NOTE 1 - REPORTING ENTITY

Banco de Bogotá S.A. (parent company) is a private entity based in the city of Bogotá D.C. at 36th street # 7-47. It was incorporated through Public Deed No. 1923, dated November 15, 1870 granted before the Second Notary in Bogotá D.C. The Superintendencia Financiera de Colombia renewed the Bank's operating license definitively, as per Resolution 3140, 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 perform all transactions operations and services inherent to the banking business pursuant to applicable laws and regulations in Colombia.

At December 31, 2018 the Bank and its subsidiaries operate with thirty six thousand and one hundred seventy-three (36,173) employees with labor contract, six hundred sixty-three (663) working under apprenticeship or training agreements, and two thousand and eight hundred eighty-five (2,885) temporary employees. In addition, the Group has six thousand and four hundred eight (6,408) staff members contracted through outsourcing with specialized companies. It also has one thousand and five hundred sixty-four (1,564) offices, seventeen thousand and seven hundred fifty-eight (17,758) correspondent banks, three thousand and eight hundred six (3,806) ATMs, two (2) agencies abroad: one in Miami and another in New York, which are licensed to carry out banking activities abroad, and 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	Total % voting rights of Group (1)	Total % indirect voting rights of Group (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	94.92%	0.88%
Megalínea S.A.	It is a technical and administrative services company whose corporate purpose is management and pre-legal collection, legal collection and out-of-court collection on loans.	Bogotá, Colombia	94.90%	
Porvenir S.A. (3-4) 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%	10.40%
Aval Soluciones Digitales S.A. (4)	Services authorized to companies specialized in deposits and electronic payments.	Bogotá, Colombia	38.90%	

(Continued)

Name of subsidiary	Main activity	Place of business	Total % voting rights of Group (1)	Total % indirect voting rights of Group (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.	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 Interest		Place of business	Total % voting rights of Group
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 interest in each of its subsidiaries has not varied over the past year, except Almaviva that has an increase of 0.001%.
(2) Indirect interest through Banco de Bogotá Panamá S.A.
(3) Indirect interest through Fiduciaria Bogotá S.A.
(4) The Bank has representation on the management board, which is why this entity is consolidated.

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

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

2.1 Compliance statement

The consolidated financial statements at December 31, 2018 of the Group, have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), and interpretations from the International Financial Reporting Standards Committee (IFRIC) that are currently in force. Until December 31, 2017 have been prepared in accordance with the financial reporting standards accepted in Colombia (NCIF), established in the Law 1314/2009, which includes the International Financial Reporting Standards (IFRS) officially translated into Spanish and issued by IASB at December 31, 2015, as compiled pursuant to the Regulating Technical Framework of Decree 2420/2015 and the modifying decrees, issued by the Colombian government.

2.2 Basis of presentation of the financial statements

a. Presentation of consolidated financial statements

The accompanying consolidated financial statements are presented according to the following aspects:

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 for the period and other comprehensive income

These items are presented separately in two statements (statement of income for the period and other comprehensive income). Moreover, the income statement 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 flow

It is presented using the indirect method, in this case, the net cash flow from operating activities is 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 items are taken into consideration when preparing the cash flow 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 it meets all of the following conditions:

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

The Group consolidates the assets, liabilities and profit or loss in all the subsidiaries which includes an assurance in the homogenization of its accounting policies. In this process any intragroup transactions

and unrealized gains between them are eliminated. Non-controlling interest is presented in the consolidated statement of financial position of the Group separate from that attributable to equity holders of the Group.

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

The accompanying financial statements include the assets, liabilities, equity and income of the parent company and the companies it controls. The following is the detail of ownership interest in each of them at December 31, 2018 and 2017, homologated to the accounting policies of consolidation.

	December 31, 2018				
	% Ownership interest	Assets	Liabilities	Equity	Net income controlling interest
Banco de Bogotá (Parent)		$ 91,740,338	73,095,938	18,644,400	2,949,370
Leasing Bogotá S.A. Panamá and subsidiaries	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
Almacenes Generales de Depósito Almaviva S.A. and subsidiaries	95.80%	121,314	48,136	73,178	(1,145)
Fiduciaria Bogotá S.A.	94.99%	416,762	84,135	332,627	63,824
Megalínea S.A.	94.90%	22,743	18,211	4,532	501
Corporación Financiera Centroamericana S.A Ficentro	49.78%	0	1	(1)	0
Sociedad Administradora de Pensiones and Cesantías Porvenir S.A. and subsidiary	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**

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

2.3 Investments in associates and joint arrangements

Investments in associates

An associate is an entity over which the Group has significant influence; namely, on where it has the power to intervene in decisions on financial and operating policy, but without having control or joint control. It is presumed that significant influence is exercised in another entity if the Group directly or indirectly possesses 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 one whereby two or more parties maintain joint control of the agreement; namely, only when decisions on relevant activities require unanimous consent of the parties sharing control. Joint arrangement is divided into:

- Joint operation, wherein the parties with joint control of the arrangements have rights to the assets and liabilities related to the arrangements,

- Joint ventures, wherein the parties with a join control have rights to the net assets and liabilities of the arrangements.

Measurement

Investments in associates and joint arrangements are measured through the equity method, whereby the investment is initially recognized at cost and adjusted thereafter for the post-acquisition change in the investor's share of the investee's net assets. The Group's profit or loss includes its share of the investee's profit or loss and the Group's other comprehensive income includes its share of the investee's other comprehensive income (OCI) or in another appropriate account under equity, as applicable, pursuant to the application of uniform accounting policies for transactions and other events which, being similar, might have occurred under comparable circumstances.

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

2.4 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 Foreign currency transactions

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

In the consolidated financial statements, the results and the financial position of all the entities of the Group that have a functional currency different from the Colombian peso, are converted to the presentation currency as follows: the assets and liabilities of operations abroad, including goodwill and fair value adjustments arising from the acquisition of a foreign entity, are converted into pesos at the closing exchange rate on the date of the corresponding statement of financial position; and the income and expenses of operations abroad are translated into pesos at the average exchange rates 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 convert to the current exchange rates on the dates of the transactions.

At December 31, 2018 and 2017, the exchange rates were $ 3,249.75 and $ 2,984.00 respectively.

2.6 Cash and cash equivalents

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

2.7 Financial assets

Accounting policy applied until December 31, 2017

a. Initial measurement

Financial assets are recognized initially at:

- Fair value and the transaction costs are recorded as an expense when incurred.
- Amortized cost is recorded at their transaction value when acquired or granted, in the case of investments, or at their face value in the case of loans. Unless there is evidence to the contrary, these amounts coincide with their fair value, plus the transaction costs directly attributable to their acquisition or granting, less commissions received.

b. Subsequent Measurement

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

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

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

c. Impairment

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

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

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

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

d. Financial Assets from Investment

- **Debt Securities:**

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

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

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

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

As a result of the IFRS 9 implementation, the group changed its accounting policy at January 1, 2018, as detailed below:

a. Definition

A financial asset is any asset that is cash, an equity instrument of another entity, a contractual right to receive cash or another financial asset from another entity or to exchange financial assets or liabilities with another entity under conditions that are potentially favorable to the entity, 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 with changes in results, or at fair value with changes in 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 cash flows solely deriving from payment to 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 with changes in 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 in an irrevocable manner 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 with changes through income statement.

d. Subsequent measurement

The next account policies apply for the subsequent measurement of financial assets:

Classification	Subsequent measurement
Financial assets at fair value through profit or loss (FVTPL)	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income and foreign exchange gain and losses, are recognized in profit or loss unless they arise from derivatives designated as hedging instruments in net.
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 profit or loss. Any gain or loss on derecognition is recognized in profit or loss.
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 impairment losses are recognized in profit or loss. 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 profit or loss.

Classification	Subsequent measurement
Equity securities through other comprehensive income (FVOCI)	These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

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

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

e. Reclassifications

Only 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 intention 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 amount in books.
- 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, it 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 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 a transaction ordered among market participants on the measurement date either in a main market or in its absence, the most advantageous market to which the Group has access.

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

- For highly liquid assets in Colombia, The Group uses dirty prices supplied by an official pricing service authorized by the Superintendencia Financiera de Colombia and by Bloomberg for international market (see note 5).
- The fair value appraisal of financial assets that are not listed on an active market is determined through the use of valuation techniques. The Group used several a varieties of valuation methods and assumptions based on market conditions existing on each reporting date. These techniques include the use of recent comparable transactions on equal terms, references to other substantially equal instruments, discounted cash flow analysis, options price models and other valuation techniques commonly employed by market participants, with maximum use of market data (see note 5).

g. Impairment

General Approach

Impairment criteria described as follows apply 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 leases receivable;

- Financial guarantee contracts issued; and
- Commitments of loans issued.

Impairment Recognition - Expected Credit Loss (ECL):

The Group recognizes an allowance for 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 loan is the expected loss resulting from all possible impairment events over the life expected of the financial instrument, while the expected loss of the twelve month period is the portion of expected losses that shall result from possible impairment events within the twelve months subsequent to the financial statements reporting date.

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

For financial statements 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.

Impairment is recognized 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 a.)

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

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

- The financial asset transferred is not derecognized in the consolidated statement of financial position and will continue to be valued using the same criteria applied prior to the transfer.
- An associated financial liability is recorded in an amount equal to the consideration received, and subsequently valued at its amortized cost.
- Both the revenue associated with the transferred financial asset (that has not been derecognized) and the expenses associated with the new financial liability 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 and only when, there is the legal right to offset the recognized amounts and management intends to settle them on a net basis to realize the asset and settle the liability simultaneously.

j. Derivatives and accounting of hedges

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

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

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

The Group designates hedging derivatives of a net investment in foreign currency, making the following accounting: the part of the gain or loss of the hedging instrument that is determined to be an effective hedge is recognized in other comprehensive income and the ineffective part is recognizes in the result of the period. Gains or losses on the hedging instrument accumulated in equity 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 assets or liabilities and firm commitments, changes in the fair value of the derivative instrument are recognized in profit or loss, as well as any other change in the fair value of the asset, liability or firm commitment attributable to the hedge risk.

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

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

2.8 Non-current assets held for sale

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

a. 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

b. Its recoverable amount on the date of the subsequent decision not to sell it.

2.9 Property, plant and equipment

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

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

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

Depreciation is charged to income and calculated according to 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 amplifying equipment	5 to 7 years
ATMs	5 to 10 years
Medium and high-capacity equipment: Power plant > 40 KW / UPS > 30 kVA / Air conditioning > 15 T.R.	10 to 12 years
Electrical generator/UPS/Air conditioning in headquarters	5 to 10 years
Office equipment, furniture and fixtures	3 to 10 years
Vehicles	5 to 10 years

Leasehold improvements

There are adjustments that are made to the leasehold properties; 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 and the useful life of the asset, improvement or work performed and in accordance with the established useful life ranges.

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, it determines if the impairment exists by comparing the net value of the asset recorded with its recoverable amount (the recoverable amount is defined as the higher of the fair value, less costs to sell, and the value in use). When the carrying value exceeds the recoverable amount, the carrying value is adjusted to the recoverable amount by modifying future depreciation charges to bring them in line with the remaining useful life of the asset.

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

2.10 Investment properties

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

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

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

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

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

Transfers

Transfers to, or from, investment properties will be made when, and only when, there is a change in their use, which has been evidenced by:

- The beginning of the occupation by the owner,
- The end of the occupation by the owner, in the case of the transfer of an installation occupied by the owner to an investment property.

The following is the accounting treatment of transfers:

- If an investment property is transferred to property, plant and equipment, the cost of the property will be the fair value at the date of the change of use.
- When a property, plant and equipment is transferred to investment property, the entity will treat the difference between the previous carrying amount and the fair value determined in the new category, in the same way that a revaluation is recorded according to IFRS 16.

2.11 Assets on lease

a. Assets delivered on lease

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

A 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 properties 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 by the Group.

b. Assets received on lease

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

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

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

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

2.12 Business combinations and Goodwill

Business combinations are accounted for by using the “acquisition method” when control is transferred. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. If there are non-controlling interests during the acquisition of control of the entity, such non-controlling interests are recognized at either fair value or at the proportionate interest in the recognized amount of the identifiable acquire 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, over the amount of any interest previously acquired and the net of identifiable assets (including intangible assets) and liabilities assumed at acquisition date. Goodwill acquired in a business combination is assigned to each of the groups of cash-generating units from which a benefit is expected as a consequence of the acquisition. Goodwill is not subsequently amortized but it shall be subject to an annual assessment of impairment of the cash-generating unit to which goodwill has been assigned, from which benefits are expected deriving from the synergies of business combinations.

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

2.13 Other intangible assets

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

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

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

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

At each reporting date, the Group analyzes whether there are indications, both external and internal, that an asset may be impaired. If there is evidence of impairment, the Group analyzes whether such impairment actually exists by comparing the net book value of the asset with its recoverable value (the higher of its fair value less disposal costs and its value in use). Any impairment losses or subsequent reversals are recognized in net income of the year.

2.14 Financial liabilities

A financial liability is any contractual obligation the Group has to deliver cash or other financial assets to an entity or person, or to exchange financial assets or financial liabilities under conditions that are potentially unfavorable for the Group or an agreement that can or will be settled using equity 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, recognizing the financial expense in the result (except for the derivatives that are measured at fair value).

Financial liabilities are derecognized from the statement of financial position only when, it has been extinguished, that is, when the obligation specified in the corresponding contract has been paid or canceled or has expired.

The Group's financial liabilities include current accounts, savings accounts, time certificates of deposit, bonds issued, financial 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 various forms, including bonds and sureties.

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

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

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

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

2.16 Employee benefits

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

a. Short-term benefits

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

b. Post-employment benefits

These are benefits the Group pays to their employees upon retirement or completion of their period of employment; they are different from dismissal compensation. These benefits involve retirement pensions

and severance pay assumed directly by the Group for employees who are covered by the labor laws that were in effect prior to Law 100/1993 (pensions) and Law 50/1990 (severance). They also include the bonuses granted to employees when they leave the Group due to retirement.

The liability for post-employment benefits in defined contribution plans (payment of the Group's contributions to pension funds) is measured on an undiscounted basis and is recorded by the accrual system charged to income. Plans for defined contributions do not require the use of actuarial assumptions to measure the liability or expense and, therefore, do not generate actuarial gains or losses.

The liability for post-employment benefits related to severance pay and retirement bonuses is determined based on the present value of the estimated future payments to be made to employees. These payments are calculated based on actuarial studies prepared via the projected unit credit method, using assumptions of mortality rates, salary increases, staff turnover and certain interest rates determined on the basis of income from current bond market yields at the end of the period on sovereign bonds or highly-rated corporate bonds. With the projected unit credit method, the future benefits to be paid to employees are assigned to each accounting period in which the employee renders service. Therefore, the expense for these benefits is recorded in the Group's income statement and includes the present cost assigned to the service in the actuarial calculation, plus the financial cost of the calculated liability. Changes in the liability for post-employment benefits, due to changes in actuarial assumptions, are recorded in equity under other comprehensive income (OCI).

Changes in the actuarial liability due to changes in employees benefits granted to employees and that have retroactive effect are recorded as an expense on the first following dates.

- When the modification of the employee benefits granted take place.
- When provisions for restructuring cost are recognized by a subsidiary or a business company.

c. Other long-term benefits

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

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

d. Work contract termination benefits

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

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

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

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

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

2.17 Taxes

a. Income tax

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

Current tax

Current tax includes tax expected to be paid or received on the taxable profits 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. The current tax also includes any tax on dividends.

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 that 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 come from the initial recognition of goodwill ii) the initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, does not affect accounting or tax gain or loss.

Deferred tax is calculated using the tax rates that are in force on the balance sheet date and are expected to apply when the deferred tax asset is realized or when the deferred tax liability is settled.

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

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

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

b. Wealth Tax

In December 2014, the Colombian Government issued Law 1739 creating the wealth tax, which is to be paid by all Colombian entities with net equity in excess of $1,000 million. This law stipulates that for accounting purposes in Colombia, the tax accrues annually on January 1, 2015 to 2017 and can be recorded in equity reserves within equity. The Group has chosen to apply this exception and has recorded the wealth tax accrued at January 1 of each year in its equity reserves account.

As a result of Law 1943 of 2018, the Financing Law, there will be no equity or wealth tax levied on national corporations in 2019 and future years.

c. Taxes and contributions other than income tax

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

2.18 Provisions and contingencies

a. Provisions

Provisions are liabilities 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 likely the obligation will have to be settled with resources that embody economic benefits; or
- 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 and based on what is reported. In cases where sale or disposal is expected in the long run, the 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

Accounting policy applied until December 31, 2017

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

a. Services rendered

The recognition of income from services is made at the moment in which it can be reliably estimated, considering the degree of termination of service provision.

Revenue from services rendered is recorded in the accounting period during which the services were provided, referencing the termination stage of the specific transaction, and evaluated on the basis of the real service provided as a proportion of the total service to be rendered. When services are provided through an unspecified number of actions during a specific period of time, revenue from ordinary activities is recorded on a straight-line basis throughout the agreed period.

b. Customer loyalty program

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

c. Income from commissions

The commissions are recognized as income in the results of the period as follows:

- Commissions that are an integral part of the effective interest rate on a financial instrument are usually treated as an adjustment to the effective interest rate.
- Commissions that are gains to the extent that the service is provided, are recognized in results as the name indicates, as it is demonstrated that the service is provided.
- Commissions that are significant when they are realized will be recognized when the significant act has taken place.

As a result of the IFRS 15 implementation, the group changed its accounting policy at January 1, 2018, as detailed below:

a. Revenue of ordinary activities arising from contracts with customers

The Group recognizing revenues of ordinary activities in the manner that represents the transfer of goods or services committed to customers, a change in an amount that reflects the consideration to which the Bank expects to be entitled in exchange for said goods or services. To comply with the above, the following five steps are applied:

Step 1. Identifying the contract with the customer: A contract is defined as an agreement between two or more parties, creating rights and obligations enforceable and establishes criteria to be complied for each contract. Contracts may be written, oral or implied through entrepreneurial practices usual within an entity.

Step 2. Identifying performance obligations in the contract: a performance obligation is a commitment in a contract with a customer for the transfer of goods or services.

Step 3. Determining the transaction price: The transaction price is the amount of payment that the Group expects to be entitled to in exchange of the transfer of goods or services committed to a customer, without taking into account the amounts received on behalf of third parties.

Step 4. Assigning the transaction price to the performance obligations of the contract: In a contract having more than one performance obligation, the Group distributes the transaction price among the performance obligations in amounts representing the amount of the consideration that the Group expects to be entitled to in exchange of conveying the goods or services committed to the customer.

Step 5. Recognition of revenues when (or to the extent that) the Group complies with a performance obligation.

The Group recognizes revenues from ordinary activities when (or as it) satisfies a performance obligation through the transfer of the goods or services committed to the customer. A good or service is transferred when (or as) the customer obtains control of that good or service.

For each performance obligation, the Group determines at the beginning of each contract whether it satisfies the performance obligation over time or satisfies the performance obligation at a specific time.

