effective rate

The following are the basic parameters in force with respect to income tax:

In Colombia

- The income tax rate for the year 2019 is 33%. With the Judgment of the Constitutional Court C-510 of October 2019, the application of additional percentage points to income tax applicable to financial institutions is declared unenforceable; for the year 2018 the income tax rate is 33% plus 4 additional points on the general rate.
- In accordance with the Economic Growth 2010/2019, income tax rates for the years 2020, 2021, 2022 and following are 32%, 31% and 30%, respectively. For financial institutions that obtain a tax income equal to or greater than 120,000 TVU (Tax Value Units) in the period, they apply a few additional points of income tax of 4% for the year 2020 and 3% for the years 2021 and 2022.
- For the year 2018, the presumptive income for determining the income tax could not be less than 3.5% of the liquid equity on the last day of the previous taxable period.
- For the year 2019, the presumptive income for determining the income tax cannot be less than 1.5% of the liquid equity on the last day of the previous taxable period.
- The Growth Law 2010/2019, the presumptive income will be reduced to 0.5% of the liquid equity on the last day of the previous taxable period for the years 2020, and to 0% as from year 2021.
- With the Growth Law is maintained the possibility of take as tax discount 50% of the tax on industry commerce and advertising effectively paid in the taxable year or period from the income tax. From the

year 2022 the ICA discount will be 100%. For the year 2018 this tax had the deduction treatment in the income tax.

- For the tax periods 2020 and 2021, the audit benefit is extended for taxpayers who increase their net income tax of the tax year in relation to the net income tax of the immediately previous year by at least 30% or 20%, with which the declaration of income will be in firm within 6 or 12 months following the date of its presentation, respectively.
- With the Economic Growth Act 2010 of 2019, the term of firmness of the income tax return from taxpayers who determine or compensate tax losses or are subject to the transfer pricing regime, will be 5 years.
- Surplus presumptive income can be offset during the five (5) tax years thereafter.
- The tax losses may be offset with ordinary liquid income to be received during the 12 following periods.
- The occasional income is taxed at a rate of 10%.

In other countries

- The following are other income tax rates established by tax authorities. The rate is 30% in Costa Rica, El Salvador, Honduras, Nicaragua, and 25% in Panamá and Guatemala. 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 net income for the years ended at December 31, 2019 and 2018:

		December 31, 2019	December 31, 2018
Profit before income tax	$	**4,072,698**	**4,081,255**
Theoretical tax expense at a rate of 33% and 37% (2019 and 2018)		1,343,990	1,510,064
Plus (minus) taxes that increase (decrease) the theoretical tax:			
Non-deductible expenses		298,046	166,388
Dividends received non taxable		(1,179)	(3,271)
Nontaxable equity method income (1)		(173,037)	(210,233)
Interests and other not-taxable income		(6,431)	(153,495)
Exempt income		(316,285)	(143,932)
Special gross income		0	(3,812)
Tax discounts		(47,155)	0
Occasional income (tax rate of 10%)		260	10,396
Profits of foreign subsidiaries –tax free		(11,078)	(13,493)
Difference in rate on profits of foreign subsidiaries with different tax rates		(124,309)	(131,735)
Effect on deferred tax due to tax rates different tan 33% and 37% (2019 - 2018)		20,343	(59,054)
Adjustment of current tax for previous periods		(1,714)	(784)
Provisions for uncertain tax positions		(20,464)	24,525
Adjustment of deferred taxes		1,239	(36,721)
Adjustment of deferred taxes for previous period		2,290	0
Other items		34,525	(4,800)
Total tax expense	$	**999,041**	**950,043**

(1) The profits recognized in the equity method are taxed for each associate and joint venture. The Bank's share in the income tax expense of each of the mentioned entities was $2,882 and $6,056 for the years 2019 and 2018, respectively.

19.3 Unrecognized deferred taxes

Deferred taxes regarding subsidiaries, associates and joint ventures

The Group did not record deferred tax liabilities related to temporary differences on investments in subsidiaries, this is because:

- The Group controls its subsidiaries and decides on sells its investments in associates. Therefore, it can decide on the reversal of such temporary differences.
- The Group has not foreseen its realization in a foreseeable future.

Therefore, is probably that such temporary differences will not be reversed in the near future.

The temporary differences on which no deferred tax liabilities were recognized at December 31, 2019 and 2018 amounted to $10,488,920 and $7,718,922 respectively.

Deferred taxes with respect to tax losses and surplus presumptive income

The following is the breakdown of the tax losses and surplus of presumptive income in Group companies as of December 31, 2019 and 2018, pending to be used for the amount of $397 and $152 respectively and on which the Group also has no recorded deferred tax assets due to the uncertainty in its recovery.

		December 31, 2019	December 31, 2018
Tax losses expiring in			
December 31, 2024	$	397	0
Surplus of presumptive income expiring in			
December 31, 2019		0	152
Total tax credits	$	**397**	**152**

19.4 Deferred income taxes, by type of temporary difference:

Differences between the carrying amounts of assets and liabilities and their tax base can result in temporary differences. These generated deferred taxes, which were calculated and recorded for the years ended at December 31, 2019 and 2018, based on the enacted tax rates for the years in which those temporary differences will be reversed.

The movement of deferred tax assets and liabilities as of December 31, 2019 and 2018, respectively, is presented below:

		Balance as at December 31, 2018	IFRS 16 Adoption on January, 2019	Income (expense) in net income	Unrealized Income (expense) in OCI	Reclassi-fications and exchange difference	Balance as at December 31, 2019
Deferred tax assets							
Valuation of debt securities investments	$	26,023	0	(9,135)	(8,754)	844	8,978
Unrealized loss in derivatives		59,410	0	69,609	15,096	0	144,115
Higher tax value of loan portfolio		2,107	0	(1,734)	0	173	546
Higher value of the accounting impairment for loan portfolio compared to the tax impairment		129,023	0	27,867	0	(1,463)	155,427
Other accounts receivable impairment		0	0	969	0	0	969