The Group complies with a performance obligation and recognizes income throughout time if any of the following criteria is met:

- The Group's performance does not create an asset with alternative use for the Group, and the Group has a callable entitlement to payment for the performance completed as of the date.
- The Group's performance creates or improves and asset controlled by the customer as the same is created or improved.
- The customer simultaneously receives and consumes the benefits resulting from the Group's performance as the same works.

For performance obligations where none of the conditions sated is met, income is recognized at the time in which the performance obligation is complied with.

When the Group meets a performance obligation through the delivery of the goods or service promised, it creates a contractual asset for the amount of the consideration obtained with such performance. When the amount of the consideration received by a customer exceeds the amount of the income recognized, it generates a contractual liability.

Income is measured based on the consideration specified in the contract with the customer, and excludes the amounts received in representation of third parties. The Group recognizes income when it transfers control over a good or service to a customer. Income is presented net of value added tax (IVA – Spanish acronym), reimbursements and discounts and after eliminating the sales within the Group.

The Group assesses its income plans based on specific criteria for determining if it acts as principal or as agent.

Income is recognized to the extent that it is likely that the economic benefits flow toward the Group and if it is possible to measure income and costs in a reliable manner, as the case may be.

A description of the main activities through which the Group generates income deriving from contracts with customers is as follows:

(i) Bank (Financial Services)

Generally Banks enter into contracts covering several different services. Such contracts may contain components within or without the scope of IFRS 15. For such reason, banks only apply IFRS 15 indications when all or part of their contracts is beyond the scope of IFRS 9.

Income sources obtained by Banks through contracts with customers are as follows:

• Credit cards:

Exchange fees, general fees (annual, quarterly, monthly), and loyalty programs. Some contracts create rights and obligations enforceable between the bank and card-holder or traders, under which the bank renders services generally in exchange of annual fees or of other types. Some of the services that may exist in the contract with the card-holder are as follows:

- Issue of loyalty points (options for acquiring goods/services for free or with a future discount), which are likely based on the monetary volume of the transactions with cards,
- Payment processing service,
- Insurance, where the bank in not the insurer,
- Protection against fraud, and
- Processing certain transactions, such as purchases in foreign currency and withdrawals in cash.

The transaction price is assigned to each performance obligation based on the relative sale prices of goods or services offered to the customer. Assigning a transaction price to each performance obligation is not necessary at all when there is more than one performance obligation, but all are met at the same time or in an equitable manner during the period.

• Commissions:

Banks receive insurance commissions when they refer new customers to third parties sellers of insurance, when the bank is not the insurer of the policy itself. Such commissions are mostly paid periodically (monthly for instance) to the Banks, based on the volume of new policies (and/or renewal of existing policies) generated with customers presented by the bank. The transaction price may include a variable consideration element or subject to the result of future events, such as policy cancellations, and such element is estimated and is included in the transaction price based on the most probable amount, so it is thus included in the transaction price only when it is most likely that the resolution of such uncertainty will not lead to a significant reversion of income.

Commitment fees are within the scope of IFRS 15 when it is less likely that an agreement of a specific loan is generated and such commitment is not measured at fair value through results.

IFRS 15 contemplates the fees of loan syndication received by a bank that agrees the loan and does not withhold any portion of the loan pack for itself (or withholds a part to the same EIR for risk purposes comparable to other participants).

• Saving accounts and current accounts:

Transactional and account charges. Savings and current account contracts generally allow customers to have access to a series of services, which include electronic transfer processing, use of ATMs for cash withdrawal, issuance of debit cards, and generating account statements. Sometimes other benefits are included. Charges take place periodically and offer the customer access to bank services and additional benefits.

(ii) Customer loyalty program

The financial entities of the Group operates a number of customer loyalty programs in which customers accumulate points for purchases made with credit cards and can redeem reward points in accordance with the policies and rewards plan in effect at the time of redemption. Points for rewards are recorded as an identifiable component separate from the initial sale transaction, to fair value. The amount allocated to the loyalty programs is deferred and recognized in the income statement 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 of a third party in advance, or if it transfers control over such goods or services to a customer. The Group acts an agent if its performance obligation is to arrange that the other party offers such goods or services.

b. Income from interest and dividends

Interest income and dividends are recognized on the following basis:

- Is recognized the Interest using the effective interest rate method.
- Dividends are recognized when the Group's right to receive them is established, and only for those shares where it has no control or significant influence that is, investments below 20% that are not classified as investments on joint ventures.
  - 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 viable manner.

c. 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 net income for the period.

2.20 Basic and diluted net earnings per share

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

2.21 Impact of changes in accounting policies

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 has not been 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

	Retained earnings	Other comprehensive income	Total
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
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

(Continued)

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)
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 Allowances between the OCI and retained earnings, due to the change from IAS 39 to IFRS 9. As instructed by the Superintendencia Financiera de Colombia, the difference between the allowance 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		
Difference between separates and consolidated loan 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		
Difference between Separates and Consolidated loan impairment allowance		(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.

NOTE 3 - NEW AND AMENDED IFRS´s

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).

The following is a summary of the new accounting pronouncements issued by IASB, some of which are not yet enforceable. The management is under the process of assessing the potential impact of these pronouncements over the consolidated financial statements of the Group, with the exception of the implementation of IFRS 16 Leases.

New issues of the IASB	Title of the standard or amendment	Date of application
IFRS 16	Leases.	January 1, 2019
Amendment to IFRS 9	Early cancellation with negative compensation.	January 1, 2019
Amendment to IAS 28	Long term participations in associates and joint ventures.	January 1, 2019
Annual Improvements Cycle 2015-2017	Amendments to IFRS 3 - Business combinations Amendments to IFRS 11 - Joint agreements Amendments to IAS 12 Income tax and Amendments to IAS 23 Loan costs.	January 1, 2019

New issues of the IASB	Title of the standard or amendment	Date of application
Amendment to IAS 19	Plan amendment, curtailment or settlement.	January 1, 2019
IFRIC 23	Uncertainty in the treatment of income tax.	January 1, 2019
Conceptual Framework in IFRS standards	Conceptual framework to financial information	January 1, 2020
Amendment to IAS 3	Definition of “Business”.	January 1, 2020
Amendment to IAS 1 and IAS 8	Changes in the concept of "Material".	January 1, 2020
IFRS 17	Insurance contracts.	January 1, 2021
Amendment to IFRS 10 and IFRS 28	Sale or contribution of assets between an investor and its associate or joint venture.	Indefinite effective date (postponed by the IASB)

A summary of the new standards and modifications issued by the IASB is as follows:

a. IFRS 16 leases

IFRS 16 was issued by the IASB in the first semester of 2016; and will replace the IAS 17 Leases, IFRIC 4 determining if a contract includes a lease, SIC 15 incentives in operation leases and SIC 27 evaluating the substance of transactions involving the legal form of a lease.

The standard changes the way leases are recorded for lessees, utilizing a single model to post such transactions. This single model states that a lessee must recognize an asset for the right of use, which represents its right to use the underlying asset, and a lease liability, which represents its obligation to make future lease payments.

The regulation includes exemptions for its application to short-term leases and leases in which is the underlying asset’s value is low.

The lessor's accounting remains similar to the provisions of IAS 17, which is that lessors continue to classify them as either finance or operating leases.

The Group has assessed the estimated the initial impact of application of IFRS 16 on its financial statements; however, such impact may change with regard to the initial assessment because:

- The Group has not finished testing and assessing the operating controls and information technology (IT); and
- New accounting policies are subject to changes until the Group presents its first financial statements that include the date of the initial application.

Following is a breakdown of the main changes:

Leases in which the Group is a lessee

The Group will recognize the new assets and liabilities for its operation leases mainly of real estate, for example, offices, bank branches, among others.

The nature of the expenses related to these leases will change as of January 1, 2019 because a depreciation expense will be reported for the right of use of assets, and interest expenses for the lease liabilities. In the past, operating lease expenses were reported on a straight line basis during the term of lease.

Leases reported as finance leases pursuant to IAS 17 are not expected to have a significant impact on the Group as a result of IFRS 16 going into effect.

On January 1, 2019, the Group expects to report right of use assets totaling approximately $1,482,389, and lease liabilities totaling approximately $1,482,389. This will generate a deferred tax asset and liability in the amount of $212,309, with a neutral effect.

Moreover, depreciation expenses totaling $176,963 and interest expenses of $74,036 are estimated for the first year.

No significant impacts are expected for the Group's finance leases. However, some additional disclosures will be required starting next year.

Leases in which the Group is a lessor

For purposes of leases in which the Group is a lessor, the main impact of adopting IFRS 16 will be additional disclosure requirements in the financial statements.

In cases in which the Group acts as an intermediary lessor, the accounting classification will be re-evaluated on the basis of currently available information, reclassifying either as finance or operating lease.

Transition

The Group will begin applying IFRS 16 on January 1, 2019, using the retrospective option with the accumulated effect of the initial application (modified retrospective approach). Similarly, it will measure right of use assets at an amount equal to the lease liability. The information presented for 2018 will not be restated.

The regulation exemption is expected to be applied on existing leases in order to give continuity to the definition of lease on the date of transition. This means that IFRS 16 will be applied to all contracts executed before January 1, 2019 and identified as leases in accordance with IFRS 17 and IFRIC 4.

b. Amendment to IFRS 9 - Early Cancellation with Negative Compensation

This amendment issued in October 2017, with an international application date for annual periods beginning on or after January 1, 2019, includes modifications on characteristics of early cancellation with negative compensation, allowing lenders to measure some of the debt instruments with characteristics of early payment at amortized cost.

c. Amendment to IAS 28 - Long term participations in associates and joint ventures

This amendment clarifies the accounting for companies that have long-term interests in an associate or joint venture that do not apply the equity method and use IFRS 9. It is effective internationally as of January 1, 2019, allowing early application.

d. Annual improvements 2015 – 2017

- Amendments to IFRS 3: Clarification of equity interests previously held in a joint operation.
- Amendments to IFRS 11: Clarification of equity interests previously held in a joint operation.

- Amendments to IAS 12: Explanation of the consequences of payments on financial instruments classified as equity.
- Amendments to IAS 23: Considerations of borrowing costs eligible for capitalization.

e. Amendment to IAS 19 - Plan amendment, curtailment or settlement

With the issuance of the amendment, the IASB clarifies the accounting treatment when a plan amendment, curtailment or settlement is produced (post-employment benefits: defined benefit plans and other long-term benefits).

The amendment will be applied internationally for plan amendments, curtailments or settlements that occur on or after January 1, 2019. Early application is allowed.

f. IFRIC 23 - Uncertainty over income tax treatments

The interpretation clarifies the recognition and measurement of a tax liabilities and assets when there is uncertainty about the income tax treatment. The international application date of this improvement will be as of January 1, 2019.

g. Conceptual Framework in IFRS standards

This document sets out the fundamental concepts for financial reporting that guide the IASB in developing International Financial Reporting Standards; helping ensure 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 issue of the IASB includes a new chapter on measurement; guidance on the presentation of financial reports; improved definitions and guidance, in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting, among others. This framework will have international application as of the year 2020.

h. Amendment to IFRS 3 - Definition of “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.

i. Amendment to IAS 1 and IAS 8 - Definition of "Material"

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.

j. IFRS 17 - Insurance Contracts

Covers the reporting, valuation, presentation and breakdown of all types of Insurance Contracts, regardless of the entity that issues them, as well as certain guarantees and financial instruments with discretionary participation. The international application date of this improvement will be as of Friday, January 1, 2021.

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

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

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 book value of assets and liabilities in the next accounting period. These judgments and estimates are evaluated continuously and are based on the management's experience as well as other factors, including the expectation of future events that are believed to be reasonable. In the process of applying its accounting policies, the management also makes certain judgments apart from those involving estimates.

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 The 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 the fact if the management strategy focuses in charging income for contractual interest, maintaining a concrete interest profitability profile or coordinating the duration of financial assets with the duration of liabilities financing the same or the cash outflows expected or carrying out cash flows through the sale of assets;
- How they are assessed and informs in this respect to the key management staff of the Group regarding profitability in portfolios;
- The risks affecting the profitability of business models (and the financial assets held in the business model) and the manner in which such risks are managed;
- How the business manager are remunerated (for example, if the compensations is based on the assets fair value managed or over contractual cash flows obtained); and

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

Financial assets held for trading and those whose profitability is assessed or managed on the basis of fair value are measured at fair value through profit or loss, since these are not held within the business model for charging contractual cash flows.

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

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

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

- Contingent events that will change the amount and periodicity of cash flows;

- Leverage conditions;

- Advance payment terms and extension;

- Terms limiting the Group for obtaining specific cash flows (example, agreements of assets without resources); and

- Characteristics modifying the considerations for the value of Money in time; example, periodical revision of interest rates.

Interest rates of certain consumption and commercial loans are based on variable interest rates established at the Group’s discretion. Variable interest rates generally established in Colombia based on the Certificates of time deposit (CTD) (CTD published by the Banco de la Republica de Colombia), and the IBR (Banking Reference Indicator published by the Banco de la República de Colombia), and in other countries in accordance with local practices, plus certain additional discretional points.

In these cases, the Group shall assess if the discretional characteristic is consistent with the sole payment of interest considering a number of factors including if:

- The debtors are in conditions to prepay the loans without significant penalties. In Colombia, applying charges for prepayments of credits is forbidden by law.

- Competitive market factors assure that the interest rates are consistent among Banks;

- Any protection regulatory provision in favor of the clients in the country where the Banks are required to treat the clients in a fair manner.

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

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

4.2 Financial assets impairment

The judgment degree required for estimating expected credit losses depends on the availability of detailed information. To the extent that he horizon of the forecast increases, the availability of detailed information decreases, and the judgment degree 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 according to the fair value hierarchy, which is classified according to three levels that reflect the importance of the input used in measuring fair value.

Information on the fair value of financial instruments classified at level 2, other than quoted prices included in level 1 that are observable data by assets or liabilities direct or indirectly, those are disclosure 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 data that are available in the market, distributed or regularly updated by the price supplier reliable and verifiable, that do not have property rights, 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 of December 31, 2018 and 2017, 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 with regard to investments in subsidiaries are recognized over temporary tax differences except when the

Group controls the time of its revision and it is likely that the difference 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 country and the sector where the Group operates, historical financial information, and projections on growth of the company's revenues and expenses in the next five years and, subsequently, growth in perpetuity considering its profit capitalization rates discounted at risk-free interest rates that are adjusted according to the risk premiums that are required given the circumstances of each entity.

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

4.6 Provisions for contingencies

The Group estimates and records a provision for legal cases. 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 outside legal advisors, when warranted by the situation 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 assumptions, including estimates of the present value of future pension payments projected for pension plan participants, considering the likelihood of potential future events, such as increases in the minimum wage and demographic experience. These premises and assumptions can have an effect on the amount and on future contributions, if there is any variation.

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

The Group utilizes key assumptions for appraising actuarial liabilities, calculated as a function of 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).

The Group only for disclosure purposes of pension liabilities applied the established parameters in Decree 2131/2016, which indicates that the technical bases establishes in Decree 1625/2016 will be used.. (See note 22).

4.8 Revenue of ordinary activities arising from contracts with customers

a. Determination of schedule to satisfy performance obligations

Generally, for performance obligations that are satisfied over time, the Group utilizes the resources method (time elapsed) because efforts are spent uniformly along the performance period. For Credit Card performance obligations (affiliated establishments and insurance) the product method is utilized (units produced or delivered) because revenues can be recognized in the amount to be billed, depending on the number of transactions made by the clients. For the Cardholders - Credit Card product performance obligation, which is satisfied over time, the Group utilizes the product method (time elapsed) because the service is provided during the time that the credit card is valid.

b. Determination of the transaction price and amounts assigned to performance obligations

In determining the transaction price, the Group considers the following aspects:

- **Estimate of the variable consideration:** The Group estimates the amount of the variable consideration using either the expected value or most probable amount method. It is not possible to define a single method as an accounting policy, as it is necessary to use the method that best predicts the amount of the consideration to which it is entitled.

- **Limitations of the estimates of the variable consideration:** For performance obligations that include variable consideration in the Group, there is always a high probability of a significant reversal of revenue, as the amount of the consideration is highly sensitive to two factors that are beyond the Group's control, those being client actions and a large number and wide range of consideration amounts possible.

The aforementioned means that the variable consideration at the start of the contract will be zero.

New assessment of the variable consideration and changes in the transaction price

The transaction price of the Group's performance obligations that include variable consideration is not determined at the start of the contract, as there is a high level of uncertainty of a significant reversal of the amount of revenue; however, this uncertainty disappears at the end of each month, and it is possible to determine the transaction price for the month that elapsed. This update of the price is considered a change in the transaction price.

Assigning the transaction price

The Group does not assign the transaction price based on independent sale prices, as each contract has only one performance obligation.

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 supplied by an official pricing service authorized by the Superintendencia Financiera de Colombia. These prices 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 sufficient 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 a pricing quote that includes the interest accumulated and pending as from the date of issuance or last payment of interest, until the date in which the purchase and sale operation is due.

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 supplier 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 include interest-rate or currency valuation curves. Price suppliers construct these curves using market data extrapolated to specific conditions of the instrument being valued. They also employ discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market players who take maximum advantage of market data and rely as least as possible on entity-specific information.

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

The Group is able to 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 on the basis of 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 country 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 properties is based on appraisals by independent expert appraisers who are sufficiently experienced and knowledgeable about the real estate market or the asset

(Continued)

being valued. Generally, these assessments are made with reference to market data or on the basis of the replacement cost, when market figures are insufficient.

The fair value hierarchy includes the following levels:

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

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

Market-listed financial instruments that are not considered active, but are valued according to quoted market prices, prices supplied by pricing services providers 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, that measurement is a Level 3 assessment. Evaluating the significance of a particular entry to the measurement of fair value in its entirety implies 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, 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
Other entities of the Colombian government	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**	**1,784,444**	**32,733**	**1,817,177**
Investments in debt securities at fair value through OCI				
Colombian government	1,428,191	681,102	0	2,109,293
Other entities of the Colombian government	213,344	163,593	0	376,937
Non-financial sector entities	0	188,405	0	188,405
Foreign governments	0	2,917,663	0	2,917,663

(Continued)

	December 31, 2018			
	Level 1	Level 2	Level 3	Total
Investments in debt securities at fair value through OCI				
Central banks	0	1,131,740	0	1,131,740
Other financial entities	32,511	2,844,128	0	2,876,639
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**
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 of financial assets at fair value	**1,829,669**	**10,943,798**	**223,151**	**12,996,618**
Investment properties (1)	**0**	**0**	**287,651**	**287,651**
Total assets at fair value on, recurring	**1,829,669**	**10,943,798**	**510,802**	**13,284,269**
Liabilities				
Financial liabilities at fair value				
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, recurring	$ **0**	**555,527**	**5,779**	**561,306**

	December 31, 2017			
	Level 1	Level 2	Level 3	Total
Assets				
Investments in debt securities at fair value through profit or loss				
Colombian government	$ 53,510	92,363	0	145,873
Other entities of the Colombian government	0	411,224	0	411,224
Foreign governments	0	1,330,443	0	1,330,443
Central banks	0	1,041,875	0	1,041,875
Other financial entities	62,894	2,338,232	0	2,401,126
Non-financial sector entities	0	18,595	0	18,595
Others	0	57,500	0	57,500
	116,404	**5,290,232**	**0**	**5,406,636**
Equity securities at fair value through profit or loss	**24,471**	**1,335,303**	**155,376**	**1,515,150**
Equity securities at fair value through OCI	**6,865**	**0**	**53,947**	**60,812**
Trading derivatives				
Currency forwards	0	125,149	1,568	126,717
Interest rate swaps	0	30,696	0	30,696
Cross currency swaps	0	19,772	0	19,772
Currency options	0	5,930	0	5,930
	0	**181,547**	**1,568**	**183,115**
Hedging derivatives				
Currency forwards	0	50,107	0	50,107
Securities forwards	0	1,270	0	1,270
	0	**51,377**	**0**	**51,377**
Total of financial assets at fair value	**147,740**	**6,858,459**	**210,891**	**7,217,090**

(Continued)

	December 31, 2017			
	Level 1	Level 2	Level 3	Total
Investment properties (1)	**0**	**0**	**254,945**	**254,945**
Total assets at fair value on, recurring	**147,740**	**6,858,459**	**465,836**	**7,472,035**
Liabilities				
Financial liabilities at fair value				
Trading derivatives				
Currency forwards	0	71,255	1,803	73,058
Interest rate swaps	0	17,370	0	17,370
Cross currency swaps	0	72,788	0	72,788
Currency options	0	11,488	0	11,488
	0	**172,901**	**1,803**	**174,704**
Hedging derivatives				
Currency forwards	0	13,298	0	13,298
Securities forwards	0	2,533	0	2,533
	0	**15,831**	**0**	**15,831**
Total liabilities at fair value, recurring	$ **0**	**188,732**	**1,803**	**190,535**

(1) Reconciliation between the opening and closing balances, disclosing separately the level 3 hierarchy changes during the period, as detailed in note 16 on investment properties.