	Balance as at December 31, 2018	IFRS 16 Adoption on January, 2019	Income (expense) in net income	Unrealized Income (expense) in OCI	Reclassi-fications and exchange difference	Balance as at December 31, 2019
Higher value of the accounting impairment for foreclosures compared to the tax impairment	2,927	0	(1,203)	0	132	1,856
Higher value of the accounting cost of property, plant and equipment	175	0	649	0	18	842
Higher value of the accounting depreciation of property, plant and equipment compared to the tax depreciation	790	0	(592)	0	0	198
Higher tax value of deferred charges - intangible assets	2,952	0	5,369	0	0	8,321
Tax credits to be amortized	255,145	0	(36,742)	(240,420)	22,017	0
Other expenses provisions	71,828	0	29,639	0	(1,899)	99,568
Employee benefits	65,769	0	(26,630)	2,606	545	42,290
Tax discounts	0	0	18,012	0	0	18,012
Financial lease contracts (IFRS 16)	1,030	423,923	(23,174)	0	3,162	404,941
Exchange difference on branches abroad	7,010	0	1	0	(7,010)	1
Exchange difference on bonds in foreign currency	154,340	0	0	16,985	0	171,325
Unrealized exchange difference of financial obligations	0	0	(3,615)	0	7,010	3,395
Other items	8,019	0	8,652	0	(696)	15,975
Subtotal	**786,548**	**423,923**	**57,942**	**(214,487)**	**22,833**	**1,076,759**
Deferred tax liabilities						
Valuation of debt securities investments	14,914	0	(26,797)	58,808	3,340	50,265
Valuation of equity securities investments	18,908	0	19	4,013	(1,743)	21,197
Unrealized profit in derivatives	3,163	0	0	0	(3,163)	0
Higher accounting value of loan portfolio	12,850	0	(2,402)	0	288	10,736
Higher value of the tax impairment for loan portfolio compared to the accounting impairment	148,405	0	90,710	0	(2,188)	236,927
Higher accounting value of the cost for foreclosures	77,651	0	2,074	0	0	79,725
Higher value of the tax impairment compared to the accounting for foreclosures	4,992	0	3,928	0	(309)	8,611
Higher value of the accounting cost of property, plant and equipment	114,184	0	(5,424)	0	(8,942)	99,818
Higher value of the tax depreciation of property, plant and equipment compared to the accounting depreciation	10,738	0	(10,860)	0	9,275	9,153
Investment property	0	0	9,834	333	0	10,167
Higher accounting value for deferred charges and intangible assets	24,815	0	(2,501)	0	0	22,314
Retained profits of subsidiaries	44,320	0	(10,477)	0	1,311	35,154
Non-deductible passive provisions	0	0	1,757	0	6,413	8,170
Employee benefits	22,350	0	4,789	(324)	(206)	26,609
Goodwill and trademarks	186,213	0	28,129	0	0	214,342
Exchange difference on branches abroad	15,071	0	0	1,235	0	16,306
Right of use IFRS 16	0	423,923	(31,663)	0	3,524	395,784
Other items	58,989	0	26,750	0	(6,106)	79,633
Subtotal	**757,563**	**423,923**	**77,866**	**64,065**	**1,494**	**1,324,911**
Total	**$ 28,985**	**0**	**(19,924)**	**(278,552)**	**21,339**	**(248,152)**

		Balance as at December 31, 2017	Changes in accounting policies	Income (expense) in net income	Unrealized Income (expense) in OCI	Reclassi-fications	Balance as at December 31, 2018
Deferred tax assets							
Valuation of debt securities investments	$	2,282	(2,168)	20,998	4,314	597	26,023
Unrealized loss in derivatives		0	0	(68,340)	174,523	(46,773)	59,410
Higher tax value of loan portfolio		0	1,433	512	0	162	2,107
Higher value of the accounting impairment for loan portfolio compared to the tax impairment		0	68,513	52,577	0	7,933	129,023
Higher value of the accounting impairment for foreclosures compared to the tax impairment		1,380	0	1,307	0	240	2,927
Higher tax value of the cost of property, plant and equipment		0	0	175	0	0	175
Higher value of the accounting depreciation of property, plant and equipment compared to the tax depreciation		0	0	734	0	56	790
Higher tax value of deferred charges - intangible assets		0	0	2,952	0	0	2,952
Tax credits to be amortized		288,477	0	368,695	(402,042)	15	255,145
Other expenses provisions		78,658	(11,038)	3,413	0	795	71,828
Employee benefits		41,664	4,307	21,240	(2,227)	785	65,769
Financial lease contracts (IFRS 16)		0	0	1,030	0	0	1,030
Exchange difference on branches abroad		937	(937)	7,945	0	(935)	7,010
Exchange difference on bonds in foreign currency		0	0	0	165,403	(11,063)	154,340
Other items		6,876	933	(434)	0	644	8,019
Subtotal		**420,274**	**61,043**	**412,804**	**(60,029)**	**(47,544)**	**786,548**
Deferred tax liabilities							
Valuation of debt securities investments		0	7,989	9,894	(760)	(2,209)	14,914
Valuation of equity securities investments		53,078	(15,015)	(17,134)	(2,021)	0	18,908
Unrealized profit in derivatives		45,528	0	4,408	0	(46,773)	3,163
Higher accounting value of loan portfolio		9,190	(8,980)	11,795	0	845	12,850
Higher value of the tax provision for loan portfolio compared to the accounting provision		241,108	(176,765)	84,295	0	(233)	148,405
Higher accounting value of the cost for foreclosures		62,709	(62,648)	77,697	0	(107)	77,651
Higher value of the tax provision for foreclosures compared to the accounting provision		0	62,709	(58,059)	0	342	4,992
Higher value of the accounting cost of property, plant and equipment		112,047	(43,197)	41,410	0	3,924	114,184
Higher value of the tax depreciation of property, plant and equipment compared to the accounting depreciation		12,126	43,200	(44,588)	0	0	10,738
Higher accounting value for deferred charges - intangible assets		26,441	0	(1,626)	0	0	24,815
Retained profits of subsidiaries		49,205	0	(8,683)	0	3,798	44,320
Employee benefits		0	0	21,059	(337)	1,628	22,350
Goodwill - trademarks		158,548	31	27,634	0	0	186,213
Exchange difference on branches abroad		0	0	0	16,006	(935)	15,071
Exchange difference on bonds in foreign currency		11,063	0	0	0	(11,063)	0
Other items		48,812	(55)	8,666	0	1,566	58,989
Subtotal		**829,855**	**(192,731)**	**156,768**	**12,888**	**(49,217)**	**757,563**
Total	$	**(409,581)**	**253,774**	**256,036**	**(72,917)**	**1,673**	**28,985**

The Group offsets for deferred tax assets and liabilities per entity or tax subject, considering application of tax the provisions valid in Colombia and in other countries where the subsidiaries operate, taking into account the legal right to offset assets and liabilities for current taxes and other requirements established in paragraph 74 of IAS 12, as notes below:

		December 31, 2019		
		Gross amounts Deferred Tax	Offset Reclassifications	Balance in statement of financial position
Deferred tax asset	$	1,076,759	(933,631)	143,128
Deferred tax liability		1,324,911	(933,631)	391,280
Net	$	**(248,152)**	**0**	**(248,152)**

		December 31, 2018		
		Gross amounts Deferred Tax	Offset Reclassifications	Balance in statement of financial position
Deferred tax asset	$	786,548	(537,507)	249,041
Deferred tax liability		757,563	(537,507)	220,056
Net	$	**28,985**	**0**	**28,985**

19.5 Effect of current and deferred taxes on each component of other comprehensive income in equity

The following shows the effect of current and deferred taxes on each component of other comprehensive income:

		2019			
		Amount before tax	Current tax	Deferred tax	Net
Items that can be reclassified later to net income for the period					
Exchange difference on derivatives in foreign currency	$	(50,318)	247,153	(225,324)	(28,489)
Exchange difference on bonds in foreign currency		(56,618)	0	16,985	(39,633)
Exchange difference of foreign subsidiaries		105,194	0	0	105,194
Unrealized profit/loss from measurement of financial assets at fair value		488,648	0	(109,989)	378,659
Share in other comprehensive income of associates		68,621	0	0	68,621
Adjustment for exchange difference of foreign branches		131,881	0	(1,235)	130,646
Impairment of investments from OCI to net income		11,170	0	(2,434)	8,736
Subtotals		**698,578**	**247,153**	**(321,997)**	**623,734**
Items that will not be reclassifies to net income for the period					
Changes in actuarial assumptions from defined benefit plans		(9,908)	0	2,930	(6,978)
Revaluation of assets		3,334	0	(333)	3,001
Subtotals		**(6,574)**	**0**	**2,597**	**(3,977)**
Items reclassified to net income of the period					
Realized loss from measurement of financial assets at fair value		(126,222)	0	40,848	(85,374)
Subtotals		**(126,222)**	**0**	**40,848**	**(85,374)**
Total other comprehensive income during the period	$	**565,782**	**247,153**	**(278,552)**	**534,383**

		2018				
		Amount before tax	Current tax	Deferred tax	Minority interest	Net
Items that can be reclassified later to net income for the period						
Exchange difference on derivatives in foreign currency	$	(547,310)	372,715	(227,519)	0	(402,114)
Exchange difference on bonds in foreign currency		(549,332)	0	165,403	0	(383,929)
Exchange difference of foreign subsidiaries		1,097,187	0	0	0	1,097,187

	2018				
	Amount before tax	Current tax	Deferred tax	Minority interest	Net
Unrealized profit/loss from measurement of financial assets at fair value	(50,060)	0	7,095	0	(42,965)
Share in other comprehensive income of associates	(69,654)	0	0	0	(69,654)
Adjustment for exchange difference of foreign branches	(271,251)	0	(16,006)	0	(287,257)
Impairment of investments from OCI to net income	6,145	0	0	0	6,145
Subtotals	**(384,275)**	**372,715**	**(71,027)**	**0**	**(82,587)**
Items that will not be reclassifies to net income for the period					
Changes in actuarial assumptions from defined benefit plans	1,775	0	(1,890)	151	36
Total other comprehensive income during the period	$ **(382,500)**	**372,715**	**(72,917)**	**151**	**(82,551)**

19.6 Provision for tax position:

At December 31, 2019 and 2018, the provisions for tax positions came to $99,808 and $113,345, respectively:

	December 31, 2019	December 31, 2018
Balance at the beginning of the period	$ **113,345**	**86,592**
Increase in the provision	556	9,351
Amount of unused provisions in income	0	(17)
Used provision	(1,909)	0
Amount of unused provisions	(135)	(202)
Financial cost	(20,885)	15,376
Effect by conversion	8,836	2,245
Balance at the end of the period	$ **99,808**	**113,345**

The balance as of December 31, 2019 and 2018 is expected to be completely used or released once the inspection rights from the tax authorities regarding tax returns expire, as follows:

	December 31, 2019	December 31, 2018
2019	0	1,819
2020	0	26,663
2021	33,869	29,324
2022	34,865	26,556
2023	28,640	28,983
2024	2,434	0
Total	$ **99,808**	**113,345**

19.7 Realization of deferred tax assets:

It is expected that net income will continue to be generated in the future to recover the values recognized as deferred tax asset generated in the Group, the majority belonging to the Parent entity. An estimate of future results is the basis to recover deferred tax asset over tax credits, originating in tax losses and excess presumptive income to be applied to future taxable income and other concepts. The estimate of future taxable income is fundamentally based on the banking operation's forecast prepared by the Bank. Its positive trend is expected to continue, enabling the recovery of deferred tax assets.

19.8 Transfer prices

Pursuant to the provisions of Laws 788/2002, 863/2003, 1607/2012 and 1819/2016, regulated by Decree 2120/2017, the Group prepared a study on transfer prices on transactions made with related parties abroad in 2018. The study did not result in any adjustments that would affect revenue, costs and tax expenses of the Group companies.

While the study of 2019 transfer prices are being prepared, no significant changes are anticipated with regard to the previous years.

Note 20 – Customer deposits

20.1 Customer deposits - Interest rates

Effective annual interest rates on customer deposits are shown below:

	December 31, 2019				December 31, 2018			
	Domestic currency		Foreign currency		Domestic currency		Foreign currency	
	Min %	Max %	Min %	Max %	Min %	Max %	Min %	Max %
Checking accounts	0.21%	4.92%	0.03%	5.50%	0.00%	4.76%	0.00%	5.50%
Savings accounts	1.19%	6.03%	0.02%	8.00%	0.00%	6.00%	0.05%	8.00%
Time certificates of deposit	1.00%	11.57%	0.15%	10.35%	0.10%	9.05%	0.10%	11.45%

20.2 Customer deposits, by sector

The following is a breakdown of the concentration of customer deposits, by economic sector:

		December 31, 2019		December 31, 2018	
		Amount	%	Amount	%
Financial	$	22,398,171	19.01%	25,781,143	23.78%
Commerce		19,752,712	16.77%	18,320,849	16.90%
Individuals		20,418,001	17.33%	18,130,718	16.73%
Colombian government or Colombian government entities		8,091,072	6.87%	9,045,372	8.34%
Services		13,449,173	11.42%	6,180,098	5.70%
Manufacturing		2,564,941	2.18%	2,366,692	2.18%
Real estate		2,191,432	1.86%	2,155,306	1.99%
Agriculture and livestock		1,148,206	0.97%	989,323	0.91%
Education		1,012,675	0.86%	969,524	0.89%
Foreign governments		681,466	0.58%	650,377	0.60%
Tourims		486,634	0.41%	28,536	0.03%
Others		25,600,502	21.74%	23,786,585	21.95%
Total	$	**117,794,985**	**100.00%**	**108,404,523**	**100.00%**

20.3 Customer deposits, by sector

The following is a breakdown:

		December 31, 2019	December 31, 2018
2019	$	0	32,499,776
2020		34,910,334	5,408,746
2021		4,587,244	1,462,278
2022		3,480,306	2,386,292
After 2022		5,761,623	3,497,884
Total	$	**48,739,507**	**45,254,976**

Note 21 – Financial obligations

21.1 Interbank borrowings and overnight funds

		December 31, 2019	December 31, 2018	Interest rate
In Colombian pesos				
Corresponding Banks	$	2,355	3,088	0.00%
Interbank funds purchased		205,132	0	4.10% to 4.11%
Commitments to transfer investments in simultaneous operations		2,294,119	18,209	4.12% to 4.16%
Commitments arising from simultaneous short-term operations		20,054	134,574	4.16%
Commitments to transfer in repo operations closed		450,104	0	4.15%
		2,971,764	**155,871**	
In Foreign currency				
Corresponding Banks		6,284	0	0.00%
Interbank funds purchased		801,760	1,425,436	0.00% to 2.66%
Commitments to transfer in open repo operations		113,850	360,309	2.90% to 6.30%
		921,894	**1,785,745**	
Total	$	**3,893,658**	**1,941,616**	

21.2 Borrowings from banks and others

The following is a breakdown of financial obligations and others:

		December 31, 2019	December 31, 2018	Interest rate
In Colombian pesos				
Borrowings	$	351	12,782	IBR + 3.00%
Banker´s acceptances		0	200	0.00%
		351	**12,982**	
In Foreign currency				
Borrowings		11,253,470	14,977,222	0.00% to 15.00% COPS + 2.90% LIBOR 3 + (0.65% to 10.39%) LIBOR 6 + (0.15% to 5.00%)
Banker´s acceptances		969,609	638,618	0.00%
Corporación Andina de Fomento		551,198	384,758	0.00% to 2.72%
Letter of credit with a deferred payment		621,333	351,732	0.00% to 3.71%
Financial lease contracts (leasing)		0	2,915	0.12%
Others		59,078	49,699	0.00%
		13,454,688	**16,404,944**	
Total	$	**13,455,039**	**16,417,926**	

The following shows the contractual maturities of obligations of borrowings from bank and others:

		December 31, 2019	December 31, 2018
2019	$	0	10,829,347
2020		9,401,239	831,679
2021		1,692,119	2,467,862
2022		689,387	274,359
After 2022		1,672,294	2,014,679
Total	$	**13,455,039**	**16,417,926**

21.3 Bonds issued

The Group and some of its subsidiaries are authorized by the Financial Superintendence of Colombia and by the regulatory bodies in other countries where Group operates to issue or market bonds or general guarantee bonds. All bonds issued by the Group are unsecured and represent only the obligations of each issuer.

The Group is in complying with the related covenants agreed with investors.

The following is a breakdown.