5.2 Non-recurrent measurements of fair value

Following is a breakdown of the assets at Level 3, as a result of assessment for impairment using the IFRS standards applicable to each account, but do not require measurement at fair value on a recurring basis:

		December 31, 2018	December 31, 2017
Financial instruments from the collateralized loan portfolio	$	326,278	218,027
Non-current assets held for sale		165,019	78,059
	$	**491,297**	**296,086**

5.3 Determining fair value

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

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

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

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

The following are the most common methods applicable to derivatives:

- **Valuation of foreign currency forwards:** The price supplier publishes assigned curves according to the currency of origin of the underlying asset. These curves are comprised of the nominal rates in arrears associated with exchange rate forwards.
- **Valuation of forwards on bonds:** The future theoretical value of the bond, based on its price on the valuation date and the risk-free rate of the reference country of the underlying asset, is calculated for determining the value of the forward up to a specific date. The present value of the difference between the future theoretical value and the bond price agreed in the forward contract is then obtained. The risk-free rate of the reference country of the underlying asset at the number of days to contract expiration is used for the discount.
- **Valuation of swap operations:** The price supplier publishes assigned curves according to the underlying assets, in addition to swap base curves (exchange of associated payments at variable interest rates), domestic and foreign curves, and implicit curves associated with exchange rate forwards.
- **Valuation of OTC options:** The price supplier publishes curves assigned according to the functional currency of the underlying asset, in addition to forward exchange curves for the domestic currency of the transaction, implicit curves associated with exchange forwards, assigned swap curves according to the underlying asset, and matrix and implicit volatility curves.

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

a. Equity securities

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

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

Variables	Range
Inflation growth (1)	Between 3% and 4%
Growth of the gross domestic product (1)	Between 2% and 4%
Income	CPI +1 Between 6% and 23%
Costs and expenses	Inflation
Growth in perpetuity after five and ten years	3.10%
Discount interest rates	Between 10% and 14%
Equity rate of cost	Between 13.9% and 15.4%

(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 Other Comprehensive Income (OCI):

Methods and variables	Variation	Favorable impact	Unfavorable impact
Present value adjusted for discount rate			
Income	+/- 1%	1,036	(1,150)
Growth residual values after ten years	+/- 1%	252	(208)
Growth residual values after five years	+/- 1%	1,566	(1,323)
	+/-30 BPS	14	(33)
Discount interest rates	+/- 50 BPS	273	(302)
Equity rate of cost	+/- 50 BPS	1,371	(1,357)
Percentage of investment in CAPEX	+/- 1%	526	(526)
Net value adjusted of assets			
Most relevant variable in assets	+ /- 10 %	46	(46)

b. Investment properties

Investment properties are reported in the statement of financial position at their fair value, as determined in reports prepared by independent expert appraisers at the end of each reporting period. The frequency of property transactions is low due to current conditions in the country. However, management estimates there is sufficient market activity to provide comparable prices for orderly transactions with similar properties when determining the fair value of the Group´s investment property (see note 16).

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

With investment properties, an increase (decrease) of 1% on their market value would result in an increase (decrease) of $2,877 in their fair value, as the case may be.

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

	December 31, 2018			December 31, 2017		
	Derivatives	Equity securities	Investment properties	Derivatives	Equity securities	Investment properties
Balance at beginning of the period	$ **(235)**	**209,323**	**254,945**	**0**	**183,860**	**169,004**
Transfer from level 3 to level 2	0	(12)	0	0	0	0
Valuation adjustment with effect on income	(3,895)	5,230	29,266	0	19,488	6,123
Valuation adjustment with effect on OCI	0	11,630	0	0	4,430	0
Dividends received	0	(3,540)	0	0	0	0
Additions	0	107	0	0	2,578	6,000
Sales/disposals	0	(4,111)	(19,495)	0	0	(4,244)
Reclassifications	0	0	22,935	(235)	(1,131)	78,062
Exchange difference	34	2,841	0	0	98	0
Balance at end of the period	$ **(4,096)**	**221,468**	**287,651**	**(235)**	**209,323**	**254,945**

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

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

- **Debt securities**

The fair value of debt securities at amortized cost was determined using the dirty price supplied by the pricing service. Securities that have an active market and a market price for the day of the valuation are classified as Level 1 assets. Those that do not have an active market and / or a price provided by the pricing service; that is, 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 assets.

- **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 Group 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 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

The following table contains a summary 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, 2018				
	Book value	Fair value			
		Level 1	Level 2	level 3	Total
Assets					
Financial assets of investments at amortized cost	$ 1,361,174	32,324	1,339,951	0	1,372,275
Loan portfolio and financial leases transactions, 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 current, 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
Borrowings from banks and others	16,417,926	0	16,483,202	0	16,483,202
Interbank borrowings and overnight funds	1,941,616	0	1,941,616	0	1,941,616
Borrowing from development entities	1,919,636	0	1,840,925	0	1,840,925
Bonds issued	8,280,888	8,237,901	0	0	8,237,901
	$ **136,964,589**	**8,237,901**	**128,506,654**	**0**	**136,744,555**

(Continued)

		December 31, 2017				
		Book value	Fair value			
			Level 1	Level 2	level 3	Total
Assets						
Financial assets of investments at amortized cost	$	6,930,289	2,385,267	4,563,285	0	6,948,552
Loan portfolio and financial leases transactions, net		104,243,805	0	0	104,817,388	104,817,388
		111,174,094	**2,385,267**	**4,563,285**	**104,817,388**	**111,765,940**
Liabilities						
Deposits in current, savings accounts and others		59,511,797	0	59,421,528	0	59,421,528
Time certificates of deposit		41,435,448	0	40,837,021	0	40,837,021
Borrowings from banks and others		14,379,098	0	14,505,947	0	14,505,947
Interbank borrowings and overnight funds		1,361,832	0	1,361,832	0	1,361,832
Borrowing from development entities		1,645,737	0	1,625,795	0	1,625,795
Bonds issued		7,908,068	8,286,081	0	0	8,286,081
	$	**126,241,980**	**8,286,081**	**117,752,123**	**0**	**126,038,204**

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

NOTE 6 - FINANCIAL RISK MANAGEMENT

Banco de Bogotá S.A. 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., among others, manage risk pursuant to the applicable regulations in each country and the Group's 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 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 of the business units.
- 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 courses 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
- Vice president for risk of credit 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 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 board meetings, based on periodic risk-management reports submitted by the Audit Committee and on 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 entity's comprehensive risk profile.
- Designing systems to monitor and follow up on levels of exposure to the different risks the entity faces.

- Reviewing and proposing to the Board of Directors the level of tolerance and degree of exposure to risk the entity 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 of this committee is to discuss measure, control and analyze credit risk management and treasury risk management. Its primary duties involve:

- Monitoring the credit and treasury risk profile to ensure the level of risk remains within established parameters, pursuant to the entities 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 in its efforts to establish 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.

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

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

Its main duties include:

- Proposing to the Board of Directors, for its approval, the structure, procedures and methods required for the Internal Control System to operate.
- Assessing the entity's internal control structure to determine if the internal control procedures that have been designed reasonably protect its assets and the third-party assets it has custody of.
- Verify whether there are internal controls in place to ensure that transactions are properly authorized and recorded. For that purpose, the Statutory Auditor, the Auditing Department and the areas responsible for

managing the different risk systems submit compulsory periodic reports to the Committee, along with any others that might be required.

- Monitoring risk exposure levels, implications for the entity, and the measures taken to control and mitigate risk.

c. Vice President for risk of credit management

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

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

d. Administrative processes for risk management

In accordance with its business models, the Group has structures and procedures that are well defined and documented in manuals concerning the administrative processes to be followed for risk management. Each subsidiary also has a variety of technological tools to monitor and control risk. These are discussed, in detail, later in this note.

e. Internal audit

The internal audits of the Bank and each of the Group´s subsidiaries are independent from management. They depend directly on the audit committees. Pursuant to their duties, these committees conduct periodic assessments of compliance with the policies and procedures to be followed by the Group in terms of risk management. 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, for the 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 encountered in the course of their business.

Financial risks include i) market risk (trading and price risks, as described below) and ii) structural risks stemming from the composition of the assets and liabilities on the balance sheet. These include credit, foreign-exchange, liquidity and interest-rate 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 the Bank and each of its subsidiaries in the Group. Unless otherwise indicated, Banco de Bogotá S.A. consolidates the risk information on 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.

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.

- Are 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 (**LD**) during the remaining life as of the reporting date; with

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

- 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 financial 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 **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 of December 31, 2018 include the following ranges of key indicators for Colombia for the year 2019:

Variables	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Variation (annual) mortgage price index (used) (%)	Base 3.39% Range between1% and 5.71%	Base 2.98% Range between -0.06% and 5.61%	Base 2.46% Range between -0.05% and 4.61%	Base 2.69% Range between 0.11% and 4.78%
Annual variation of the GDP of the last twelve months at constant prices	Base 2.79% Range between 2.31% and 3.18%	Base 2.97% Range between 2.27% and 3.6%	Base 3.13% Range between 2.42% and 4.02%	Base 3.21% Range between 2.79% and 4.24%
Quarterly variation of GDP at constant prices	Base 1% Range between 1.53% and 1.09%	Base 0.67% Range between 0.49% and 0.77%	Base 0.33% Range between 1.1% and 0.41%	Base 1.27% Range between 0.11% and 2.06%
Annual change of quarterly GDP at constant prices	Base 3.09% Range between 2.4% and 3.93%	Base 3.17% Range between 2.3% and 4.11%	Base 3.27% Range between 2.43% and 4.3%	Base 3.3% Range between 2.4% and 4.39%
Annual variation of the GDP of the last twelve months at current prices	Base 7.42% Range between 7.04% and 7.55%	Base 7.43% Range between 6.84% and 7.75%	Base 7.61% Range between 6.81% and 8.12%	Base 7.76% Range between 7.06% and 8.53%
Unemployment rate 7 areas	Base 10.98% Range between 11.69% and 10.32%	Base 9.84% Range between 10.78% and 9.08%	Base 10.29% Range between 11.06% and 9.33%	Base 9.55% Range between 10.67% and 8.48%
Real interest rate e.a. (DTF-Inflation)	Base 0.88% Range between 1.17% and 0.66%	Base 1.11% Range between 1.21% and 0.95%	Base 1.25% Range between 1% and 0.98%	Base 1.59% Range between 0.85% and 1.35%
Real interest rate e.a. (Banrep-Inflation)	Base 0.85% Range between 0.82% and 0.69%	Base 1.19% Range between 0.96% and 0.9%	Base 1.28% Range between 0.62% and 0.92%	Base 1.32% Range between 0.48% and 1.11%

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

The probability of default in the remaining life as of the date of the balance sheet based in the terms modified with the probability of default in the remaining life estimated based on the date of initial recognition 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 needs to be 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 the Group's financial position as follows:

		December 31, 2018	December 31, 2017
Cash and cash equivalents (1)	$	**17,789,740**	**13,073,924**
At fair value through profit or loss			
Government		229,054	1,476,315
Central Banks		12,914	1,041,875
Financial entities		562,261	2,401,127
Other sectors		158,265	487,319
		962,494	**5,406,636**
At fair value through OCI (2)			
Government		5,026,956	0
Central Banks		1,131,740	0
Financial entities		2,876,639	0
Other sectors		630,053	0
		9,665,388	**0**
At amortized cost			
Government		32,321	3,292,664
Central Banks		0	349,432
Financial entities		9,123	1,514,943
Other sectors		1,319,767	1,773,250
		1,361,211	**6,930,289**
Financial assets derivatives at fair value		**356,472**	**234,492**
Loan portfolio			
Commercial		70,446,069	66,358,671
Consumer		31,170,583	28,318,599
Mortgage		14,115,974	12,392,696
Microcredit		418,288	400,817
		116,150,914	**107,470,783**
Other accounts receivable		**2,102,349**	**1,652,321**
Total financial assets with credit risk		**148,388,568**	**134,768,445**
Off-balance sheet credit risk instruments at their face value			
Financial guarantees and unused letters of credit		3,223,800	3,638,732
Credit limits		20,007,679	17,652,522
Total exposure to off-balance sheet credit risk		**23,231,479**	**21,291,254**
Total maximum exposure to credit risk	$	**171,620,047**	**156,059,699**

(1) Not including cash held by the entity because they do not have credit risk because they are in their own power.
(2) The variation corresponds to the adoption of IFRS 9 see note 2.21.

For guarantees and commitments to extend the amount of a loan, the maximum exposure to credit risk is the amount of the commitment. See note 31 to that effect. Credit risk is mitigated by guarantees and collateral, as described below:

Credit risk mitigation, collateral and other credit risk improvements

In most cases, maximum exposure to credit risk for each entity in the Group is reduced by collateral and other credit enhancements, which lower the Group's credit risk. The existence of collateral can be a necessary measure; however, in and of itself, collateral is not enough to accept credit risk. The Group's credit risk policies require, first and foremost, an assessment of the debtor's ability to pay and its capacity to generate sufficient sources of funding to allow for the debt to be paid. At the Group level, collateralized loans accounted for 48.7% of total exposure at December 31, 2018 (46.1% at December 31, 2017), 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 are consistent with the best market practices and 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 processed according to the parameters for its provision, pursuant to applicable legislation.

The details of the loan portfolio according to the type of collateral received on loans granted by the Group at the consolidated level are as follows:

	December 31, 2018					
	Commercial	Consumer	Mortgage	Microcredit	Finance 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**

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

Policies to prevent excessive credit-risk concentration

In order to prevent excessive concentrations of credit risk at the individual and country level and in the various economic sectors, the Group maintains maximum risk-level concentration rates that are

permanently updated at the individual level and for sector portfolios. The limit to the Group's exposure 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 of the Superintendencia Financiera de Colombia. However, such loans may be up to 25% of the bank's regulatory capital, if they are secured with 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 allowances:

	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**

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

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

	December 31, 2018		December 31, 2017	
	Total	% Share	Total	% Share
Consumer services	$ 48,930,613	42%	43,961,397	41%
Commercial services	30,685,182	26%	27,375,118	25%
Food, beverages and tobacco	6,797,573	6%	6,573,946	6%
Construction	5,602,855	4%	5,056,276	5%
Transport and communications	4,871,162	4%	5,262,495	5%
Public services	4,482,429	4%	3,812,225	4%
Chemical products	4,288,324	4%	4,338,412	4%
Others industrial and manufactured products	3,070,687	3%	2,750,205	2%
Agriculture	3,069,837	3%	2,811,315	2%
Trade and tourism	1,368,889	1%	1,243,483	1%
Government	1,327,776	1%	1,244,265	1%

	December 31, 2018		December 31, 2017	
	Total	% Share	Total	% Share
Mining products and oil	817,630	1%	1,669,644	2%
Others	837,957	1%	1,372,002	2%
Total	$ **116,150,914**	**100%**	**107,470,783**	**100%**

Sovereign debt

Investments in debt instruments at December 31, 2018 and 2017 consisted largely of securities issued or guaranteed by Colombian government institutions or foreign governments, representing 53.66% and 49.93% respectively of the total investment portfolio.

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

	December 31, 2018		December 31, 2017	
	Amount	% Share	Amount	% Share
Investment grade (1)	$ **3,141,382**	**48.83%**	**3,248,708**	**52.74%**
Colombia	2,240,191	34.82%	2,578,400	41.85%
Panamá	550,674	8.56%	617,637	10.03%
United states	324,097	5.04%	27,516	0.45%
Chile	26,420	0.41%	25,155	0.41%
Speculative (2)	**3,291,601**	**51.17%**	**2,911,579**	**47.26%**
Costa Rica	1,646,616	25.60%	1,227,105	19.92%
Guatemala	952,902	14.81%	932,766	15.14%
Honduras	586,275	9.11%	526,489	8.55%
Nicaragua	64,918	1.01%	148,675	2.41%
El Salvador	40,890	0.64%	76,544	1.24%
Total sovereign risk	**6,432,983**	**100.00%**	**6,160,287**	**100.00%**
Others (3)	5,556,109		6,176,638	
Total	$ **11,989,092**		**12,336,925**	

(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 and the collateral offered by the customer.

(Continued)

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

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 Group has a credit risk management system (SARC – Spanish acronym), which is run by Vice President of risk and credit at Banco de Bogota S.A. Among other aspects, (SARC – Spanish acronym) 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 (consumption, home 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 Group produces daily information of past due loans and, based on the analysis of it, members of the staff initiate collection procedures through telephone calls, emails or written collection notices.

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

	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

	December 31, 2018				
	1 to 30 days	31 to 60 days	61 to 90 days	Total customers in arrears but not impaired	Impaired
Mortgage	632,378	161,590	74,617	868,585	273,713
Microcredit	50,976	10,558	7,209	68,743	51,374
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**

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

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 a weekly 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 to us, 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 residential 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, 2018	December 31, 2017
Commercial			
"A" Normal risk	$	61,555,086	58,360,977
"B" Acceptable risk		1,380,349	1,338,757
"C" Appreciable risk		1,913,062	1,851,325
"D" Significant risk		1,006,858	1,053,497
"E" Risk of being uncollectible		1,141,676	424,876
		66,997,031	**63,029,432**
Consumer			
"A" Normal risk		26,903,986	25,362,800
"B" Acceptable risk		1,487,966	966,123
"C" Appreciable risk		1,459,294	915,877
"D" Significant risk		820,694	685,834
"E" Risk of being uncollectible		254,825	172,298
		30,926,765	**28,102,932**
Mortgage			
"A" Normal risk		12,637,649	11,308,517
"B" Acceptable risk		360,058	267,505
"C" Appreciable risk		454,773	305,582
"D" Significant risk		74,055	58,965
"E" Risk of being uncollectible		165,776	115,157
		13,692,311	**12,055,726**
Microcredit			
"A" Normal risk		341,346	333,419
"B" Acceptable risk		10,536	11,746
"C" Appreciable risk		7,560	6,643
"D" Significant risk		8,643	7,254
"E" Risk of being uncollectible		50,203	41,755
		418,288	**400,817**
Financial leases			
"A" Normal risk		3,579,389	3,386,997
"B" Acceptable risk		135,417	153,420
"C" Appreciable risk		106,132	235,358
"D" Significant risk		239,328	98,929
"E" Risk of being uncollectible		56,253	7,172
		4,116,519	**3,881,876**
Total	$	**116,150,914**	**107,470,783**

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 11.4.