	Date					
	Issue	Expiration		December 31, 2019	December 31, 2018	Interest rate
Colombian pesos						
Subordinated bonds	2010	2020	$	137,598	134,736	IPC + 5.45% TOV UVR + 5.45% TOV
				137,598	**134,736**	
Foreign currency						
Ordinary bonds	2013 to 2015	2019 to 2020		165,170	392,984	5.50% to 5.80%
Ordinary bonds	2016 to 2018	2019 to 2027		2,536,090	2,529,764	0.75% to 9.50%
Ordinary bonds	2019	2022 to 2024		315,471	0	0.00% to 9.50%
Subordinated bonds	2013	2023		1,667,259	1,652,586	5.38%
Subordinated bonds	2016	2026		3,604,580	3,570,818	6.25%
				8,288,570	**8,146,152**	
Total			$	**8,426,168**	**8,280,888**	

The following is the detail of the maturities of bonds due in circulation:

		December 31, 2019	December 31, 2018
2019		0	243,219
2020		586,947	544,892
2021		187,728	187,432
2022		146,842	33,175
After 2022		7,504,651	7,272,170
Total	$	**8,426,168**	**8,280,888**

21.4 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”).

The following is a breakdown.

		December 31, 2019	December 31, 2018	Interest rate
In Colombian pesos				
FINDETER	$	1,197,983	1,138,415	DTF + (-4.00% to 4.80%) IBR + (-2.80% to 3.90%) IPC + (-1.00% to 5.00%)
BANCOLDEX		625,900	320,564	DTF + (-2.00% to 5.45%) IBR + (-1.80% to 2.85%)
FINAGRO		276,896	189,292	DTF + (-3.50% to 7.00%) IBR + (-1.10% to 1.90%)
		2,100,779	**1,648,271**	

		December 31, 2019	December 31, 2018	Interest rate
In Foreign currency				
BANCOLDEX		28,718	154,478	LIBOR 6 + (2.38% to 5.08%)
FINDETER		14,095	116,887	LIBOR 6 + (4.51% to 4.81%)
		42,813	**271,365**	
Total	$	**2,143,592**	**1,919,636**	

The following is a breakdown of the maturities development entities:

		December 31, 2019	December 31, 2018
2019		0	192,223
2020		358,537	89,024
2021		317,506	232,627
2022		253,355	175,673
After 2022		1,214,194	1,230,089
Total	$	**2,143,592**	**1,919,636**

21.5 Lease contracts

The following is a breakdown.

		December 31, 2019	Interest rate
Colombian pesos			
Lease liabilities	$	676,284	1.36% to 7.68% DTF + (7.23% to 7.68%) IPC + (7.61% to 7.76%)
		676,284	
Foreign currency			
Lease liabilities		764,385	0.12% to 3.64% DTF + (15% to 16.91%)
		764,385	
Total	$	**1,440,669**	

The following is a breakdown of the maturities from lease contracts:

		December 31, 2019
2020		358,850
2021		187,758
2022		167,691
After 2022		726,370
Total	$	**1,440,669**

Total cash outflows for leases at December 31, 2019 for the payment of principal and interests were $218,236.

Note 22 – Employee benefits

The following is a breakdown of the provisions for employee benefits:

		December 31, 2019	December 31, 2018
Short-term benefits	$	253,316	255,240
Post-employment benefits		167,960	183,162

		December 31, 2019	December 31, 2018
Long-term benefits		59,341	129,059
	$	**480,617**	**567,461**

The Group is exposed to a number of risks (interest rate and operational risks) inherent in its employee benefit plans. It tries to minimize them by implementing policies and procedures for risk management.

22.1 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 in which the company and the employee pay monthly amounts determined by law, so the employee will have a pension upon retirement. However, in the case of some 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 provided for in collective bargaining agreements, for employees who retire once they comply with the age and years of service required for a pension fund to grant them a retirement pension.

The Group has a group of employees with severance pay benefits that were recognized by law 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.

In foreign subsidiaries, corresponds mainly to the economic compensation law for voluntary renunciation of the worker in accordance with the normativity of each country.

22.2 Long-term employee benefits

The Group grants its employees voluntary long-term seniority bonuses on each fifth anniversary of continuous employment, which are calculated in terms of days of salary (between 15 and 180 days).

Starting on June 25, 2019, the Group’s Board of Directors approved a change to the institutional plan regarding the quinquennium seniority benefit, which involves replacing the defined-benefit plan for a defined-contribution benefit plan for non-unionized employees, under which the Group will make monthly contributions to a fund in the name of each beneficiary employee.

This change represented a reduction in labor liability by $71,876, as detailed below:

- Reversion of the expense accrued during the semester for seniority bonus in the amount of $8,289.
- Recognition of revenue in the amount of $38,402.
- Contributions to the voluntary pension fund in the name of each employee for $25,185.

The following table shows the activity in post-employment and other long-term employee benefits:

	Post-employment benefits		Other benefits	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Balance at the beginning of the period	$ **183,162**	**200,633**	**129,059**	**124,594**
Interest expense	12,187	11,913	7,508	7,434
Current service cost	10,461	11,534	10,591	10,372
Past service cost	1,018	(1,953)	0	3,266
Gain on settlements	0	0	(49,367)	0
	23,666	21,494	**(31,268)**	21,072
Effect of changes in financial assumptions	0	6,982	0	1,060
Effect of changes in demographic assumptions	1,022	1,467	0	0
Changes in interest rates, inflation rates and salary adjustments	13,165	(12,645)	6,875	508
Liquidations, liabilities (assets) for net defined benefits	0	158	0	0
Return on plan assets, liabilities (assets) for net defined benefits	1,517	0	0	0
Return on plan assets	(22,651)	0	0	0
Effect of experience adjustments	(5,185)	0	(33,305)	0
	(12,132)	(4,038)	**(26,430)**	1,568
Exchanges difference	(1,642)	3,504	0	0
Benefit payments from employer	(25,094)	(31,464)	(12,046)	(18,299)
Settlement payments from employer	0	(8,004)	0	0
Other movements (2)	0	1,037	0	0
Employee benefits of foreign agencies	0	0	26	124
Balance at the end of the period (1)	$ **167,960**	**183,162**	**59,341**	**129,059**

(1) As at December 31, 2019, there is a lower value in real payments against projected payments of $127, and pension payments of pensions for $632.
(2) Corresponding to Leasing Bogotá S.A. Panamá by records of items in other liabilities accounts for employee benefits.

22.3 Significant Actuarial assumptions

The variables used to calculate the projected liability for retirement and other long-term benefits are listed below:

	Post-employment Benefits		Long Term Benefits	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Discount rate	5.86%	7.22%	5.53%	7.22%
Price Inflation rate	3.11%	3.66%	3.97%	3.66%
Salary increase rate	3.36%	4.04%	4.00%	4.04%
Pensions in payment increase rate	3.00%	3.00%	N/A	N/A
Employee turnover rate		Turnover table SoA 2003 (1)		Turnover table SoA 2003 (1)

(1) For those entities where there is still not enough statistics to support the actuarial basis, the SoA 2003 table is used as a reference. With this table, the probability of permanence of the personnel in the entity is established, modified according to the population factor of each benefit.

Employee life expectancy is calculated according to the mortality tables published by the Financial Superintendence of Colombia. These are constructed on the basis of mortality experiences provided by several insurance companies that operate in Colombia.

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. Accordingly, for plans with longer horizons, the higher rate will be the TES curve.