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 Superintendencia Financiera de 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 allowances. However, flagging a restructured loan does not necessarily mean it is classified as impaired, since new collateral to secure the obligation is obtained in most cases.

The following is the balance of restructured loans:

		December 31, 2018	December 31, 2017
Local	$	1,405,509	1,369,192
Foreign		1,275,565	643,756
Total	$	**2,681,074**	**2,012,948**

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, 2018	December 31, 2017
Received	$	158,415	77,276
Sold	$	31,887	62,364

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 consolidated 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 banks 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, 2018	December 31, 2017
Assets			
Debt securities			
At fair value through profit or loss	$	962,494	5,406,636
At fair value through other comprehensive income		9,665,388	0
		10,627,882	**5,406,636**
Trading derivatives		323,491	183,115
Hedging derivatives		32,981	51,377
Total assets		**10,984,354**	**5,641,128**
Liabilities			
Trading derivatives		379,995	174,704
Hedging derivatives		181,311	15,831
Total liabilities		**561,306**	**190,535**
Net position	$	**10,423,048**	**5,450,593**

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 statement of financial position.

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

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

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

- **Interest rate**

The Group's 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 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 net income. 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 risk-weighted assets and capital adequacy, as well as the structure of the statement of financial position. These limits are monitored daily 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 FX risk generated by investments in foreign subsidiaries and agencies abroad is hedged through a combination of "non-derivative" instruments (debt issued in USD) and derivatives. These receive hedge accounting treatment, once they comply with the respective requirements.

The economic relationship between financial instrument and hedged item is contained in note 10, paragraph 10.4.

Methods used to measure market 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 net income and establishes additional limits, according to the different types of risk.

The Group uses the standard model to measure, control and manage market interest and exchange risk in both the treasury and bank books, as stipulated by the Superintendencia Financiera de 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 Superintendencia Financiera de 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 pricing supplier 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.

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

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

According to the standard model, following is the market value-at-risk (VaR) for the Bank for its main financial subsidiaries:

		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
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**

		December 31, 2017			
		Minimum	Average	Maximum	Latest
Interest rate	$	309,368	346,554	400,828	321,121
Exchange rate		12,424	69,799	304,429	304,429
Shares of stock		7,234	7,680	8,099	8,099
Mutual funds		187,698	191,411	196,197	196,197
Total VaR	$	**523,306**	**615,444**	**829,846**	**829,846**

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

		December 31, 2018		December 31, 2017	
		Amount	Basis points of regulatory capital	Amount	Basis points of regulatory capital
Banco Bogotá S.A. and financial subsidiaries	$	924,767	116	829,846	109

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, 2018			December 31, 2017		
		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 S.A.	$	549,744	687	1,374	585,389	732	1,463
Leasing Bogotá S.A. Panamá	$	2,093,708	2,617	5,234	3,721,236	4,652	9,303

Investment price risk in equity securities

Equity investments

The Group also is exposed to financial asset price risk in equity securities (variable rate investments) listed on the stock exchange (mainly the Bolsa de Valores de Colombia). If the prices of these investments had been 1% higher or lower, the greater or lesser impact on the Group´s OCI, before taxes, would have been $63 and $69 as of December 31, 2018 and 2017, 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 supplier. A sensitivity analysis of the variables used by the price supplier is provided in note 5.3.

- **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 country's central bank (Banco de la República) 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 thirty percent (30%), in the case of exchange market brokers obligated to consolidate who have controlled investments abroad, of the adequate equity as indicated further below in Note 33. 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 adequate equity.

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 Technical Reserves reported with the financial statements to the Superintendencia Financiera de Colombia corresponding to the second previous calendar month. Technical Reserves 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.

Details on the assets and liabilities in foreign currency held by the Group are shown below:

	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 at fair value through profit or loss	104.39	0.00	14.80	387,312
Equity securities at fair value through profit or loss	0.01	0.01	10.07	32,791
Debt securities 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)
Assets				
Equity securities at fair value through other comprehensive income	0.91	0.13	3.80	15,740
Debt securities 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 transactions 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
Current 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
Other 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
Borrowings from 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)**

	December 31, 2017			
	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	3,187.20	21.50	1,030.30	$ 12,661,579
Debt securities at fair value through profit or loss	1,091.33	0.00	412.33	4,486,928
Equity securities at fair value through profit or loss	6.95	0.01	9.75	49,867
Equity securities at fair value through other comprehensive income	0.84	0.00	4.19	15,015
Debt securities at amortized cost	878.68	0.00	239.75	3,337,409
Trading derivatives	0.20	0.00	0.50	2,121
Hedging derivatives	0.40	0.00	0.00	1,269
Loan portfolio and financial leases transactions at amortized cost, net	14,461.40	0.90	4,497.50	56,576,526
Other accounts receivable, net	124.50	0.00	201.90	974,000
Total assets	**19,751.50**	**22.41**	**6,396.22**	**78,104,714**
Liabilities				
Trading derivatives	0.20	0.00	0.60	2,331
Hedging derivatives	2.00	0.00	0.00	5,920
Current accounts deposits	4,596.80	12.90	1,910.20	19,462,735
Savings accounts deposits	2,056.80	2.80	982.00	9,077,675
Time certificates of deposit	6,850.10	3.60	1,967.00	26,323,129
Other deposits	86.10	2.00	28.60	349,281
Interbank borrowings and overnight funds	280.40	0.00	153.90	1,296,028
Borrowings from banks and others	4,460.00	0.90	354.10	14,368,447

(Continued)

	December 31, 2017			
	US millions of dollars	Millions of Euros	Other currencies expressed in millions of US Dollars	Total (in millions of Colombian pesos)
Liabilities				
Bonds issued	2,426.00	0.00	179.60	7,775,079
Borrowings from development entities	80.20	0.00	0.00	239,326
Accounts payables and other liabilities	210.30	0.00	243.10	1,353,002
Total liabilities	**21,048.90**	**22.20**	**5,819.10**	**80,252,953**
Net asset position (liabilities)	**(1,297.40)**	**0.21**	**577.12**	$ **(2,148,239)**

If the exchange rate increased by $10 Colombian pesos to US $ 1 US dollar, the effect on the net position of the group would decrease $8,436 and $7,201 for December 31, 2018 and 2017, 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 issued to the market and derivative instruments in foreign currency. (See note 10.4)

- **Interest-rate structure risk:**

The Group is exposed to the effects of fluctuations in the interest-rate market that impact its financial position and future cash flows. Interest differentials can increase as a result of changes in interest rates. However, they also can decrease and create losses in the event of unexpected fluctuations in those rates. In this respect, interest-rate risk is monitored regularly and limits are set on the extent of mismatch in the 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, 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 at fair value through profit or loss	92,168	453,508	21,616	395,202	962,494
Debt securities at fair value through other comprehensive income	148,298	1,386,896	790,226	7,339,968	9,665,388

	December 31, 2018				
	Under one month	Between one and six months	From six to twelve months	More than one year	Total
Assets					
Debt securities 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
Microcredit 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					
Current 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
Borrowings from 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**

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

If interest rates had been 50 basis points lower (higher) with all other variables held constant, the Group's net income for December 31, 2018 and 2017 would have increased (decreased) by $78,233 and $63,654, 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.

(Continued)

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

	December 31, 2018				
	Under one year		More than one year		Total
	Variable	Fixed	Variable	Fixed	
Assets					
Debt securities at fair value through profit or loss	$ 94,191	473,101	192,968	202,234	962,494
Debt securities at fair value through other comprehensive income	0	2,299,248	236,999	7,129,141	9,665,388
Debt securities 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
Microcredit 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					
Current 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
Borrowings from 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**

	December 31, 2017				
	Under one year		More than one year		Total
Assets	Variable	Fixed	Variable	Fixed	
Debt securities at fair value through profit or loss	$ 133,723	1,990,021	272,912	3,009,980	5,406,636
Debt securities at amortized cost	1,334,111	1,384,838	186,548	4,024,792	6,930,289
Commercial loans	23,854,855	7,295,485	33,896,504	1,311,827	66,358,671
Consumer loans	230,472	11,491,982	8,147,438	8,448,707	28,318,599
Mortgage loans	9,394	174,395	9,419,755	2,789,152	12,392,696
Microcredit loans	30	206,051	0	194,736	400,817
Abandoned accounts - Icetex	0	0	120,059	0	120,059
Total assets	**25,562,585**	**22,542,772**	**52,043,216**	**19,779,194**	**119,927,767**
Liabilities					
Current accounts deposits	13,116,640	14,838,428	0	0	27,955,068
Savings accounts deposits	9,073,267	22,133,307	0	0	31,206,574
Time certificates of deposit	8,144,512	23,150,510	4,022,014	6,118,412	41,435,448
Interbank borrowings and overnight funds	0	1,361,832	0	0	1,361,832
Borrowings from banks and others	2,315,373	5,958,701	2,098,585	4,006,439	14,379,098
Bonds issued	59,005	769,750	161,031	6,918,282	7,908,068
Borrowings from development entities	304,509	11,052	1,330,176	0	1,645,737
Total liabilities	$ **33,013,306**	**68,223,580**	**7,611,806**	**17,043,133**	**125,891,825**

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 and 30 days, as established in the Superintendencia Financiera de 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 bank does. Based on technical studies, primary and secondary sources of liquidity are identified 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 institution'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, tolerance in liquidity management or minimum liquidity, 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 Bank's consolidated income statement, and the changes in the structure of the statement 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.

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 Superintendencia Financiera de Colombia:

		Available liquid assets at the end of the period (1)	From 1 to 7 days (2)	From 1 to 15 days (2)	From 1 to 30 days (2)	From 1 to 90 days (2)
December 31, 2018	$	10,936,886	10,370,295	9,260,812	8,892,523	321,897
December 31, 2017	$	9,883,150	9,446,780	8,436,530	7,161,523	1,082,066

(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-balance sheet positions in 1-to-90 day time bands.

The liquidity calculations described above assume the existence of normal liquidity conditions, according to the contractual flows and historical experience of the Group. For cases involving extreme liquidity events occasioned by the unusual withdrawal of deposits, the Group has contingency plans that include the existence of a line of credit with other institutions and access to special lines of credit with the Central Bank of Colombia, 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, 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 at fair value through profit or loss	540,679	14,163	37,096	494,952	1,086,890
Debt securities at fair value through other comprehensive income	148,814	1,294,840	1,100,108	8,365,021	10,908,783
Debt securities 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
Microcredit 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
Current 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
Other 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
Borrowings from 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**

(Continued)

	December 31, 2017				
	Under one month	Between one and six months	From six to twelve months	More than one year	Total
Assets					
Cash and cash equivalents	$ 16,924,630	0	0	0	16,924,630
Debt securities at fair value through profit or loss	1,498,447	976,537	403,204	2,766,833	5,645,021
Debt securities at amortized cost	621,212	974,946	1,471,511	4,984,786	8,052,455
Trading derivatives	183,115	0	0	0	183,115
Hedging derivatives	51,377	0	0	0	51,377
Commercial loans	8,708,425	17,158,923	8,139,987	39,172,795	73,180,130
Consumer loans	3,766,624	8,559,788	3,652,730	17,584,611	33,563,753
Mortgage loans	217,300	595,063	709,527	22,925,476	24,447,366
Microcredit loans	49,866	116,981	119,120	260,494	546,461
Total assets	**32,020,996**	**28,382,238**	**14,496,079**	**87,694,995**	**162,594,308**
Liabilities					
Trading derivatives	174,704	0	0	0	174,704
Hedging derivatives	15,831	0	0	0	15,831
Current accounts deposits	27,958,809	0	0	0	27,958,809
Savings accounts deposits	31,206,619	0	0	0	31,206,619
Time certificates of deposit	6,378,043	15,370,728	10,493,940	11,491,718	43,734,429
Other deposits	350,155	0	0	0	350,155
Interbank borrowings and overnight funds	1,362,137	0	0	0	1,362,137
Borrowings from banks and others	1,361,928	4,990,284	3,352,316	5,918,110	15,622,638
Bonds issued	47,338	519,402	311,580	10,053,577	10,931,897
Borrowings from development entities	28,049	176,814	184,242	1,600,799	1,989,904
Commercial accounts and others to pay	2,988,601	30,061	50,583	0	3,069,245
Total liabilities	$ **71,872,214**	**21,087,289**	**14,392,661**	**29,064,204**	**136,416,368**

d. Operational Risk

The Group has an operational risk management system (SARO) implemented as directed in the guidelines established by the Superintendencia Financiera de 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 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

(Continued)

protection, the Anti-corruption and Anti-fraud Act, and Law 1581 on data protection. As a result, it has been possible to obtain important synergies for the entities in the Group.

The operational risk profile at December 31, 2018 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 years ended at December 31, 2018 and 2017:

	December 31, 2018				December 31, 2017			
	Processes	Risks	Causes	Controls	Processes	Risks	Causes	Controls
Banco de Bogotá S.A.	251	1,720	1,423	4,282	261	1,793	2,211	4,328
BAC S.A.	227	3,694	3,694	2,876	131	3,076	0	2,511
Banco de Bogotá Panamá S.A.	64	358	386	414	60	440	357	432
Fiduciaria Bogotá S.A.	20	259	911	1,423	20	257	1,342	1,664
Almaviva S.A.	24	129	531	513	21	108	415	424
Porvenir S.A.	16	446	784	1,270	16	441	708	960
Total	**602**	**6,606**	**7,729**	**10,778**	**509**	**6,115**	**5,033**	**10,319**

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

		December 31, 2018	December 31, 2017
Banco de Bogotá S.A.	$	18,818	13,824
BAC S.A.		18,500	25,033
Porvenir S.A.		4,260	6,412
Almaviva S.A.		771	1,490
Fiduciaria Bogotá S.A.		338	285
Banco de Bogotá Panamá S.A.		4	18
Total	$	**42,691**	**47,062**

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

Risk of Basel	Amount		Value
External fraud	8,131	$	18,717
Proceeding development and administration	22,560		15,776
Labor relationships	133		2,577
Technological faults	1,136		1,013
Internal fraud	49		4,202
Customers	155		171
Damages to physical assets	83		218
Legal	2		17
Total	**32,249**	$	**42,691**

This classification shows that 81% of the total losses of the group are consolidated in external fraud and proceedings development and administration.

e. Risk of money laundering and terrorism financing

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

- **Managing the risk of money laundering and terrorism financing**

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

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

The guidance and orientation visits to Central America continued during 2018. Banco de Bogota S.A.'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 Bogota Panamá, Banco de Bogotá Nassau, Banco de Bogota Miami and Banco de Bogotá New York. The following committees were developed during 2018:

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

- **Stages in the money laundering and terrorism financing risk management system**

In response to international recommendations and Colombian law on SARLAFT, the approach to dealing with what the 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 money laundering and terrorism financing risk management system**

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

The Group submitted institutional reports to the 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 Superintendencia Financiera de 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 2018, the Group followed up on the SARLAFT reports submitted by the Control Entities, so as to address their recommendations for optimizing the system.

The Group remains dedicated to risk management and it has the technological tools to implement policies such as those focused on "knowing the customer" and "knowing the market". The objective is to single out unusual transactions and to report suspicious ones to the 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.

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

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

The Group carried out the activities of the SARLAFT, continuing with the management of the previous periods and accepting the recommendations made by the AVAL Group, the Parent Company, the Board of Directors and the Control Organs.

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

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

f. Legal risk

The Legal Division of the Group supports operational risk management in its particular area of expertise. 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 allowances 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; 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

evaluating performance and adopting decisions related to investments and the allocation of funds, obtaining additional information from the subsidiaries, with an emphasis on financial data from the major institutions that are part of the consolidated entity, the operational segments were defined considering the business activities and geographic areas where each subsidiary conducts its activities.

The Group operates through three (3) segments. These involve Banco de Bogotá S.A. 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.

Banco de Bogotá S.A.

Banco de Bogotá S.A. 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 S.A. 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.

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.

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 its subsidiaries.