22.4 Sensitivity analysis

The sensibility analysis for post-employment and long-term benefits liabilities to different actuarial and financial variables, maintaining other variables at constant values (increase or decrease 0.5 basis points), for the period ended at December 31, 2019 is shown below:

	- 0.50 basis points	
	Post-employment Benefits	Long Term Benefits
Discount rate	198,477	60,969
Salary increase rate	82,123	57,246
Pensions-in-payment increase rate	106,300	0

	+ 0.50 basis points	
	Post-employment Benefits	Long Term Benefits
Discount rate	184,748	57,515
Salary increase rate	87,064	61,238
Pensions-in-payment increase rate	107,492	0

22.5 Expected cash flows for following year

Anticipated future benefits, which reflect service, as appropriate, are expected to be paid as follows:

		Post-employment Benefits	Long Term Benefits
2020	$	26,894	8,879
2021		23,249	6,142
2022		22,555	6,161
2023		20,921	9,749
2024		19,597	8,581
Years 2025 – 2029	$	84,980	35,242

As of December 31, 2019, the participants of the post-employment benefits are 26,149 employees and the long-term employees are 10,138 employees.

Compensation for key management personnel in each benefit category is described in note 34 - Related Parties.

Note 23 – Provisions

The following table shows the provisions movement:

		Legal proceedings, fines, penalties and compensation	Other provisions	Total
Balance at December 31, 2017	$	**34,815**	**229,419**	**264,234**
Changes in accounting policies IFRS15 (see note 2.21)		0	21,260	21,260
Changes in accounting policies IFRS 9 (see note 2.21)		0	144	144
Balance at January 1, 2018		**34,815**	**250,823**	**285,638**
New provisions		4,150	50,346	54,496
Increase in existing provisions		3,925	21,418	25,343

		Legal proceedings, fines, penalties and compensation	Other provisions	Total
Used provisions		(4,792)	(63,412)	(68,204)
Reverted unused provisions		(2,065)	(28,697)	(30,762)
Exchange differences		(249)	581	332
Reclassifications		0	(393)	(393)
Balance at December 31, 2018	$	**35,784**	**230,666**	**266,450**
Changes in accounting policies (see note 2.21)		0	31,640	31,640
Balance at January 1, 2019		**35,784**	**262,306**	**298,090**
New provisions		76,958	36,882	113,840
Increase in existing provisions		15,955	5,678	21,633
Increase for adjustments that arise over time		0	37	37
Used provisions		(6,489)	(3,648)	(10,137)
Reverted unused provisions		(1,721)	(10,550)	(12,271)
Exchange differences		22	(1,558)	(1,536)
Reclassifications		(16)	(227)	(243)
Balance at December 31, 2019	$	**120,493**	**288,920**	**409,413**

The following is a description of the nature of the obligations contracted on which the most representative provisions for the Group were estimated:

Legal provisions, fines, penalties and compensation

Corresponds mainly as for other legal processes of Porvenir S.A. as of December 31, 2019 and 2018 presents pension claims (survivor pensions, disability and old-age pensions, return of balances, etc.) of $105,118 and $20,937, respectively.

Other Provisions

Banco de Bogotá, Leasing Bogotá S.A. Panamá y Fiduciaria Bogotá S.A. reported $48,097 and $16,950, in respective estimated provisions at December 31, 2019 and 2018 for expenses involved in dismantling teller machines and improving in leased properties.

Note 24 – Accounts payables and other liabilities

Accounts payables and other liabilities include the following:

		December 31, 2019	December 31, 2018
Liabilities payable for services collections (1)	$	863,559	1,661,283
Electronic transactions in processes		628,715	673,739
Payments to suppliers and payments for services		439,741	455,672
Payable dividends and surpluses		363,029	298,522
Cash surpluses - clearing		221,674	135,974
Withholdings and other labor contributions		173,936	158,683
Affiliate establishments		162,778	268,344
Loyalty programs		149,678	154,646
Funds pending credit to customers		115,883	74,747
Other taxes		110,959	82,835
Visa smart card payments - Visa Electron		63,411	68,134
Certificates of time deposit – matured		39,682	39,451
Collect of services and payments of credit cards or Aval entities		36,965	59,046
Anticipated income		38,464	16,024
Security and peace bonds		35,740	35,997
Commissions and fees		34,564	52,416
Checks drawn but not cashed		29,086	29,781
Contributions, affiliations and transfers.		24,899	27,518
Premiums collected		19,356	18,162

		December 31, 2019	December 31, 2018
Cancelled accounts		19,045	17,981
Transactions contributions		15,097	26,827
Lien orders		13,637	16,024
Other accounts payable		373,157	393,213
	$	**3,973,055**	**4,765,019**

(1) At December 31, 2019 there is a decrease in service requirements - collections made, corresponding to the withholding tax payment for $884,138.

Note 25 – Equity

25.1 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, 2019	December 31, 2018
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

25.2 Reserves

Following shows the composition of reserves:

		December 31, 2019	December 31, 2018
Legal			
Appropriation of net profits	$	10,245,380	9,062,218
Statutory and occasional			
Charity and donations		176,000	106,009
At Board of directors provision		48,659	52,644
Tax provisions		657	708
Others		1,391,448	905,472
		1,616,764	1,064,833
	$	**11,862,144**	**10,127,051**

Legal reserve

By law, all lending institutions are required to create a legal reserve by appropriating ten percent (10%) their net earnings, each year, until the reserve equals fifty percent (50.0%) of subscribed capital. This legal reserve may be reduced to less than fifty percent (50.0%) of subscribed capital to cover losses in excess of undistributed profits. However, it may not be used to pay dividends or to cover expenses or losses as long as the Group has undistributed profits.

In order to strengthen the capitalization levels of the Bank, an appropriation commitment of 30% from their net income of previous periods for the legal reserve is established by the Shareholders meeting.

Statutory and discretionary reserves

Statutory and discretionary reserves are stated at shareholder meetings.

25.3 Dividends decreed

The dividends decreed were the following:

	December 31, 2019	December 31, 2018
Dividends decreed	$320.00 pesos per share and per month to be paid in cash between April 3 and 12, 2019, and for the months of May 2019 to March 2020, in the first ten (10) days of each month. These dividends will be taken from the profits of the year 2018 and the retained earnings of the years 2016 and earlier, which may be distributed to shareholders as not taxed.	$270.00 pesos per share and per month to be paid in cash between April 2018 and March 2019, in the first ten (10) days of each month. These dividends will be taken from the profits of the year 2017 and the retained earnings of previous years, which may be distributed to shareholders as not taxed.
Ordinary shares outstanding	331,280,555	331,280,555
Total dividends decreed	$ **1,272,117**	**1,073,349**

25.4 Basic and diluted earnings per share

The following table summarizes net earnings per share:

		December 31, 2019	December 31, 2018
Attributable to the Group's shareholders	$	2,766,450	2,937,262
Attributable to non-controlling interests		307,207	193,950
Net income for the period		**3,073,657**	**3,131,212**
Ordinary shares outstanding		331,280,555	331,280,555
Basic and diluted earnings per share	$	**8,351**	**8,866**

There are no rights or privileges over ordinary bonds outstanding.

The Group had no share with diluted effects.

See adequate capital management policies in note 32.

Note 26 – Non-controlling interest

The following table provides details of the non-controlling interest on each of the Group's subsidiaries:

		December 31, 2019				
	Country	% Share		Share of equity	Share of profits	Dividends decreed
Fiduciaria Bogotá S.A.	Colombia	5.01%	$	19,438	6,315	(3,195)
Almacenes Generales de Depósito Almaviva S.A.	Colombia	4.19%		3,391	26	0
Megalinea S.A.	Colombia	5.10%		262	30	0
Sociedad Administradora de Pensiones y Cesantías Porvenir S.A.	Colombia	53.61%		1,239,410	301,989	(143,337)
Aval Soluciones Digitales S.A.	Colombia	61.10%		7,502	(1,720)	0
Others (1)	Colombia and Panamá			1,685	567	0
			$	**1,271,688**	**307,207**	**(146,532)**

		December 31, 2018				
	Country	% Share		Share of equity	Share of profits	Dividends decreed
Fiduciaria Bogotá S.A.	Colombia	5.01%		16,655	3,196	(3,129)
Almacenes Generales de Depósito Almaviva S.A.	Colombia	4.20%	$	3,068	(48)	(358)
Megalinea S.A.	Colombia	5.10%		231	26	0
Sociedad Administradora de Pensiones y Cesantías Porvenir S.A.	Colombia	53.61%		1,074,201	190,879	(80,018)

	Country	December 31, 2018			
		% Share	Share of equity	Share of profits	Dividends decreed
Aval Soluciones Digitales S.A.	Colombia	61.10%	5,555	(555)	0
Others (1)	Colombia and Panamá		(1,482)	452	(455)
		$	**1,098,228**	**193,950**	**(83,960)**

(1) Pertains primarily to non-controlling interest in subsidiaries that sub consolidate, primarily, Leasing Bogotá S.A. Panamá, Almaviva and Porvenir S.A.

The following table provides summarized financial information on each of the Group's subsidiaries that had significant non-controlling interest:

		December 31, 2019					
		Assets	Liabilities	Total income	Net earnings	OCI	Cash Flows
Almacenes Generales de Depósito Almaviva S.A.	$	160,072	87,979	165,557	609	504	(4,170)
Fiduciaria Bogotá S.A.		490,351	102,137	270,389	126,118	696	34,085
Sociedad Administradora de Pensiones y Cesantías Porvenir S.A.		3,627,527	1,288,565	2,449,190	568,782	20,368	(33,381)
Megalinea S.A.		23,843	18,715	133,444	596	0	(3,117)
Aval Soluciones Digitales S.A.	$	13,815	1,538	309	(2,814)	0	(2,148)

		December 31, 2018					
		Assets	Liabilities	Total income	Net earnings	OCI	Cash Flows
Almacenes Generales de Depósito Almaviva S.A.	$	121,314	48,136	183,212	(1,145)	2,164	4,406
Fiduciaria Bogotá S.A.		416,762	84,134	195,383	63,824	60,151	(9,410)
Sociedad Administradora de Pensiones y Cesantías Porvenir S.A.		3,102,716	1,079,508	1,862,987	359,511	4,251	149,551
Megalinea S.A.		22,743	18,211	144,662	501	0	(6,304)
Aval Soluciones Digitales S.A.	$	9,623	531	268	(908)	0	3,482

Note 27 – Other comprehensive income

The following are details on the "Other Comprehensive Income" accounts included in equity:

		Balance as at December 31, 2018	Movement during the period	Balance as at December 31, 2019
Exchange difference on foreign subsidiaries	$	4,255,359	105,194	4,360,553
Exchange difference on derivatives in foreign currency		(2,793,229)	(50,318)	(2,843,547)
Exchange difference on bonds in foreign currency		(1,445,756)	(56,618)	(1,502,374)
Unrealized gain (loss) from investments in debt securities at fair value		(75,229)	311,637	236,408
Unrealized gain (loss) from investments in equity securities at fair value		44,860	40,850	85,710
Impairment of debt instruments at fair value		19,333	11,164	30,497
Exchange difference on foreign agencies, branches and subsidiaries		(475,024)	132,002	(343,021)
Revaluation of assets		0	1,564	1,564
Share in other comprehensive income of associates		(58,109)	68,621	10,512
Changes in actuarial assumptions from defined benefits plans		(36,808)	(10,862)	(47,670)
Income tax		1,417,737	(27,975)	1,389,761
Controlling interest		**853,134**	**525,259**	**1,378,393**
Non-controlling interest		**1,370**	**9,124**	**10,494**
Total	**$**	**854,504**	**534,383**	**1,388,887**

	Balance as at December 31, 2017	Changes in accounting policies	Balance as at January 1, 2018 adjusted	Movement during the period	Balance as at December 31, 2018
Exchange difference on translation of the financial statement of foreign subsidiaries	$ 3,158,172	0	3,158,172	1,097,187	4,255,359
Exchange difference on derivatives in foreign currency	(2,245,919)	0	(2,245,919)	(547,310)	(2,793,229)
Exchange difference on bonds in foreign currency	(896,424)	0	(896,424)	(549,332)	(1,445,756)
Exchange difference on foreign agencies, branches and subsidiaries	(203,848)	0	(203,848)	(271,176)	(475,024)
Unrealized loss from measurement of financial assets at fair value	(27,211)	36,972	9,761	(40,130)	(30,369)
Share in other comprehensive income of associates	11,545	0	11,545	(69,654)	(58,109)
Impairment of debt instruments at fair value	0	13,206	13,206	6,127	19,333
Changes in actuarial assumptions from defined benefit plans	(39,206)	0	(39,206)	2,398	(36,808)
Income tax	1,123,456	(2,237)	1,121,219	296,518	1,417,737
Controlling interest	**880,565**	**47,941**	**928,506**	**(75,372)**	**853,134**
Non-controlling interest	**7,741**	**808**	**8,549**	**(7,179)**	**1,370**
Total	$ **888,306**	**48,749**	**937,055**	**(82,551)**	**854,504**

Note 28 – Costs and expenses of contracts with customers for commissions and other services

The following is a breakdown of expenses for commissions and other services for the years ended at December 31, 2019 and 2018:

	2019	2018
Banking services	$ 201,952	183,484
Pension fund affiliations	94,285	69,161
Service of the network of office	18,211	32,246
Information processing service	11,162	14,242
Others	71,972	79,608
Total	$ **397,582**	**378,741**

Note 29 – Other income

The following is a breakdown of other incomes for the years ended at December 31, 2019 and 2018:

	2019	2018
Share in investments using the equity participation method (see note 13)	$ 524,353	568,195
Net profit on sale of investments	131,768	24,805
Recovery fees legal and pre - legal collection	63,038	59,280
Change in institutional quinquennium plan (see note 22.2)	38,402	0
Other recoveries	32,377	49,028
Leases	19,633	7,325
Sale of non-current assets held for sale	16,334	18,765
Dividends and participations	10,166	17,748
Recoveries for operational risk	9,217	7,275
Gain for sale of property, plant and equipment (1)	7,715	314,826
Operating income consortiums or temporary unions	6,520	7,477
Reimbursement provisions	5,591	3,389
Prescription of liabilities declared in abandonment	1,655	4,384
Income from claims	543	10,260
Waiver of shares subscription Corficolombiana (see note 13)	0	123,409

		2019	2018
Others		126,501	65,008
Total	$	**993,813**	**1,281,174**

(1) Includes profit by assets mobilized to "Fondo De Capital Privado Nexus Inmobiliario" for $312,316, for the year 2018.