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

Assets and liabilities, by segment

	December 31, 2018					
	Segments			Conciliations		
	Banco de Bogotá S.A.	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 investment	**5,007,656**	**5,971,094**	**2,312,081**	**930,510**	**(220,021)**	**14,001,320**
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

BANCO DE BOGOTÁ S.A. AND SUBSIDIARIES
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	December 31, 2018					
	Segments			Conciliations		
	Banco de Bogotá S.A.	Leasing Bogotá S.A. Panamá and subsidiaries	Porvenir S.A. and subsidiary	Other subsidiaries	Eliminations	Consolidated
Assets						
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
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
Financial assets 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 transactions 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
Microcredit	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 properties	**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**
Current 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
Liabilities						
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
Borrowings from 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**

(Continued)

BANCO DE BOGOTÁ S.A. AND SUBSIDIARIES
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	December 31, 2017					
	Segments			Conciliations		
	Banco de Bogotá S.A.	Leasing Bogotá S.A. Panamá and subsidiaries	Porvenir S.A. and subsidiary	Other subsidiaries	Eliminations	Consolidated
Assets						
Cash and cash equivalents	$ **6,198,073**	**9,311,620**	**114,323**	**4,378,336**	**(3,077,722)**	**16,924,630**
Financial assets investment	**4,785,657**	**5,593,922**	**2,178,605**	**1,549,296**	**(194,593)**	**13,912,887**
At fair value through profit or loss	**718,592**	**4,097,926**	**1,870,129**	**235,327**	**(188)**	**6,921,786**
Debt securities	563,380	4,072,585	647,897	122,962	(188)	5,406,636
Equity securities	155,212	25,341	1,222,232	112,365	0	1,515,150
At fair value through other comprehensive income	**41,917**	**14,838**	**0**	**198,462**	**(194,405)**	**60,812**
Equity securities	41,917	14,838	0	198,462	(194,405)	60,812
At amortized cost	**4,025,148**	**1,481,158**	**308,476**	**1,115,507**	**0**	**6,930,289**
Debt securities	4,025,148	1,481,158	308,476	1,115,507	0	6,930,289
Financial assets derivatives at fair value	**231,101**	**2,838**	**553**	**0**	**0**	**234,492**
Trading derivatives	180,994	1,568	553	0	0	183,115
Hedging derivatives	50,107	1,270	0	0	0	51,377
Loan portfolio and financial leases transactions at amortized cost, net	**53,716,558**	**48,178,447**	**0**	**2,348,808**	**(8)**	**104,243,805**
Commercial	42,028,173	21,985,492	0	2,345,014	(8)	66,358,671
Consumer	10,843,485	17,471,318	0	3,796	0	28,318,599
Mortgage	2,963,802	9,427,910	0	984	0	12,392,696
Microcredit	400,817	0	0	0	0	400,817
Impairment	(2,519,719)	(706,273)	0	(986)	0	(3,226,978)
Other accounts receivable, net	**535,088**	**932,204**	**27,735**	**111,466**	**(21,086)**	**1,585,407**
Non-current assets held for sale	**23,339**	**54,720**	**0**	**0**	**0**	**78,059**
Investments in associates and joint ventures	**15,990,985**	**0**	**0**	**0**	**(12,599,526)**	**3,391,459**
Property, plant and equipment	**726,599**	**1,029,605**	**94,175**	**84,872**	**1,070**	**1,936,321**
Investment properties	**226,677**	**0**	**29,143**	**553**	**(1,428)**	**254,945**
Goodwill	**556,067**	**4,688,363**	**345,934**	**0**	**0**	**5,590,364**
Other intangible assets	**318,288**	**129,169**	**0**	**9,600**	**0**	**457,057**
Income tax	**532,104**	**76,810**	**0**	**12,089**	**0**	**621,003**
Current	532,104	35,213	0	10,813	0	578,130
Deferred	0	41,597	0	1,276	0	42,873
Other assets	**18,361**	**155,882**	**0**	**453**	**0**	**174,696**
Total assets	**83,858,897**	**70,153,580**	**2,790,468**	**8,495,473**	**(15,893,293)**	**149,405,125**
Liabilities						
Financial liabilities derivatives at fair value	**182,284**	**4,336**	**3,915**	**0**	**0**	**190,535**
Trading derivatives	172,373	1,803	528	0	0	174,704
Hedging derivatives	9,911	2,533	3,387	0	0	15,831
Financial liabilities at amortized cost	**64,170,897**	**56,933,990**	**555,264**	**7,659,739**	**(3,077,910)**	**126,241,980**
Customer deposits	**51,973,163**	**44,398,405**	**0**	**7,653,587**	**(3,077,910)**	**100,947,245**
Current accounts	12,407,415	15,641,028	0	2,942,308	(3,035,683)	27,955,068
Savings accounts	22,512,201	8,524,706	0	211,705	(42,038)	31,206,574
Time certificates of deposit	16,956,783	19,979,280	0	4,499,574	(189)	41,435,448
Others	96,764	253,391	0	0	0	350,155
Financial obligations	**12,197,734**	**12,535,585**	**555,264**	**6,152**	**0**	**25,294,735**
Interbank borrowings and overnight funds	519,480	842,352	0	0	0	1,361,832
Borrowings from banks and others	3,319,903	10,497,779	555,264	6,152	0	14,379,098
Bonds issued	6,712,614	1,195,454	0	0	0	7,908,068
Borrowings from development entities	1,645,737	0	0	0	0	1,645,737
Employee benefits	**318,335**	**180,477**	**20,978**	**30,049**	**0**	**549,839**
Provisions	**45,056**	**1,228**	**213,890**	**4,060**	**0**	**264,234**

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	December 31, 2017					
	Segments			Conciliations		
	Banco de Bogotá S.A.	Leasing Bogotá S.A. Panamá and subsidiaries	Porvenir S.A. and subsidiary	Other subsidiaries	Eliminations	Consolidated
Liabilities						
Income tax	**169,738**	**370,184**	**94,007**	**11,778**	**0**	**645,707**
Current	5,678	147,854	30,797	8,924	0	193,253
Deferred	164,060	222,330	63,210	2,854	0	452,454
Accounts payables and other liabilities	**1,825,639**	**1,314,072**	**84,004**	**99,989**	**(21,095)**	**3,302,609**
Total liabilities	$ **66,711,949**	**58,804,287**	**972,058**	**7,805,615**	**(3,099,005)**	**131,194,904**

Statement of income for the period, by segment

	December 31, 2018					
	Segments			Conciliations		
	Banco de Bogotá S.A.	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 transactions	5,487,868	5,152,223	6,454	165,298	(69,296)	10,742,547
Investments in debt securities, at amortized cost	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**
Current 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
Borrowing from bank and other	75,032	469,217	30,301	995	0	575,545
Bonds issued	376,586	57,689	0	0	0	434,275
Borrowing from 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 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 in debt securities	(1,210)	8,180	23	(52)	0	6,941
Net interest income, after impairment loss on financial assets	**1,939,240**	**2,369,553**	**18,406**	**45,412**	**3**	**4,372,614**
Revenue 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 other services	**180,500**	**75,897**	**125,830**	**5,543**	**(9,029)**	**378,741**
Revenue 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

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BANCO DE BOGOTÁ S.A. AND SUBSIDIARIES
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	December 31, 2018					
	Segments			Conciliations		
	Banco de Bogotá S.A.	Leasing Bogotá S.A. Panamá and subsidiaries	Porvenir S.A. and subsidiary	Other subsidiaries	Eliminations	Consolidated
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	$ **2,949,373**	**1,179,735**	**360,287**	**98,624**	**(1,456,807)**	**3,131,212**

	December 31, 2017					
	Segments			Conciliations		
	Banco de Bogotá S.A.	Leasing Bogotá S.A. Panamá and subsidiaries	Porvenir S.A. and subsidiary	Other subsidiaries	Eliminations	Consolidated
Interest income	$ **6,171,659**	**4,869,978**	**24,086**	**128,267**	**(39,013)**	**11,154,977**
Loan portfolio and financial leases transactions	6,017,054	4,795,233	5,766	125,670	(39,013)	10,904,710
Investments in debt securities, at amortized cost	154,605	74,745	18,320	2,597	0	250,267
Interest expenses	**2,808,390**	**1,697,789**	**29,554**	**97,384**	**(39,015)**	**4,594,102**
Customer deposits	**2,232,411**	**1,149,945**	**0**	**96,780**	**(39,013)**	**3,440,123**
Current account	166,334	101,746	0	27,149	(10)	295,219
Savings account	904,366	106,042	0	866	(39,001)	972,273
Time certificates of deposit	1,161,711	942,157	0	68,765	(2)	2,172,631
Financial obligations	**575,979**	**547,844**	**29,554**	**604**	**(2)**	**1,153,979**
Interbank borrowings and overnight funds	80,166	10,445	217	48	0	90,876
Borrowing from bank and other	67,599	454,241	29,337	556	(2)	551,731
Bonds issued	334,050	83,158	0	0	0	417,208
Borrowing from development entities	94,164	0	0	0	0	94,164
Net interest income	**3,363,269**	**3,172,189**	**(5,468)**	**30,883**	**2**	**6,560,875**
Net Impairment loss on financial assets	**1,310,140**	**879,261**	**(1,718)**	**(476)**	**0**	**2,187,207**
Loan portfolio and other accounts receivable	1,418,515	879,261	(1,718)	(476)	0	2,295,582
Recoveries	(108,516)	0	0	0	0	(108,516)
Investments in debt securities	141	0	0	0	0	141
Net interest income, after impairment loss on financial assets	**2,053,129**	**2,292,928**	**(3,750)**	**31,359**	**2**	**4,373,668**
Revenue from contracts with customers for commissions and other services	**955,518**	**2,063,750**	**896,577**	**280,527**	**(6,163)**	**4,190,209**
Banking services	459,326	1,458,000	41	8,754	(1,233)	1,924,888
Credit cards	435,029	577,517	0	0	0	1,012,546
Pension and severance fund management	0	28,233	896,536	0	0	924,769
Trust activities and portfolio management	0	0	0	161,248	(760)	160,488
Storage services	0	0	0	110,025	(484)	109,541
Drafts, checks and checkbooks	33,191	0	0	500	(2)	33,689
Office network services	27,972	0	0	0	(3,684)	24,288
Costs and expenses of contracts with customers for commissions and other services	**174,053**	**87,019**	**93,544**	**4,214**	**(7,758)**	**351,072**

(Continued)

	December 31, 2017					
	Segments			Conciliations		
	Banco de Bogotá S.A.	Leasing Bogotá S.A. Panamá and subsidiaries	Porvenir S.A. and subsidiary	Other subsidiaries	Eliminations	Consolidated
Revenue from contracts with customers for commissions and other services,	**781,465**	**1,976,731**	**803,033**	**276,313**	**1,595**	**3,839,137**
Net income from trading financial assets or liabilities	**250,764**	**105,658**	**176,578**	**30,176**	**(2)**	**563,174**
Gain on valuation of derivatives instruments for trading	(53,989)	(19,137)	(107)	0	0	(73,233)
Gain on valuation of derivative instruments for hedging	261,782	(72,122)	(21,638)	0	0	168,022
Gain on valuation of investments for trading	42,971	196,917	198,323	30,176	(2)	468,385
Other income	**1,623,943**	**405,944**	**9,438**	**33,717**	**(1,443,816)**	**629,226**
Net gain on exchange difference	(4,480)	346,557	4,250	180	0	346,507
Others	1,628,423	59,387	5,188	33,537	(1,443,816)	282,719
Other expenses	**2,329,098**	**3,202,915**	**400,140**	**432,018**	**(287,394)**	**6,076,776**
Administrative	1,429,978	1,450,637	167,317	99,700	(143,276)	3,004,357
Employee benefits	739,577	1,501,555	130,850	101,521	0	2,473,502
Depreciation and amortization	136,294	205,405	10,091	9,818	12	361,621
Others	23,250	45,317	91,882	220,978	(144,131)	237,296
Net income before income tax	**2,380,202**	**1,578,348**	**585,160**	**(60,453)**	**(1,154,827)**	**3,328,429**
Income tax expense	**288,665**	**477,461**	**221,558**	**44,263**	**0**	**1,031,947**
Net income	$ **2,091,538**	**1,100,887**	**363,602**	**(104,717)**	**(1,154,827)**	**2,296,482**

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, 2018						
		Colombia	Panamá	Guatemala	Costa Rica	Others	Eliminations	Consolidated
Income for the period (1)	$	**10,819,023**	**1,435,712**	**1,269,914**	**3,065,683**	**2,535,781**	**(1,533,761)**	**17,592,352**
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

		December 31, 2017						
		Colombia	Panamá	Guatemala	Costa Rica	Others	Eliminations	Consolidated
Income for the period (1)	$	**10,425,771**	**1,291,308**	**1,132,557**	**2,752,223**	**2,425,570**	**(1,489,843)**	**16,537,586**
Non-current assets other than financial instruments		**2,097,560**	**3,900,015**	**115,520**	**456,718**	**1,455,732**	**1,070**	**8,026,615**
Property, plant and equipment		866,696	203,012	98,778	366,800	399,965	1,070	1,936,321
Intangible assets		1,229,588	3,657,236	16,714	89,343	1,054,540	0	6,047,421
Deferred Income Tax -Assets	$	1,276	39,767	28	575	1,227	0	42,873

(1) Corresponds to income from interest, from contracts with customers for commissions and other services, from financial assets and liabilities held for sale and others.

During the periods at December 31, 2018 and 2017, the Group reported no concentration of revenue in customers with more than a 10% share of revenue from ordinary activities. Is considers single clients,

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 is a breakdown of cash and cash equivalents:

		December 31, 2018	December 31, 2017
In Colombian pesos			
Cash	$	2,328,116	2,153,919
Central Bank		883,889	2,032,352
Bank and other financial entities		174,249	76,761
Clearing house		1,013	19
Liquidity administration		2,449	0
		3,389,716	**4,263,051**
In foreign currency			
Cash		1,943,241	1,696,787
Central Bank		0	5,993,379
Bank and other financial entities		16,728,140	4,971,413
		18,671,381	**12,661,579**
	$	**22,061,097**	**16,924,630**

The credit ratings determined by independent credit-rating agencies for the principal financial institutions where the Group has cash accounts are determined as follows:

		December 31, 2018	December 31, 2017
Investment grade	$	10,079,123	6,303,330
Speculative		7,453,710	6,310,599
Not rated or not available (1)		4,528,264	4,310,701
	$	**22,061,097**	**16,924,630**

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

The legal reserve requirement in Colombia at December 31, 2018 and 2017 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, 2018 and 2017 was $3,528,661 and $3,500,078, respectively.

The legal reserve required meeting liquidity requirements for certificates of deposit fewer than 18 months at December 31, 2018 and 2017 was $416,358 and $257,471, respectively.

There are no restrictions on cash and cash equivalents.

NOTE 9 - FINANCIAL ASSETS INVESTMENTS

9.1 At fair value through profit or loss

The following shows the balance of financial assets in debt securities and equity securities at fair value through profit or loss:

		December 31, 2018	December 31, 2017
Debt securities issued or secured			
In Colombian pesos			
Colombian government	$	130,899	142,931
Other entities of the Colombian government		88,385	73,282
Other financial entities		503,697	639,494
Non-financial sector entities		28,541	18,595
Others		17,104	24,942
		768,626	899,244
In foreign currency			
Colombian government		0	2,942
Other entities of the Colombian government		20,473	337,942
Other financial entities		58,564	1,761,632
Central banks		12,914	1,041,875
Foreign governments		98,155	1,330,443
Others		3,762	32,558
		193,868	4,507,392
Total debt securities		**962,494**	**5,406,636**
Equity securities			
In Colombian pesos			
Corporate shares		0	130,035
Mutual funds		361,851	24,799
Mandatory investment funds (1)		1,422,535	1,279,009
Private investment funds		0	31,440
		1,784,386	1,465,283
In foreign currency			
Mutual funds		58	55
Corporate shares		32,733	49,812
		32,791	49,867
Total equity securities		**1,817,177**	**1,515,150**
Total (2)	$	**2,779,671**	**6,921,786**

(1) Corresponds to the stabilization reserve of the pension and severance fund which is the 1% of the value of each administrated fund.
(2) The variation corresponds to the adoption of IFRS 9 see note 2.21.

The following is a breakdown of the credit ratings issued by independent risk-rating agencies of the counterparties in debt securities and equity securities at fair value through profit or loss:

		December 31, 2018	December 31, 2017
Debt securities			
Speculative	$	137,697	2,194,505
Investment grade		821,034	3,166,475
Not rated or not available		3,763	45,656
Total		**962,494**	**5,406,636**
Equity securities			
Investment grade		446,159	264,200
Not rated or not available		1,371,018	1,250,950
Total	$	**1,817,177**	**1,515,150**

Debt securities given as collateral

Following are related to financial assets at fair value through profit or loss that are pledged as collateral in repo operations, as collateral in transactions with financial instruments, or pledged to third parties as collateral to secure financial obligations with other banks.

		December 31, 2018	December 31, 2017
Pledged in money market operations			
Foreign Governments	$	51,055	164,260
Central banks		11,533	5,217
		62,588	**169,477**
Pledged as collateral in special entities like CRCC, BR and/or BVC (1)			
Colombian Government		2,221	1,009
		2,221	**1,009**
Total	$	**64,809**	**170,486**

(1) Cámara de Riesgos Central de Contraparte (CRCC), Banco de la República de Colombia (BR), Bolsa de Valores de Colombia (BVC).

9.2 At fair value through other comprehensive income

The following shows the balance of financial assets in debt securities and equity securities at fair value through other comprehensive income:

		December 31, 2018			
		Cost	Unrealized gain	Unrealized losses	Fair value
Debt securities issued or secured					
In Colombian pesos					
Colombian government	$	1,964,320	40	(22,229)	1,942,131
Other entities of the Colombian government		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 entities of the Colombian government		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 shares		138,488	41,234	(375)	179,347
In foreign currency					
Corporate shares		15,719	21	0	15,740
Total equity securities		**154,207**	**41,255**	**(375)**	**195,087**
Total (1)	$	**9,974,783**	**61,119**	**(175,427)**	**9,860,475**

(1) The variation corresponds to the adoption of IFRS 9 see note 2.21.

		December 31, 2017			
		Cost	Unrealized gain	Unrealized losses	Fair value
Equity securities					
In Colombian pesos					
Corporate shares	$	41,771	4,026	0	45,797
In foreign currency					
Corporate shares		15,015	0	0	15,015
Total equity securities	$	**56,786**	**4,026**	**0**	**60,812**

(Continued)

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

		December 31, 2018	December 31, 2017
Credibanco S.A.	$	131,842	0
A.C.H. Colombia S.A.		29,886	28,457
Bolsa de Valores de Colombia S.A.		6,222	6,699
Almacenadora Guatemalteca S.A.		5,693	3,444
Redeban multicolor S.A Megabanco		3,778	2,387
Sociedad Portuaria Regional de Buenaventura S.A.		3,016	4,058
Latinex Holdings, Inc.		1,856	104
Flor del monte SA		1,448	1,448
Cámara de compensación de divisas		1,287	1,056
Transacciones Universales, S.A.		0	4,225
Others		10,059	8,934
Total	$	**195,087**	**60,812**

The following is a breakdown of the credit ratings issued by independent credit-rating agencies for the main counterparties in debt securities and equity securities:

		December 31, 2018	December 31, 2017
Speculative	$	3,779,115	0
Investment grade		5,878,645	0
In bankruptcy law		7,628	0
Total debt securities		**9,665,388**	**0**
Investment grade		170,966	39,412
Not rated or not available		24,121	21,400
Total equity securities	$	**195,087**	**60,812**

Debt securities given as collateral

Following are related to financial assets at fair value through other comprehensive income that are pledged as collateral in repo operations, as collateral in transactions with financial instruments, or pledged to third parties as collateral to secure financial obligations with other banks.

		December 31, 2018	December 31, 2017 (2)
Pledged in money market operations			
Colombian government	$	17,412	0
Foreign government		202,300	0
		219,712	**0**
Pledged as collateral in special entities like CRCC, BR and/ or BVC (1)			
Colombian government		208,905	0
		208,905	**0**
Other collateral			
Central banks		167,634	0
		167,634	**0**
Total	$	**596,251**	**0**

(1) Cámara de Riesgos Central de Contraparte (CRCC), Banco de la República de Colombia (BR), Bolsa de Valores de Colombia (BVC).
(2) At the end of December 2017, the category of Investments at Fair Value with changes in ORI (IFRS 9) is not presented.

Time bands of investments at fair value through other comprehensive income

The following table shows a summary of investments at fair value through other comprehensive income, for both fair value and cost, by maturity.

	December 31, 2018	
	Fair value	Cost
Up to 1 month	$ 131,497	131,508
More than 1 month and no more than 3 months	558,150	557,422
More than 3 months and no more than 1 year	1,609,609	1,615,594
More than 1 year and no more than 5 years	5,708,626	5,838,374
More than 5 years and no more than 10 years	1,640,705	1,660,168
More than 10 years	211,888	171,717
	$ **9,860,475**	**9,974,783**

Impairment of investment at fair value through other comprehensive income

The following table shows the impairment of investment at fair value through other comprehensive income by stages:

	Stage 1	Stage 2	Total
Balance at December 31, 2017 IFRS 39	$ **0**	**0**	**0**
Changes in accounting policies (see note 2.21)	12,836	370	13,206
Balance at January 1, 2018 (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**

Fundamentally, the changes in fair value reflect changes in market conditions, largely because of variations in interest rates and other economic conditions within the country where the investment is held. In the opinion of the Group, the fair value of financial assets reflected no significant losses as of December 31, 2018 and 2017 due to credit risk impairment.