Note 30 – Others expenses - administrative

The following is a breakdown of administrative expenses for the years ended at December 31, 2019 and 2018:

		2019	2018
Contributions affiliations and transfers		516,725	407,617
Taxes and rates	$	486,426	406,443
Fees		447,303	414,262
Maintenance and repairs		298,462	256,317
Advertising services		253,460	239,004
Insurance		213,530	209,080
Public services		199,029	189,729
Transport		121,041	113,241
Leases		105,407	290,719
Toilet and surveillance services		100,608	90,669
Supplies and stationery		83,971	68,715
Temporary services		83,711	60,457
Electronic data processing		75,073	62,953
Travel expenses		46,493	43,129
Adaptation and installation		40,345	37,063
Incentives payroll		36,539	22,315
Business collaboration		34,722	17,538
Database and queries		24,922	16,217
Software development services		19,478	21,206
Building administration fee		18,301	18,138
Others		210,369	186,335
Total	$	**3,415,915**	**3,171,147**

Note 31 – Commitments and contingencies

31.1 Credit commitments

The entities in the Group mainly 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 commitments 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, 2019		December 31, 2018	
		Notional amount	Fair value	Notional amount	Fair value
Unused credit card limits	$	18,429,896	0	16,523,871	0
Guarantees		2,488,242	31,813	2,295,389	31,518
Opened lines of credit		2,246,107	0	2,147,038	0
Unused letters of credit		954,082	9,009	928,411	7,580
Loans approved but not disbursed		406,179	0	1,143,487	0
Overdraft limits		53,985	0	93,783	0
Others		38,338	0	99,500	0
Total	$	**24,616,829**	**40,822**	**23,231,479**	**39,098**

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.

		December 31, 2019	December 31, 2018
Loan commitments, by type of currency			
Colombian pesos	$	8,044,506	8,042,337
US dollars		13,123,766	12,128,980
Euros		3,255,965	2,836,188
Others		192,592	223,974
Total	$	**24,616,829**	**23,231,479**

31.2 Commitments to disburse funds for capital disbursements

The Group incurred $8,435 and $1,771 in disbursements of capital expenses at December 31, 2019 and 2018, respectively. These correspond to contracts for purchases of property, plant and equipment (real estate). There are respective commitments for $14,277 and $8,143 in disbursements on these contracts, effective during the year 2020.

31.3 Lease commitments

As of January 1, 2019 the Group opted not to implement IFRS 16 requirements for short-term contracts and low-value underlying assets. Lease fees are adjusted as agreed in the lease contract and/or the legal requirements.

Following are the details of the payment obligations in leases:

		December 31, 2019	December 31, 2018
Not more than one year	$	18,174	200,713
More than one year and less than five		66	647,362
Total	$	**18,240**	**848,075**

As a lessee, the Group recognizes the payment of leases as an expense on a straight-line basis during the term of the contract. The lease fee recognized in the net income at December 31, 2019 and 2018 amounts to $105,407 and $290,719, respectively.

31.4 Legal contingencies

The administrative and judicial claims pending against the Group at December 31, 2019 amounted $207,687. 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 Group for over $5,000.

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 judgment in the first instance is pending.

Popular 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 Empresa de Energía del Pacifico S.A. 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 liabilities 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 Bank of Bogotá. Given the untouchable 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 Proceeding Tax Superintendence Credomatic Guatemala S.A.

Administrative Proceeding filed with Leasing Bogotá S.A. Panamá, corresponding to a tax adjustment of income tax for not performing the withholding of profits capitalization deriving from the distribution of dividends in kind for the period March 1 to April 30, 2013, whose claims sought reach $3,501 and for the period March 1 to 30, 2014 whose claims sought reach $8,547, these claims were filed on February 2018.

Administrative Proceeding Tax Superintendence Banco de America Central S.A.

Administrative Proceeding filed with Leasing Bogota Panamá, corresponding to a tax adjustment of income tax for not performing the withholding of profits capitalization deriving from the distribution of dividends in kind for the period November 1 to 30, 2014 whose claims sought reach $7,273, such claim was filed in February 2018.

Administrative Proceeding Tax Superintendence Banco de America Central S.A.

Administrative Proceeding filed with Leasing Bogota Panamá, corresponding to a tax adjustment of income tax for not performing the withholding of profits capitalization deriving from the distribution of dividends in kind for the period November 1 to 30, 2014 whose claims sought reach $8,035, such claim was filed in June 2018.

The Group does not expect to obtain any type of reimbursement. Therefore, it has not recognized assets for this purpose.

Note 32 – 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 the purpose 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. For its part, the regulatory capital as well as unrealized gains on securities, subordinated debentures, and a portion of income for the period, pursuant to the profit appropriation commitment that was approved at the shareholders' meeting. The sum of the ordinary basic equity and the additional equity results in the technical equity.

The following is a breakdown of the estimate of the Group's minimum regulatory capital.

		December 31, 2019	December 31, 2018
Regulatory capital	$	18,508,842	17,730,918
Ordinary basic capital		13,082,557	11,655,669
Total risk - weighted assets	$	144,059,357	130,879,378
Total relation solvency > 9%		12.85%	13.55%
Basic relation solvency > 4.5%		9.08%	8.91%

Likewise, the Group's subsidiaries have properly complied with the respective capital requirements. The following is a breakdown of the financial subsidiaries' capital requirements that integrate the Group:

	Total requirement	December 31, 2019	December 31, 2018
Banco de Bogotá	9%	19.07%	20.70%
BAC International Bank - Consolidated	8% (1)	12.94%	13.52%
Porvenir S.A.	9%	19.99%	23.83%
Fidubogotá S.A.	9% (2)	39.28%	149.52%
Almaviva S.A.	36 veces (3)	13.49 veces	10.86 times

(1) According to agreements 001/ 2015 and 003/ 2016 of the Panamá Banking Authority.
(2) The Solvency Ratio of Fidubogotá has a different magnitude compared to the previous year, due to the change in the calculation methodology for the trustees; This is currently governed by the External Circular 010 of 2019 (SFC), which repealed the External Circular 045 of 2015 (SFC).
(3) In the case of Almaviva, the capital requirement is measured as the maximum storage capacity, which may not exceed 36 times its regulatory capital.

The Ministry of Finance and Public Credit issued decrees 1477 of 2018 and 1421 of 2019, through which Decree 2555 of 2010 is modified in relation to the requirements of adequate equity of credit institutions. The main objective is to increase both the quality and the amount of capital of credit institutions, in line with the Basel III solvency ratio definitions. Likewise, it updated the methodology (standard method) for the calculation of the assets weighted by credit risk level and included capital requirements for the value at risk for operational risk, in accordance with the Basel III post-crisis reform completion document.

Similarly, it is worth noting the introduction of the basic solvency ratio, additional (minimum 6%), the leverage ratio (minimum 3%), the capital conservation buffer (minimum 1.5% of the value of the assets weighted by level of credit and market risk that must be maintained in the net ordinary basic equity of deductions at all times) and the buffer for entities with systemic importance (minimum 1% of the value of the assets weighted by level of credit and market risk that they must maintain in the net ordinary basic equity of deductions entities with systemic importance).

Decree 1477/2018 is regulated by External Circular 020 of the Financial Superintendence of Colombia, issued on September 6, 2019.

The provisions contained in the new decree must be fulfilled starting on January 1, 2021.

Note 33 – Financial assets offset against financial liabilities

Derivative instruments subject to a compensation framework agreement or similar are not offset in the statement of financial position. The following is a detail of the financial instruments that can be compensated:

		December 31, 2019				
		Gross Amounts of Recognized Assets and liabilities	Net Amounts of Assets Presented in the Consolidated statement of financial position	Gross Amounts Not Offset in the Consolidated statement of financial position		Net Exposure
				Financial instruments	Cash collateral received	
Assets						
Derivatives	$	499,151	499,151	298,084	34,990	166,077
Repurchase agreements		40,812	40,812	16,186	0	24,626
Total assets subject to offsetting		**539,963**	**539,963**	**314,270**	**34,990**	**190,703**
Liabilities						
Derivatives		447,453	447,453	0	56,269	391,184
Repurchase agreements		2,878,127	2,878,127	2,878,127	0	0
Total liabilities subject to offsetting	$	**3,325,580**	**3,325,580**	**2,878,127**	**56,269**	**391,184**

		December 31, 2018				
		Gross Amounts of Recognized Assets and liabilities	Net Amounts of Assets Presented in the Consolidated statement of financial position	Gross Amounts Not Offset in the Consolidated statement of financial position		Net Exposure
				Financial instruments	Cash collateral received	
Assets						
Derivatives	$	356,473	356,473	192,620	253,698	(89,845)
Repurchase agreements		4,230,217	4,230,217	4,089,847	0	140,370
Total assets subject to offsetting		**4,586,690**	**4,586,690**	**4,282,467**	**253,698**	**50,525**
Liabilities						
Derivatives		561,306	561,306	0	29,410	531,896
Repurchase agreements		513,092	513,092	492,338	0	20,754
Total liabilities subject to offsetting	$	**1,074,398**	**1,074,398**	**492,338**	**29,410**	**552,650**

Note 34 – Related parties

Related party is a person or entity that is related to the entity that prepares its financial statements, which could exercise control or joint control over the reporting entity, significant influence, or could be considered a key member of management or of a parent. The definition of related parties includes people and/or family members related to the entity, entities that belong to the same group (parent and subsidiary), associates or business combinations of the entity or of the entities of the Group, or post-employment plans benefitting the employees of the reporting entity or a related entity and if the entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the Group.

The relevant related parties are defined by the Group as follow:

a. An economically related party is a person or entity that is related to any entity in the Group through transactions such as transfers of resources, services or obligations, regardless of whether or not a price is charged.

Transactions between economic associates are understood, by the Group, as any economic event carried out with Grupo Aval S.A. shareholders or entities thereof.

b. Shareholders who individually own more than 10% of the Bank's capital stock (Grupo Aval Acciones y Valores S.A.).

c. Key management personnel: People with authority and responsibility for planning, directing and controlling the activities of the entity, either directly or indirectly, including any manager or administrator (executive or otherwise) of the Group, as well as the president and vice presidents and the members of the Board of Directors.

d. Subordinate entities: Companies in which the Group exercises control, according to the definition of control outlined in the Commercial Code and in "IFRS 10 – Consolidated Financial Statements".

e. Associate entities: These are entities wherein the Group exercises 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 and subordinates, Banco AV Villas and subordinates, Banco Popular and subordinates, Seguro 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, with the understanding that any such operation 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 years ended at December 31, 2019 and 2018.

- Loans involving an obligation to the borrower that does not coincide with the essence or nature of a loan agreement.
- Loans at interest rates other than those normally paid or charged 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 manual on agreements, specifically Chapter VI- "Special Agreements with Subsidiaries on Using the Bank's Network," Banco de Bogotá has agreements with Fiduciaria Bogotá S.A. and Porvenir S.A.to allows them to use its network of offices.

Fiduciaria Bogotá S.A. entered into a contract with Banco de Bogotá 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 / 1993 (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 years ended at December 31, 2019 and 2018, $1,636 and $1,517 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.

Balances and operations with related parties are shown in the following table, organized into groups, including details on transactions with key management personnel:

Statement of financial position

		December 31, 2019				
					Related entities	
		Economically related parties	Grupo Aval S.A.	Key management personnel	Non-subsidiaries	Associates and joint ventures
Assets						
Cash and cash equivalents	$	0	0	0	22,928	41,487
Investments accounted for using the equity method		0	0	0	0	4,760,000
Impairment of investments		0	0	0	0	(7,641)
Investments at fair value through profit or loss		1,138	30,201	0	151,833	80,334
Loan portfolio and financial leases transactions, net		2,075,838	423,857	28,319	2,121	658,821
Other accounts receivable		465	8	81	987	1
Derivatives at fair value		3,066	0	0	51,760	10,006
Right of use assets		0	0	0	228	0
Other assets		1,700	0	0	0	0
Liabilities						
Financial liabilities derivatives at fair value		1,029	0	0	0	0
Financial liabilities at amortized cost		654,855	1,926,309	107,882	1,432	901,711
Accounts payable and other liabilities	$	67,948	227,601	1,404	21,869	9,269

		December 31, 2018				
					Related entities	
		Economically related parties	Grupo Aval S.A.	Key management personnel	Non-subsidiaries	Associates and joint ventures
Assets						
Cash and cash equivalents	$	0	0	0	8,475	40,018
Investments accounted using the equity method		1,702	0	0	0	4,164,656
Impairment of investments		0	0	0	0	(7,641)
Financial assets investment		0	0	0	258,335	40,072
Loan portfolio and financial leases transactions		2,179,378	524,690	27,216	925	369,993
Other accounts receivable		771	127,537	46	213	22
Derivatives at fair value		1,919	2,886	0	0	0
Other assets		3,442	0	0	0	0
Liabilities						
Financial liabilities derivatives at fair value		1,332	614	0	0	0
Financial liabilities at amortized cost	$	971,864	2,113,007	47,997	2,275	460,476
Accounts payables and other liabilities		3,670	189,475	281	11,050	3,197

Statement of income

		December 31, 2019				
					Related entities	
		Economically related parties	Grupo Aval S.A.	Key management personnel	Non-subsidiaries	Associates and joint ventures
Income						
Interest	$	147,769	34,398	2,794	14,562	50,984
Contracts with customers for commissions and other services		1,948	319	51	805	3,242
Others		1,349	10,470	0	4,114	526,125
Expenses						
Interest		43,632	108,954	2,658	47	22,796
Contracts with customers for commissions and other services		222	0	166	12,448	1,332
Others	$	17,463	171,831	18,762	64,536	35,538

		December 31, 2018				
					Related entities	
		Economically related parties	Grupo Aval S.A.	Key management personnel	Non-subsidiaries	Associates and joint ventures
Income						
Interest	$	118,888	35,261	1,929	17,497	24,081
Contracts with customers for commissions and other services		1,804	324	53	1,185	4,497
Others		2,668	86,153	25	3,032	570,870
Expenses						
Interest	$	33,217	103,806	1,601	13	15,245
Contracts with customers for commissions and other services		0	0	16	12,655	1,336
Others		15,436	185,340	17,917	39,258	23,769

Pending amounts are not guaranteed and they shall be liquidated in cash. No guarantees have been granted or received. No expense has been recognized in the current period, or in previous periods with respect to uncollectible or accounts of doubtful collection relating to the amounts owed by related parties.

Benefits for key management personnel

The benefits for key management personnel include the following:

		December 31, 2019	December 31, 2018
Short-term employee benefits	$	105,103	104,782
Post-employment benefits		0	100
Compensation for key management personnel and other long-term employee benefits		676	1,632
Termination benefits		4,380	24
Total	$	**110,159**	**106,538**

Note 35 – 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 reserve ratio (see note 6, paragraph 6.4, Section c, Liquidity Risk), the proprietary position (see note 6, paragraph 6.4, Individual Risk Analysis), the capital adequacy ratio (see note 32), and the mandatory investments to be made in securities issued by “Fondo para el Financiamiento Del Sector Agropecuario (FINAGRO)”. The Bank complied with all these requirements during the six months ended at December 31, 2019 and 2018.

Note 36 – Subsequent events

There were no events occurred after the period ended at December 31, 2019 and up until the date when the financial statements were approved that need to be disclosed.

Note 37 – Approval for the presentation of financial statements

The Bank´s board of directors, in session of February 25, 2019, the presentation of the consolidated financial statements was approved for the period ended at December 31, 2019 and the accompanying notes.