An analysis of sensitivity to changes in interest rates on financial assets at fair value is disclosed in note 5. Information on investments at fair value with related parties is disclosed in note 34.

Financial assets in equity securities at fair value with adjustment to other comprehensive income have been designated in view of the fact that they are strategic investments for the Group. As such, they are not expected to be sold in the near future.

As for dividends on these investments, $17,748 and $4,421 were recognized in the statement of income for the periods ended as of December 31, 2018 and 2017, respectively. Moreover, no accumulated profits from the sale of those investments were transferred from the OCI account during that period.

9.3 At amortized cost

The following shows the balance of financial assets at amortized cost:

		December 31, 2018	December 31, 2017
Debt securities issued or secured			
In Colombian pesos			
Colombian Government	$	0	1,966,632
Other entities of the Colombian government		1,319,767	1,357,393
Other financial entities		9,123	364,059
Entities of the non-financial sector		0	1,109
		1,328,890	**3,689,193**
In foreign currency			
Colombian government		0	465,895
Other entities of the Colombian Government		0	69,122
Other financial entities		0	1,150,884
Entities of the non-financial sector		0	294,732
Central banks		0	349,433
Foreign Governments		32,321	860,137
Others		0	50,893
		32,321	**3,241,096**
		1,361,211	**6,930,289**
Impairment		(37)	0
Total debt securities (1)	$	**1,361,174**	**6,930,289**

(1) The variation corresponds to the adoption of IFRS 9 see note 2.21.

Securities given as collateral

Following are related to financial assets at amortized cost that are pledged as collateral in transactions with financial instruments, or pledged to third parties as collateral to secure financial obligations with other banks for the period of December 31, 2017, for December 31, 2018 there were no investments at amortized cost pledged as collateral (See note 21).

		December 31, 2017
Pledged in money market operations		
Colombian government	$	65,920
Foreign governments		39,434
		105,354
Pledged as collateral to special entities such as CRCC, BR and/or BVC (1)		
Colombian government		56,324
		56,324
Pledged in guarantee of operations with derivative instruments		
Colombian Government		77,960
		77,960
Total	$	**239,638**

(1) Cámara de Riesgos Central de Contraparte (CRCC), Banco de la Republica de Colombia (BR), Bolsa de Valores de Colombia (BVC)

Credit rating

The following is a breakdown of the credit ratings issued by independent credit-rating agencies for the main counterparties in debt securities in financial assets at amortized cost:

		December 31, 2018	December 31, 2017
Speculative	$	0	1,320,600
Investment grade		1,361,211	5,592,808
No rating or rating not available		0	16,881
Total	$	**1,361,211**	**6,930,289**

Time bands of investments at amortized cost

The following table shows a summary of investments at amortized cost, by maturity:

		December 31, 2018	December 31, 2017
Up to 1 month	$	301,502	588,811
More than 1 month and no more than 3 months		0	147,987
More than 3 months and no more than 1 year		1,058,682	1,982,151
More than 1 year and no more than 5 years		1,027	3,326,690
More than 5 years and no more than 10 years		0	724,365
More than 10 years		0	160,285
Total	$	**1,361,211**	**6,930,289**

Impairment of investments at amortized cost

The following table shows the movement of impairment for investments at amortized cost by stages:

		Stage 1
Balance at December 31, 2017 IFRS 39	$	**0**
Changes in accounting policies (see note 2.21)		317
Balance at January 1, 2018 (adjusted)		**317**
Recoveries		(280)
Balance at December 31, 2018	$	**37**

NOTE 10 - FINANCIAL ASSETS DERIVATIVES AT FAIR VALUE

10.1 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, 2018		December 31, 2017	
		Notional amount	Fair value	Notional amount	Fair value
Assets					
Forward contracts (1)					
Foreign currency to buy	$	5,320,742	220,709	3,385,950	46,715
Foreign currency to sell		(851,894)	7,242	(4,863,369)	80,002
		4,468,848	**227,951**	**(1,477,419)**	**126,717**
Swaps					
Cross currency		380,692	38,050	379,844	19,772
Interest rate		3,989,415	27,983	4,678,219	30,696
		4,370,107	**66,033**	**5,058,063**	**50,468**
Futures contracts (2)					
Foreign currency to buy		5,874,411	0	1,191,392	0
Foreign currency to sell		(118,453)	0	(2,873,592)	0
		5,755,958	**0**	**(1,682,200)**	**0**
Options contracts					
Currency to buy		**928,186**	**29,507**	**426,591**	**5,930**
Total assets		**15,523,099**	**323,491**	**2,325,035**	**183,115**
Liabilities					
Forward contracts (1)					
Foreign currency to buy		(690,214)	16,504	(4,357,112)	61,598
Foreign currency to sell		5,559,461	197,183	1,980,544	11,460
		4,869,247	**213,687**	**(2,376,568)**	**73,058**

(Continued)

		December 31, 2018		December 31, 2017	
		Notional amount	Fair value	Notional amount	Fair value
Liabilities					
Swaps					
Cross currency		1,233,354	135,771	745,648	72,788
Interest rate		2,867,483	14,053	3,579,739	17,370
		4,100,837	**149,824**	**4,325,387**	**90,158**
Futures contracts (2)					
Currency to buy		(320,913)	0	(4,508,630)	0
Currency to sell		1,635,924	0	813,916	0
		1,315,011	**0**	**(3,694,714)**	**0**
Options contracts					
Currency to sell		**813,811**	**16,484**	**427,329**	**11,488**
Total liabilities	$	**11,098,906**	**379,995**	**(1,318,566)**	**174,704**

(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 net change in fair value of the trading derivatives as of December 31, 2018 with respect to December 31, 2017 is shown as a consequence of the movement of the valuation curves (interest rates variations and fluctuations) and variation in the volume of them.

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.

At December 31, 2018 and 2017 the Group has obligations for delivering financial assets in treasury certificates or foreign currency with a fair value of $379,995 and $174,704 and receiving assets in treasury certificates or foreign currency with fair value of $323,491 and $183,115, respectively.

10.2 Hedging derivatives

The financial derivatives used for hedging include following:

		December 31, 2018		December 31, 2017	
		Notional amount	Fair value	Notional amount	Fair value
Assets					
Forward contracts					
Foreign currency to buy	$	1,038,297	28,324	0	0
Foreign currency to sell		(162,488)	1,771	(2,393,168)	50,107
Securities to sell		(215,297)	2,886	(227,790)	1,270
		660,512	**32,981**	**(2,620,958)**	**51,377**
Futures contracts (1)					
Currency to buy		1,091,916	0	29,840	0
Currency to sell		(188,486)	0	(1,602,408)	0
		903,430	**0**	**(1,572,568)**	**0**
Total assets		**1,563,942**	**32,981**	**(4,193,526)**	**51,377**

		December 31, 2018		December 31, 2017	
		Notional amount	Fair value	Notional amount	Fair value
Liabilities					
Forward contracts					
Foreign currency to buy		(126,740)	1,127	(717,651)	5,335
Foreign currency to sell		3,628,346	179,570	1,104,080	7,963
Securities to sell		285,523	614	524,825	2,533
		3,787,129	**181,311**	**911,254**	**15,831**
Futures contracts (1)					
Foreign currency to buy		(103,992)	0	(387,920)	0
Foreign currency to sell		4,497,654	0	1,153,316	0
		4,393,662	**0**	**765,396**	**0**
Total liabilities	$	**8,180,791**	**181,311**	**1,676,650**	**15,831**

(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 hedging derivatives as of December 31, 2018 with respect to December 31, 2017 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, 2018	December 31, 2017
Investment grade	$	341,558	218,764
Speculative		1,534	503
No rating or rating not available		13,380	15,225
Total	$	**356,472**	**234,492**

10.3 Derivatives guarantees

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

		December 31, 2018	December 31, 2017
Cash			
Delivered	$	253,698	33,182
Received		29,410	45,387
Total		**283,108**	**78,569**
Financial instruments			
Delivered		192,620	0
Total	$	**192,620**	**0**

10.4 Hedge accounting

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

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

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

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

Hedging instruments

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

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

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

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

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

Measuring effectiveness and ineffectiveness

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

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

- **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 Net investment hedged abroad.

- **Effectiveness of hedging with debt instruments in foreign currency**

For foreign currency debt designates as hedge instrument, the gain or loss arising from the conversion to debt in Colombian pesos is based on the current US dollar exchange rate for the Colombian peso, which is the functional currency of the Bank. 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 net investment hedged in foreign operations, the relationship is perfectly effective.

10.4.1 Hedging net investments in foreign currency

The assets and liabilities of the hedging strategy are converted from dollars to the functional currency of the Group at the representative market rate certified daily by the "Superintendencia Financiera de Colombia". 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, 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		Adjustment for conversion of the financial statements	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 S.A. (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**

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

(1) Includes Banco de Bogotá Panamá S.A., Banco Bogotá Finance, Ficentro and investment in foreign branch 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 S.A. The forward contracts were executed with other financial sector counterparts and subsequently

documented as a "dynamic hedging strategy" through which new forward contracts are entered into simultaneously when the previous ones expire.

Hedging with financial liabilities in foreign currency in US dollars

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

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

10.4.2 Fair value hedging

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

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

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

	December 31, 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

	December 31, 2017					
	Notional value of hedged investment	Book value of hedged investment		Change in fair value	Accumulated income	Item in the statement of financial position
		Assets	Liabilities			
Hedging instrument - Forward contract - sale of securities	$ 767,536	1,269	(2,533)	(1,263)	73,286	Other assets at fair value through profit or loss / Other liabilities
Hedging instrument - Government and corporate bonds	$ 0	680,011	0	1,060	(71,184)	Investment available for sale

NOTE 11 - LOAN PORTFOLIO AND FINANCIAL LEASES TRANSACTIONS 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, 2018		
	Balance on the consolidated statement of financial position	Reclassification of 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**

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

11.1 Loan portfolio, by type

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

	December 31, 2018	December 31, 2017
General purpose loans	$ 71,162,337	70,213,420
Mortgage	13,599,047	11,977,718
Credit cards	12,778,339	11,277,983
Financial leases out immovable property	2,783,954	2,504,683
Loans to micro - businesses and SMEs	2,419,120	2,320,924
Loans with resources from other institutions	1,879,207	1,612,918
Financial leases out movable assets	1,332,565	1,377,193
Home builder loans	942,141	888,112
Microcredit	418,288	400,817
Found in current banking account	411,742	415,978
Discounts	324,624	220,858
Letters of credit, hedged	137,020	78,422

(Continued)

		December 31, 2018	December 31, 2017
Employee loans		98,938	79,453
Non-recourse factoring		49,970	20,930
Others		7,813,622	4,081,374
Total gross loan portfolio		**116,150,914**	**107,470,783**
Impairment		(5,132,678)	(3,226,978)
Total	$	**111,018,236**	**104,243,805**

11.2 Loan portfolio, by maturity

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

		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**

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

11.3 Loan portfolio, by type of currency

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

		December 31, 2018			December 31, 2017		
		Colombian pesos	Foreign currency	Total	Local	Foreign	Total
Commercial	$	35,804,019	31,193,012	66,997,031	33,349,664	29,679,768	63,029,432
Consumer		11,635,023	19,291,742	30,926,765	10,822,488	17,280,444	28,102,932
Mortgage		3,085,561	10,606,750	13,692,311	2,626,832	9,428,894	12,055,726
Microcredit		418,288	0	418,288	400,817	0	400,817
Financial leases		3,109,528	1,006,991	4,116,519	2,958,888	922,988	3,881,876
Total	$	**54,052,419**	**62,098,495**	**116,150,914**	**50,158,689**	**57,312,094**	**107,470,783**

11.4 Loan portfolio, by stages

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

		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

(Continued)

		Stage 1	Stage 2	Stage 3	Total
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**

11.5 Activity in loan portfolio impairment

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

		Commercial	Consumer	Mortgage	Microcredit	Financial leases	Total
Balance at December 31, 2016	$	**1,129,790**	**1,041,755**	**56,676**	**61,824**	**81,729**	**2,371,774**
Write-offs for the period		(165,646)	(1,377,206)	(32,585)	(23,585)	(6,341)	(1,605,363)
Imprament changed to expenses		643,808	1,523,135	34,529	36,896	56,577	2,294,945
(Recovery) charged to allowances with offsetting entry in OCI for the period		76,822	79,864	12,316	(2,220)	(3,072)	163,710
Exchange difference		2,037	2,106	(438)	0	(1,793)	1,912
Balance at 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
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**

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**

11.6 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.

(Continued)

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, 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**

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

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

11.7 Loan portfolio assessed individually

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

	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**

	December 31, 2017		
	Registered gross value	Collateral guarantees	Constituted impairment
No registered impairment			
Commercial	$ 45,840	45,840	0
	45,840	**45,840**	**0**

(Continued)

	December 31, 2017		
	Registered gross value	Collateral guarantees	Constituted impairment
With registered impairment			
Commercial	2,328,427	147,293	893,569
Consumer	186	0	60
Mortgage	1,907	0	781
Financial leases	329,730	24,894	73,155
	2,660,250	**172,187**	**967,565**
Totals			
Commercial	2,374,267	193,133	893,569
Consumer	186	0	60
Mortgage	1,907	0	781
Financial leases	329,730	24,894	73,155
Total	$ **2,706,090**	**218,027**	**967,565**

11.8 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, 2018	December 31, 2017
Gross investment in financial leases agreements	$	**6,798,015**	**6,816,561**
Less unrealized financial income		(2,681,496)	(2,934,685)
Net investment in financial leases agreements		**4,116,519**	**3,881,876**
Impairment of net investment in financial leases agreements	$	**(207,971)**	**(127,100)**

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

		December 31, 2018		December 31, 2017	
		Gross investment	Net investment	Gross investment	Net investment
Up to 1 year	$	177,619	175,866	156,418	155,646
1 to 5 years		1,668,940	1,532,457	1,917,339	1,704,256
More than 5 years		4,951,456	2,408,196	4,742,804	2,021,974
Total	$	**6,798,015**	**4,116,519**	**6,816,561**	**3,881,876**

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 12 - OTHER ACCOUNTS RECEIVABLE, NET

The following is a breakdown of other accounts receivable:

		December 31, 2018	December 31, 2017
Electronic transfers in process	$	325,904	168,716
Offset – Credibanco		293,439	346,834
Collateral deposits and others(1)		284,715	66,619
Fees, services and others		242,874	282,464
Commissions		216,057	152,354
Prepayments to contractors and suppliers		146,541	105,335

		December 31, 2018	December 31, 2017
Abandoned account transfers to "Instituto Colombiano de Crédito Educativo y Estudios Técnicos en el Exterior (ICETEX)"		129,705	120,059
Forward compliance		129,280	93,954
Prepaid expenses		71,970	58,166
Sale of goods and services		68,549	65,029
Transfers to the National Treasury		36,519	34,967
Buy-sell agreements		13,343	7,055
Managed pension funds		13,097	14,843
Insurance companies		12,864	12,436
Insufficiency in savings accounts		6,864	6,074
Discountable taxes, prepayments and withholdings		3,991	7,612
Other		106,637	109,804
		2,102,349	**1,652,321**
Impairment of other accounts receivable		(83,481)	(66,914)
Total	$	**2,018,868**	**1,585,407**

(1) Deposits to guarantee the margin call for derivative instruments with offshore counterparties amounted to $253,698 and $33,182, respectively, as of December 31, 2018 and 2017.

The following shows the movement in the impairment:

		December 31, 2018	December 31, 2017
Balance at December 31, 2017	$	**66,914**	**70,050**
Changes in accounting policies (see note 2.21)		5,726	0
Balance at January 1, 2018 (adjusted)		**72,640**	**70,050**
Impairment		15,210	14,230
Write-offs (1)		4,036	(4,258)
Recoveries		(8,633)	(13,416)
Exchange difference		228	308
Balance at end of the period	$	**83,481**	**66,914**

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

NOTE 13 - NON-CURRENT ASSETS HELD FOR SALE

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

		December 31, 2018	December 31, 2017
Non-current assets held for sale			
Movables	$	75,876	6,093
Residential real estate		33,622	31,666
Non-mortgaged real estate		29,569	37,061
		139,067	**74,820**
Assets returned from leasing agreements			
Machinery and equipment		34	194
Vehicles		858	1,082
Property		25,060	1,963
		25,952	**3,239**
Total	$	**165,019**	**78,059**

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

		December 31, 2018	December 31, 2017
Balance at beginning of the period	$	**103,466**	**240,475**
Additions		161,967	77,276
Assets sold		(41,433)	(62,364)

(Continued)

		December 31, 2018	December 31, 2017
Changes in fair value		(37)	(11,224)
Write-offs		0	(10,715)
Reclassifications (1)		(20,533)	(127,340)
Exchange difference		2,373	(2,642)
Balance at end of the period	$	**205,803**	**103,466**

(1) At December 31, 2018 transfers were made: to investment properties for $20,213 other assets for $299 and investments for $21. At December 31, 2017 transfers were made: from investment properties for $318, to other assets for $2,503, investments for $23,368 and investment properties for $101,787.

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

		December 31, 2018	December 31, 2017
Balance at beginning of the period	$	**25,407**	**29,768**
Assets sold		(9,546)	(12,399)
Impairments charged to expenses		24,923	25,431
Write-offs		0	(10,715)
Exchange difference		0	(6,678)
Balance at end of the period	$	**40,784**	**25,407**

The liabilities associated with the groups of assets held for sale at December 31, 2018 and 2017, came to $7,889 and $10,616, respectively.

Non-current assets held for sale are primarily assets received through foreclosure from assets pledged as loan collateral. Accordingly, the Group intention is to sell them immediately, and it has 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, 2018 and 2017 there were no changes in plans for the disposal of non-current assets held for sale.

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 14 - INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

Following is a breakdown of associates and joint ventures:

		December 31, 2018	December 31, 2017
Associates	$	4,155,968	3,389,862
Joint ventures		1,047	1,597
Total	$	**4,157,015**	**3,391,459**

The following table shows the share percentage in each associate and joint ventures:

	December 31, 2018		December 31, 2017	
	% Voting rights	Book value	% Voting rights	Book value
Associates				
Corporación Financiera Colombiana S.A	32.93%	4,146,207	38.54%	3,371,771
Casa de Bolsa S.A.	22.80%	7,869	22.80%	7,955
A Toda Hora S.A.	19.99%	$ 1,892	19.99%	$ 1,655
Pizano S.A.	18.47%	0	18.47%	8,481
		4,155,968		**3,389,862**
Joint ventures				
A Toda Hora S.A. – Joint accounts	25.00%	1,047	25.00%	1,597
		$ **1,047**		$ **1,597**

All the associates and joint ventures listed above have their main place of business in Colombia.

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

Investments in associates

The following is the corporate purpose 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 equity income investments	Bogotá - Colombia
2	Casa de Bolsa S.A.	Brokerage house (securities brokerage and securities fund management)	Bogotá - Colombia
3	A Toda Hora S.A.	Financial transactions services	Bogotá - Colombia
4	Pizano S.A	Manufactures laminated wood products.	Barranquilla - Colombia

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

	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	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
Total	$ **12,001,722**	**6,027,492**	**5,974,230**	**3,331,136**	**1,721,533**	**1,609,603**

As of December 31, 2018 there is not show summary financial information of Pizano S.A. because entering into liquidation process on January 31, 2018.

		December 31, 2017					
		Assets	Liabilities	Equity	Income	Expenses	Net income
Corporación Financiera Colombiana S.A.	$	9,072,846	5,954,998	3,117,848	2,303,890	2,142,699	161,191
Pizano S.A.		203,226	157,299	45,927	120,917	204,942	(84,024)
Casa de Bolsa		45,081	15,172	29,909	46,904	46,833	71
A Toda Hora S.A.		9,317	1,041	8,276	11,091	10,399	692
Total	$	**9,330,470**	**6,128,510**	**3,201,960**	**2,482,802**	**2,404,873**	**77,930**

The following is the movement in investments in associates:

		December 31, 2018	December 31, 2017
Balance at beginning of the period	$	**3,389,862**	**3,341,859**
Modification of Consolidated financial statements		26,244	0
Changes in accounting policies (see note 2.21)		124,030	0
Balance as at January 1, 2018 adjusted		**3,540,136**	**3,341,859**
Profit from loss of control		0	140
Share in income for the period		568,745	44,038
Share in other comprehensive income		(67,840)	3,825
Waiver of shares subscription Corficolombiana		122,568	0
		4,163,609	**3,389,862**
Impairment (1)		(7,641)	0
Balance at end of the period	$	**4,155,968**	**3,389,862**

(1) Corresponds to investment in Pizano S.A., entity in liquidation.

Investments in associates at December 31, 2018 compared to December 31, 2017, show an increase of $766,106, mainly due to the capitalization of Corporación Financiera Colombiana SA. In the extraordinary shareholders meeting of the Bank, held on August 6, 2018, the waiver of the preemptive subscription and payment right in the issuance of ordinary shares and shares with preference dividend and without rights to vote by Corporación Financiera Colombiana SA was approved. As a result of the foregoing, the Bank's participation in the entity decreased 5.75% with an effect on net income of $123,409, which include the realization of ORI for $841 (see note 29).

Investments in joint ventures

The following is the corporate purpose of the joint ventures:

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

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

		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)

		December 31, 2017					
		Assets	Liabilities	Equity	Income	Expenses	Net income
A Toda Hora S.A. – Joint accounts	$	47,986	41,598	6,387	207,848	199,148	8,700

(Continued)

The following is the movement in investments in joint ventures:

		December 31, 2018	December 31, 2017
Balance at beginning of the period	$	**1,597**	**0**
Share in income for the period		(550)	2,185
Reclassifications		0	(588)
Balance at end of the period	$	**1,047**	**1,597**

NOTE 15 - PROPERTY, PLANT AND EQUIPMENT

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

		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		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**

		December 31, 2017			
		Cost	Accumulated depreciation	Impairment	Net
Land	$	399,628	0	0	399,628
Buildings and constructions		1,122,946	(327,836)	0	795,110
Machinery		13,544	(9,044)	(42)	4,458
Vehicles		37,298	(20,746)	0	16,552
Office furniture, fixtures and equipment		679,921	(439,157)	0	240,764
Computer hardware		1,066,307	(771,489)	0	294,818
Leasehold improvements		299,807	(163,248)	0	136,559
Construction in progress		48,432	0	0	48,432
Total	$	**3,667,883**	**(1,731,520)**	**(42)**	**1,936,321**

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

		Balance at December 31, 2016	Exchange difference	Additions	Disposals/ Sales	Reclassifi-cations (1)	Balance at December 31, 2017
Land	$	402,718	(4,643)	2,148	(595)	0	399,628
Buildings and constructions		1,125,361	(13,139)	5,553	(4,115)	9,286	1,122,946
Machinery		14,986	0	1,287	(227)	(2,502)	13,544
Vehicles		31,065	(534)	9,941	(6,600)	3,426	37,298
Office furniture, fixtures and equipment		689,214	(10,773)	51,481	(47,046)	(2,955)	679,921
Computer hardware		1,102,106	(19,379)	98,556	(121,609)	6,633	1,066,307
Leasehold improvements		275,000	(19,102)	31,221	(15,333)	28,021	299,807
Construction in progress		27,876	(1,017)	35,189	(401)	(13,215)	48,432
Total	$	**3,668,326**	**(68,587)**	**235,376**	**(195,926)**	**28,694**	**3,667,883**

(1) Corresponds to transfers of investment properties for $23,407. Reactivation of assets totally depreciated and deteriorated assets for $736. Adjustments between cost and depreciation for $4,551.

(Continued)

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

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

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

		Balance at December 31, 2016	Exchange difference	Depreciation	Disposals/ Sales	Reclassifi-cations (1)	Balance at December 31, 2017
Buildings and constructions	$	281,357	(2,632)	52,244	(3,134)	1	327,836
Machinery		2,293	0	844	(228)	6,135	9,044
Vehicles		20,854	(255)	5,376	(5,229)	0	20,746
Office furniture, fixtures and equipment		443,273	(4,661)	56,981	(45,479)	(10,957)	439,157
Computer hardware		774,637	(13,611)	121,221	(116,084)	5,326	771,489
Leasehold improvements		143,670	(131)	29,849	(14,934)	4,794	163,248
Total	$	**1,666,084**	**(21,290)**	**266,515**	**(185,088)**	**5,299**	**1,731,520**

(1) Corresponds to reactivation of totally depreciated assets for $748 and adjustments between cost and depreciation for $4,551.

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

(2) Corresponds to transfers to other assets.

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

		Machinery	Vehicles	Office furniture, fixtures and equipment	Total
Balance at December 31, 2016	$	**131**	**0**	**12**	**143**
Impairment charged to expenses		5	4	0	9
Disposals/ Sales		0	(98)	0	(98)
Reclassifications (1)		(94)	94	(12)	(12)
Balance at December 31, 2017	$	**42**	**0**	**0**	**42**
Impairment charged to expenses		12	0	0	12
Disposals/ Sales		(17)	0	0	(17)
Balance at December 31, 2018	$	**37**	**0**	**0**	**37**

(1) Corresponds to the reclassification of the impairments between groups for $ 94 and reactivation of totally depreciated assets for $12.

(Continued)

The Board of Directors of Banco de Bogotá, in session of October 9, 2018, through act No. 1466 authorized to the Administration to mobilize 14 properties for $ 330,350, by contributions in kind to the 'Fondo de capital privado Nexus inmobiliario compartimento inmuebles Banco de Bogotá S.A.', the above, with the objective of minimizing the uncertainty in the future value of the properties, according to the change in the banking business model promoted by the increase in digitization. The mobilized properties were leased by the Bank for a period of 10 and 15 years, in accordance with the lease agreements. The impact is following:

Sale value	$	330,350
Disposals cost value		(34,648)
Disposals depreciation value		16,614
Profit on sale of property, plant and equipment (see note 29)		**312,316**
Notarial expenses		(1,062)
Registration and annotation tax		(5,840)
Net income	**$**	**305,414**

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

At December 31, 2018, 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 16 - INVESTMENT PROPERTIES

The following is a breakdown by type of property:

		December 31, 2018	December 31, 2017
Land	$	232,589	203,349
Buildings		55,062	51,596
Total	$	**287,651**	**254,945**

The following table shows the activity in the cost:

		Land	Buildings	Total
Balance at December 31, 2016	$	**125,499**	**43,505**	**169,004**
Additions		6,000	0	6,000
Changes in fair value		41	6,082	6,123
Reclassifications (1)		73,965	4,097	78,062
Disposals / Sales		(2,156)	(2,088)	(4,244)
Balance at December 31, 2017	$	**203,349**	**51,596**	**254,945**
Changes in fair value		25,695	3,571	29,266
Reclassifications (2)		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**

(1) Corresponds to transfers: from non-current assets held for sale for $101,787 and to Property, plant and equipment for $23,407, non-current assets held for sale for $318.
(2) Corresponds to transfers from Property, plant and equipment for $2,722 and non-current assets held for sale for $20,213.

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

		December 31, 2018	December 31, 2017
Rental income from investment properties	$	2,796	3,127
Direct operating expenses arising from investment properties generating rental income		(134)	(243)
Direct operating expenses arising from investment properties generating that do not rental income		0	(393)
Total	$	**2,662**	**2,491**

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

There are no restrictions on the sale of investment properties.

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, 2018, since their recoverable amounts exceeds the book value.

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, 2018	December 31, 2017
Banco de Bogotá S.A.	Megabanco	**Banco de Bogotá S.A.**	$	**465,905**	**465,905**
	AFP Horizonte			**436,096**	**436,096**
Banco de Bogotá S.A.	Direct acquisition by the Bank	**Porvenir S.A.**		90,162	90,162
Porvenir S.A.	Acquisition through Porvenir			345,934	345,934

(Continued)

Buyer Company	Acquisition	CGU Group	December 31, 2018	December 31, 2017
Leasing Bogotá S.A Panamá (1)			**5,105,900**	**4,688,363**
	BAC Credomatic	**Leasing Bogotá S.A Panamá**	3,187,397	2,926,746
	BBVA Panamá		1,032,687	948,239
	Banco Reformador		745,954	684,953
	Transcom Bank		139,862	128,425
Total Goodwill			$ **6,007,901**	**5,590,364**

(1) The changes are related with the exchange from foreign currency, due to this goodwill is recorded in US dollars.

Following is the detail of goodwill assigned by cash generating units (CGU) which represent the lowest level within Banco de Bogotá are monitored by the management and which are not greater that the business' segments:

		December 31, 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 Bogota S.A. Panamá		5,105,900	12,808,191	18,531,491	5,723,300
Total	$	**6,007,901**			

		December 31, 2017			
		Goodwill carrying amount	CGU Book value	CGU Fair value	Excess
CGU in Banco de Bogotá (Megabanco)	$	465,905	7,353,562	9,483,254	2,129,692
Pensiones y Cesantías Porvenir (AFP Horizonte)		436,096	1,818,411	3,916,070	2,097,659
Leasing Bogota S.A. Panamá		4,688,363	11,349,292	17,054,833	5,705,540
Total	$	**5,590,364**			

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 Superintendencia Financiera de Colombia in Resolution No. 917 dated 2 June 2006.

Until December 31, 2017, 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 S.A.

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 2019 report and is based on the Banco de Bogotá's financial statements at September 30, 2018, 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 $9,865,076 exceeds in $2,461,897 the fair value resulting from the assessment valuation exceeds the $7,403,179 in book value for the CGU groups of banking operation segment.

(Continued)

The following table shows the averages of the primary premises used in the impairment test at December 31, 2018:

	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%				

	December 31, 2017				
	2018	2019	2020	2021	2022
Lending rate on the loan portfolio and investments	9.6%	9.4%	9.3%	9.5%	9.6%
Borrowing rate	3.6%	3.3%	3.2%	3.6%	3.8%
Growth in income from commissions	9.2%	7.7%	7.8%	8.5%	8.5%
Growth in expenses	2.5%	4.0%	4.0%	5.1%	4.4%
Inflation	3.3%	3.4%	3.2%	3.3%	3.6%
Discount rate after taxes	14.0%				
Growth rate after five years	3.5%				

A 5-year projection was made to estimate goodwill, based on macroeconomic assumptions and those related to the businesses listed in the foregoing tables. The following is a description of that process:

- The lending rates on loans and investments were projected based on the Group past earnings, the expectations of the Group and independent specialists (The Economist Intelligence Unit "EIU").
- The borrowing rates were projected based on the overall cost of funding (accounting rate) consistent with the historical evolution, the company's expectations and market rates of The Economist Intelligence Unit "EIU".
- Estimated growth in fees 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 3.1%, which is the projected average rate of inflation expected by independent specialists.

The discount rate after taxes used to discount dividend flows reflects the specific risks relative to each cash-generating unit. If the 14% estimated discount rate had been 1.0% higher than the rate estimated in the independent studies, the book value of goodwill would not have to be reduced, since the fair value of the groups of cash-generating units with this sensitivity would be $9,044,053 which is well above the book value of $7,403,179.

- **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 Superintendencia Financiera de 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 2019 based on Porvenir's financial statements at September 30, 2018 and there are no situations indicative of possible impairment, since $4,056,799 in fair value exceeds the book value of $2,023,208 as of December 31, 2018 of the cash-generation units to which the goodwill was allocated.

The following are the main premises used in the impairment test done on December 2018:

	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%				

	December 31, 2017				
	2018	2019	2020	2021	2022
Lending interest rate on investments	5.8%	5.9%	5.7%	5.8%	6.2%
Borrowing rate	6.3%	6.3%	6.3%	6.3%	6.3%
Growth in income from commissions	14.2%	8.0%	7.7%	7.6%	7.5%
Growth in expenses	11.2%	6.7%	6.1%	6.1%	6.4%
Inflation	3.3%	3.4%	3.2%	3.3%	3.6%
Discount interest rate after taxes	13.0%				
Growth rate after twenty years	3.5%				

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 entity.

- 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 3.1%, 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 13% had been 1.0% higher than the estimated rate in the valuation done by outside experts, there would be no need to reduce the book value of goodwill, since the fair value of the cash-generating units to which the goodwill was allocated would be $3,661,147 and exceeds their book value at December 31, 2018 of $2,023,208.

- **Leasing Bogotá S.A. Panamá:**

On December 9, 2010, Banco de Bogotá S.A. acquired control of BAC COM through its subsidiary Leasing Bogotá S.A. Panamá (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 S.A., which is controlled, in turn, by Grupo Aval Acciones y Valores S.A. Goodwill was generated and recognized as a result of that operation. Banco de Bogotá was authorized by the Superintendencia Financiera de Colombia to make this acquisition, through its subsidiary Leasing Bogotá S.A. Panamá, 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. Panamá (BBVA Panamá, now BAC de Panamá) were acquired by Banco de Bogotá, through its subsidiary Leasing Bogotá S.A. Panamá, under authorization from the Superintendencia Financiera de 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 Superintendencia Financiera de Colombia 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 in 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 2019, based on the financial statements of BAC Credomatic at September 30th, 2018. The respective report indicates there are no situations that would imply possible impairment, since the in use value of $18,531,491 exceeds the book value of $12,808,191 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 31, 2018:

	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%				

	December 31, 2017				
	2018	2019	2020	2021	2022
Lending rate on the loan portfolio and investments	11.0%	11.0%	11.0%	11.0%	11.1%
Borrowing rate	2.7%	2.8%	2.9%	3.0%	3.0%
Growth in income from commissions	6.5%	8.3%	8.2%	8.2%	8.3%
Growth in expenses	6.1%	6.2%	6.7%	6.7%	6.8%
Discount rate after taxes	11.3%				
Growth rate after 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.

- 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 11.8% had been 1.0% higher; that is, 12.8%, 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 $16,068,408 and exceeds the book value as of December 31, 2018 of $12,808,191.

NOTE 18 - OTHER INTANGIBLE ASSETS

The movement is shown in the table below:

		Cost	Amortization	Total
Balance at December 31, 2016	$	**662,320**	**(228,613)**	**433,707**
Additions		134,887	0	134,887
Disposals		(39,363)	26,608	(12,755)
Exchange difference		(6,290)	4,159	(2,131)
Amortization charged to expenses (1)		0	(96,651)	(96,651)
Reclassifications		(4,181)	4,181	0
Balance at December 31, 2017	$	**747,373**	**(290,316)**	**457,057**
Additions		252,010	0	252,010
Disposals		(69,519)	53,510	(16,009)
Exchange difference		(20,655)	(5,453)	(26,108)
Amortization charged to expenses (2)		0	(109,625)	(109,625)
Reclassifications		(747)	(34,564)	(35,311)
Balance at December 31, 2018	$	**908,462**	**(386,448)**	**522,014**

(1) Amortization charged to expenses at December 31, 2017 $13,119 for licenses, $75,161 reported under computer software and applications, $3,542 for intellectual property rights, patents and others, and $4,829 for intangible assets related to customers.
(2) Amortization charged to expenses at December 31, 2018 $23,966 for licenses, $77,766 reported under computer software and applications, $3,548 for intellectual property rights, patents and others, and $4,345 for intangible assets related to customers.

18.1 Intangible assets developed internally

The following is the movement of the cost of intangible assets developed internally during the periods:

		Licenses	Computer software and applications	Total
Balance at December 31, 2016	$	**1,906**	**519,494**	**521,400**
Additions		56	107,176	107,232
Disposals		0	(35,439)	(35,439)

(Continued)

	Licenses	Computer software and applications	Total
Exchange difference	4	(5,093)	(5,089)
Reclassifications	105	(1,575)	(1,470)
Balance at December 31, 2017	$ **2,071**	**584,563**	**586,634**
Additions	0	200,498	200,498
Disposals	0	(68,642)	(68,642)
Exchange difference	0	(20,816)	(20,816)
Reclassifications	(1,408)	1,982	574
Balance at December 31, 2018	$ **663**	**697,585**	**698,248**

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

	Licenses	Computer software and applications	Total
Balance at December 31, 2016	$ **465**	**188,233**	**188,698**
Disposals	0	(22,754)	(22,754)
Exchange difference	1	(3,724)	(3,723)
Amortization charged to expenses	409	71,927	72,336
Reclassifications	32	(766)	(734)
Balance at December 31, 2017	$ **907**	**232,916**	**233,823**
Disposals	0	(52,633)	(52,633)
Exchange difference	0	7,313	7,313
Amortization charged to expenses	105	72,738	72,843
Reclassifications	(642)	35,871	35,229
Balance at December 31, 2018	$ **370**	**296,205**	**296,575**

18.2 Intangible assets not developed internally

The following is the movement of the cost of intangible assets not developed internally:

	Trademarks	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, 2016	$ **3,375**	**36,009**	**59,850**	**31,035**	**10,651**	**0**	**140,920**
Additions	0	0	25,621	2,034	0	0	27,655
Disposals	0	0	(2,681)	(1,243)	0	0	(3,924)
Exchange difference	(126)	(201)	(6)	(4)	(864)	0	(1,201)
Reclassifications	0	0	1,601	(157)	(4,155)	0	(2,711)
Balance at December 31, 2017	$ **3,249**	**35,808**	**84,385**	**31,665**	**5,632**	**0**	**160,739**
Additions	0	0	48,161	3,349	0	2	51,512
Disposals	0	0	(877)	0	0	0	(877)
Exchange difference	67	3,189	(192)	62	(2,965)	0	161
Reclassifications	0	0	73	(153)	(1,241)	0	(1,321)
Balance at December 31, 2018	$ **3,316**	**38,997**	**131,550**	**34,923**	**1,426**	**2**	**210,214**

(Continued)

The following is the movement of the amortization of intangible assets not developed internally:

	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, 2016	$ **4,501**	**25,956**	**8,997**	**461**	**0**	**39,915**
Disposals	0	(2,611)	(1,243)	0	0	(3,854)
Exchange difference	14	3	(2)	(451)	0	(436)
Amortization charged to expenses	3,542	12,710	3,234	4,829	0	24,315
Reclassifications	0	985	(136)	(4,296)	0	(3,447)
Balance at December 31, 2017	$ **8,057**	**37,043**	**10,850**	**543**	**0**	**56,493**
Disposals	0	(877)	0	0	0	(877)
Exchange difference	1,068	(57)	(16)	(2,855)	0	(1,860)
Amortization charged to expenses	3,548	23,860	5,028	4,345	1	36,782
Reclassifications	0	79	497	(1,241)	0	(665)
Balance at December 31, 2018	$ **12,673**	**60,048**	**16,359**	**792**	**1**	**89,873**

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 $70,349 with a remaining amortization period between 19 and 60 months and computer software and applications such as: PAN – credit cards (Relations with customers resulting from the acquisition of AMEX securitization in Panama) for $27,298 with a remaining amortization period of 98 month;. Business Productivity (application that centralizes and allows having a standard model of access to applications through authentication against the active directory) for $22,381 with a remaining amortization period of 95 months; Massive Credit Transformation (software that allows to optimize the process of granting massive credit) for $22,312 with a remaining amortization period of 108 months; Summit – fase II (corresponds to the implementation of debt securities products, monetary operations and derivatives on securities, in the treasury tool) for $21,822 still under development.

NOTE 19 - INCOME TAX

19.1 Components of the income tax expense

The income tax expense for the years ended at December 31, 2018 and 2017 includes the following:

	December 31, 2018	December 31, 2017
Income tax of the current period (1)	$ 1,146,822	687,502
Income tax surcharge	35,516	62,064
Recovery of current tax of previous periods	(784)	(109,632)
Current tax	**1,181,554**	**639,934**
Provision for uncertain tax positions	24,525	22,262
Net deferred taxes of the period (1)	(248,150)	380,738
Adjustment deferred tax of previous period	(7,886)	(10,987)
Total income tax	$ **950,043**	**1,031,947**

(1) For the year 2018, transfer for $372,715 of deferred tax expense to current tax related with the amortization of tax credits is included.

At January 1, 2017, the remittances noted in the tax rules shall refer to the new technical regulatory

frameworks in Colombia (Accounting and Financial Reporting Standards Accepted in Colombia), as provided for Law 1819/2016.

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

- Income tax rates for the years 2017 and 2018 are 40% and 37%, respectively (Including income tax surcharge of 6% and 4%, respectively).
- In accordance with the Financing Law 1943/2018, income tax rates for the years 2019, 2020, 2021 and 2022 and following are 33%, 32%, 31% and 30%, respectively. Additionally, for financial entities 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 2019 and 3% for the years 2020 and 2021.
- For the years 2017 and 2018, the presumptive income for determining the income tax cannot be less than 3.5% of the liquid equity on the last day of the previous fiscal period.
- With the Financing Law 1943/2018, the presumptive income will be reduce to 1.5% of the liquid equity on the last day of the previous tax period for the years 2019 and 2020, and to 0% as from year 2021.
- For the tax periods 2019 and 2020, the audit benefit is created 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.
- Surplus presumptive income can be offset during the five (5) tax years thereafter.
- As from 2017 tax losses may be off-set 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

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 the income statement for the periods ended at December 31, 2018 and 2017:

		December 31, 2018	December 31, 2017
Profit before income tax	$	**4,081,255**	**3,328,429**
Theoretical tax expense at a rate of 37% (2018) and 40% (2017)		1,510,064	1,331,372
Plus (minus) taxes that increase (decrease) the theoretical tax			
Non-deductible expenses		166,388	140,237
Dividends received non taxable		(3,271)	(1,629)
Equity method income		(210,233)	(18,424)

		December 31, 2018	December 31, 2017
Interests and other not-taxable income (1)		(153,495)	(11,037)
Exempt income		(143,932)	(90,024)
Special gross income		(3,812)	(35,683)
Occasional income (tax rate of 10%)		10,396	0
Profits of foreign subsidiaries –tax free		(13,493)	(15,938)
Difference in rate on profits of foreign subsidiaries with different tax rates		(131,735)	(196,900)
Effect on deferred tax due to tax rates different tan 37% (2018) and 40% (2017)		(59,054)	(35,540)
Adustment of current tax for previous periods		(784)	(109,632)
Provisions for uncertain tax positions		24,525	22,262
Adjustment of deferred taxes (2)		(36,721)	30,637
Other items		(4,800)	22,246
Total tax expense	$	**950,043**	**1,031,947**

(1) This value is comprised of the lower income tax related to the taxable income derived from the sale of real estate totaling $95,335 and the effect of the increase in market value from the dilution of Corficolombiana for $45,661, which is detailed in notes 14 and 29.
(2) Corresponds to (i) previous periods expenses $7,886 and (ii) deferred tax recalculation of tax credits and derivatives in OCI accounts for $28,835.

19.3 Unrecognized deferred taxes

Deferred taxes with respect to subsidiaries, associates and joint ventures

The Group did not recorded deferred tax liabilities related to temporary differences on investments in subsidiaries and associates this is because:

a. The Group controls its subsidiaries and decides on whether or not sells its investments in associates. Therefore, it can decide on the reversal of such temporary differences.

b. 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, 2018 and 2017 amounted to $7,718,922 and $6,050,510, respectively. The deferred tax on retained earnings of subsidiaries, recorded respectively at $44,320 and $49,205 for the years ended December 31, 2018 and 2017, pertains to the tax on dividends the subsidiaries in these cases are expected to decree in the near future, which would be subject to tax.

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 periods ended at December 31, 2018 and 2017, based on the enacted tax rates for the years in which those temporary differences will be reversed.

The movement of deferred tax asset and liability at December 31, 2018 and 2017, respectively, is the following:

At December 31, 2018

	Balance as at December 31, 2017	Changes in accounting policies	Income (expense) in net income	Unrealized income (expense) in OCI	Reclassifications and exchange difference(*)	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 value of the tax assessment of loan portfolio	0	1,433	512	0	162	2,107
Higher value of the accounting provision for loan portfolio compared to the tax provision	0	68,513	52,577	0	7,933	129,023
Higher value of the accounting provision for foreclosures compared to the tax provision	1,380	0	1,307	0	240	2,927
Higher value of the accounting 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 value of the tax base for deferred charges and 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
Leasing contracts	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 value of the accounting assessment 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 value of the accounting 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 and intangible assets	26,441	0	(1,626)	0	0	24,815
Unrepatriated 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 and trademarks	158,548	31	27,634	0	0	186,213

(Continued)

	Balance as at December 31, 2017	Changes in accounting policies	Income (expense) in net income	Unrealized income (expense) in OCI	Reclassi-fications and exchange difference(*)	Balance as at December 31, 2018
Deferred tax liabilities						
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**

(*) This amount corresponds to transfers of deferred tax liabilities to assets due to changes in nature and the exchange difference of branches abroad.

At December 31, 2017

	Balance as at December 31, 2016	Income (expense) in results	Income (expense) not realized on OCI	Reclassi-fications	Balance as at December 31, 2017
Deferred tax assets					
Valuation of debt securities investments	$ 0	2,282	0	0	2,282
Unrealized loss in derivatives	1,136	(1,136)	0	0	0
Higher value of the tax assessment of loan portfolio	4,874	(4,874)	0	0	0
Higher value of the accounting provision for loan portfolio compared to the tax provision	38,566	(38,566)	0	0	0
Higher value of the provision for foreclosures compared to the accounting provision	3,505	(2,125)	0	0	1,380
Higher value of the accounting depreciation of property, plant and equipment	574	(574)	0	0	0
Higher value of the tax base for deferred charges and intangible assets	32,412	(15,095)	0	(17,317)	0
Tax credits to be amortized	359,169	(70,692)	0	0	288,477
Other expenses provisions	77,116	1,542	0	0	78,658
Employee benefits	57,735	(21,765)	5,694	0	41,664
Exchange difference on branches abroad	0	0	937	0	937
Other items	3,455	3,421	0	0	6,876
Subtotal	**578,542**	**(147,582)**	**6,631**	**(17,317)**	**420,274**
Deferred tax liabilities					
Valuation of debt securities investments	3,568	(3,568)	0	0	0
Valuation of equity securities investments	52,425	(252)	905	0	53,078
Unrealized profit in derivatives	3,285	36,689	5,554	0	45,528
Higher value of the accounting assessment of loan portfolio	34,426	(25,236)	0	0	9,190
Higher value of the tax provision for loan portfolio compared to the accounting provision	202,505	98,560	(59,957)	0	241,108
Higher value of the accounting cost of foreclosures	52,158	10,551	0	0	62,709
Higher value of the tax provision for foreclosures compared to the accounting provision	1,889	(1,889)	0	0	0
Higher value of the accounting cost of property, plant and equipment	75,321	36,726	0	0	112,047
Higher value of the tax depreciation of property, plant and equipment compared to the accounting depreciation	62,068	(49,942)	0	0	12,126

(Continued)

	Balance as at December 31, 2016	Income (expense) in results	Income (expense) not realized on OCI	Reclassi-fications	Balance as at December 31, 2017
Deferred tax liabilities					
Higher accounting value for deferred charges and intangible assets	36,824	(10,383)	0	0	26,441
Unrepatriated profits of subsidiaries	19,819	29,386	0	0	49,205
Goodwill and trademarks	72,817	85,731	0	0	158,548
Exchange difference on bonds abroad	0	0	11,063	0	11,063
Other items	53,100	15,796	0	(20,084)	48,812
Subtotal	**670,205**	**222,169**	**(42,435)**	**(20,084)**	**829,855**
Total	$ **(91,663)**	**(369,751)**	**49,066**	**2,767**	**(409,581)**

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, 2018		
	Gross amounts Deferred Tax	Offset Reclassifications	Balance in Financial Position Statement
Deferred tax asset	$ 786,548	537,507	249,041
Deferred tax liability	757,563	537,507	220,056
Net	$ **28,985**	**0**	**28,985**

	December 31, 2017		
	Gross amounts Deferred Tax	Offset Reclassifications	Balance in Financial Position Statement
Deferred tax asset	$ 420,274	377,401	42,873
Deferred tax liability	829,855	377,401	452,454
Net	$ **(409,581)**	**0**	**(409,581)**

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

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

	December 31, 2018					December 31, 2017			
	Amount before tax	Current tax	Deferred tax	Non-controlling interest	Net	Amount before tax	Current tax	Deferred tax	Net
Items that can be reclassified later to income for the period									
Adjustment for conversion of foreign subsidiaries	$ 0	0	0	0	**0**	(98,683)	0	0	**(98,683)**
Exchange difference on derivatives in foreign currency	(547,310)	372,715	(227,519)	0	**(402,114)**	16,832	0	(5,554)	**11,278**
Exchange difference on bonds in foreign currency	(549,332)	0	165,403	0	**(383,929)**	34,864	0	(11,063)	**23,801**
Exchange difference of foreign subsidiaries	1,097,187	0	0	0	**1,097,187**	(51,494)	0	0	**(51,494)**
Unrealized profit from measurement of financial assets at fair value	(50,060)	0	7,095	0	**(42,965)**	4,591	0	(904)	**3,687**
Share in other comprehensive income of investments accounted for by the equity method	(69,654)	0	0	0	**(69,654)**	0	0	0	**0**
Share in other comprehensive income of associates	0	0	0	0	**0**	3,825	(12,657)	937	**(7,895)**
Adjustment allowance for loan	0	0	0	0	**0**	(164,217)	0	59,957	**(104,260)**

(Continued)

	December 31, 2018					December 31, 2017			
	Amount before tax	Current tax	Deferred tax	Non-controlling interest	Net	Amount before tax	Current tax	Deferred tax	Net
portfolio for purposes of consolidated financial statements									
Adjustment for exchange difference of foreign branches	(271,251)	0	(16,006)	0	**(287,257)**	0	0	0	**0**
Impairment of investments from OCI to profit or loss	6,145	0	0	0	**6,145**	0	0	0	**0**
Subtotals	**(384,275)**	**372,715**	**(71,027)**	**0**	**(82,587)**	**(254,282)**	**(12,657)**	**43,373**	**(223,566)**
Items that will not be reclassifies to income for the period									
Changes in actuarial assumptions from defined benefit plans	1,775	0	(1,890)	151	**36**	(17,866)	0	5,693	**(12,173)**
Total other comprehensive income during the period	$ **(382,500)**	**372,715**	**(72,917)**	**151**	**(82,551)**	**(272,148)**	**(12,657)**	**49,066**	**(235,739)**

19.6 Provision for tax position:

At December 31, 2018 and 2017, the provisions for tax positions came to $113,345 and $86,592, respectively.

		December 31, 2018	December 31, 2017
Balance at the beginning of the period	$	**86,592**	**66,429**
Increase in the provision		9,351	16,600
Amount of unused provisions in income		(17)	0
Amount of unused provisions		(202)	0
Financial cost		15,376	5,662
Effect by conversion		2,245	(2,099)
Balance at the end of the period	$	**113,345**	**86,592**

The balance as of December 31, 2018 and 2017 is expected to be completely used or released once the inspection rights from the tax authorities regarding tax returns expire, as follows:

		December 31, 2018	December 31, 2017
2018		0	222
2019		1,819	2,133
2020		26,663	20,661
2021		29,324	22,880
2022		26,556	22,446
2023		28,983	18,250
Total	$	**113,345**	**86,592**

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 assets 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, 1607/2002 and 1819/2016, regulated by Decree 2120/2017, the Group prepared a study on transfer prices on transactions made with related parties abroad in 2017. The study did not result in any adjustments that would affect revenue, costs and tax expenses of Group entities.

Although the 2018 transfer pricing study is in the process of being prepared, no significant changes are anticipated in relation to the previous year.

NOTE 20 - CUSTOMER DEPOSITS

20.1 Customer deposits - Interest rates

Effective interest rates on customer deposits are shown below:

	December 31, 2018				December 31, 2017			
	Colombian pesos		Foreign currency		Colombian pesos		Foreign currency	
	Min %	Max %	Min %	Max %	Min %	Max %	Min %	Max %
Current accounts	0.00%	4.76%	0.00%	5.50%	0.00%	5.77%	0.00%	1.50%
Savings accounts	0.00%	6.00%	0.05%	8.00%	0.10%	5.71%	0.05%	8.00%
Time certificates of deposits	0.10%	9.05%	0.10%	11.45%	1.01%	9.18%	0.10%	10.43%

20.2 Customer deposits, by sector

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

		December 31, 2018		December 31, 2017	
		Amount	%	Amount	%
Colombian government or Colombian government entities	$	8,894,972	8.21%	8,839,296	8.76%
Colombian municipalities and departments		1,795,501	1.66%	2,224,111	2.20%
Foreign governments		652,670	0.60%	799,687	0.79%
Manufacturing		8,133,795	7.50%	8,470,456	8.39%
Real estate		5,795,860	5.35%	5,760,700	5.71%
Commerce		23,649,678	21.82%	25,745,516	25.50%
Agriculture and livestock		2,093,012	1.93%	2,286,400	2.26%
Individuals		19,081,890	17.60%	17,711,465	17.55%
Services		5,518,959	5.09%	8,502,410	8.42%
Others		32,788,186	30.24%	20,607,204	20.41%
Total	$	**108,404,523**	**100.00%**	**100,947,245**	**100.00%**

The following is a breakdown of the maturities of time certificates of deposit:

		December 31, 2018	December 31, 2017
2018	$	0	31,254,760
2019		32,499,776	3,455,312
2020		5,408,746	2,455,842
2021		1,462,278	890,512
After 2021		5,884,176	3,379,022
Total	$	**45,254,976**	**41,435,448**

NOTE 21 - FINANCIAL OBLIGATIONS

21.1 Interbank borrowings and overnight funds

		December 31, 2018	December 31, 2017	Interest rate
In Colombian pesos				
Corresponding Banks	$	3,088	1,286	0.00%
Commitments to transfer investments in simultaneous operations		18,209	64,517	4.12%
Commitments originated in short positions of simultaneous operations		134,574	0	0.00% - 4.16%
		155,871	**65,803**	
In Foreign currency				
Interbank funds purchased		1,425,436	1,110,742	2.45% - 3.25%
Commitments to transfer in open repo operations		360,309	185,287	1.64% - 7.00%
		1,785,745	**1,296,029**	
Total	$	**1,941,616**	**1,361,832**	

21.2 Borrowings from banks and others

The following is a breakdown of financial obligations and others:

		December 31, 2018	December 31, 2017	Interest rate
In Colombian pesos				
Borrowings	$	12,782	6,152	IBR + (2.87% to 3.00%)
Acceptances		200	4,499	0.00%
		12,982	**10,651**	
In Foreign currency				
Borrowings		14,977,222	12,951,405	0.00% to 16.91% COPS + 2.90% LIBOR 3 + (0.80% to 10.39%) LIBOR 6 + (0.15% to 5.00%)
Acceptances		638,618	623,777	0.00%
Corporación Andina de Fomento		384,758	598,642	2.96% to 3.59%
Letter of credit with a deferred payment		351,732	194,623	0.00%
Financial leases contracts (leasing)		2,915	0	0.12%
Others		49,699	0	0.00%
		16,404,944	**14,368,447**	
Total	$	**16,417,926**	**14,379,098**	

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

		December 31, 2018	December 31, 2017
2018	$	0	8,227,127
2019		10,829,347	995,131
2020		831,679	1,121,134
2021		2,467,862	1,794,016
After 2021		2,289,038	2,241,690
Total	$	**16,417,926**	**14,379,098**

(Continued)

21.3 Bonds issued

The Group and some of its subsidiaries are authorized by the Superintendencia Financiera de Colombia and by the regulatory bodies in other countries where Group operates to issue or market bonds or general collaterized securities. 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 the detail of the outstanding securities:

	Date				
	Issue	Expiration	December 31, 2018	December 31, 2017	Interest rate
Colombian pesos					
Subordinated bonds	2010	2020	$ 134,736	132,989	CPI + 5.45% AV UVR + 5.45% AV
			134,736	**132,989**	
Foreign currency					
Ordinary bonds	2013 to 2015	2018 to 2020	392,984	390,224	5.50% - 5.80%
Ordinary bonds	2016 to 2018	2018 to 2027	2,529,764	2,592,751	0.72% - 8.88%
Subordinated bonds	2013	2023	1,652,586	1,516,763	5.38%
Subordinated bonds	2016	2026	3,570,818	3,275,341	6.25%
			8,146,152	**7,775,079**	
Total			$ **8,280,888**	**7,908,068**	

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

	December 31, 2018	December 31, 2017
2018	$ 0	467,402
2019	243,219	211,351
2020	544,892	514,155
2021	187,432	105,519
After 2021	7,305,345	6,609,641
Total	$ **8,280,888**	**7,908,068**

21.4 Borrowing from development entities

The Colombian government has created a number of lending programs to develop specific sectors of the economy, including foreign trade, agriculture, tourism, home construction and other industries. These programs are managed by a variety of government agencies, such as Banco de Comercio Exterior (“BANCOLDEX”), Fondo para el Financiamiento Del Sector Agropecuario (“FINAGRO”) and Financiera de Desarrollo Territorial (“FINDETER”).

	December 31, 2018	December 31, 2017	Interest rate
In Colombian pesos			
BANCOLDEX	$ 320,564	219,569	DTF + spread [-2.00% to 5.45%] IBR + spread [0.57% to 1.36%]
FINAGRO	189,292	220,433	DTF + spread [-3.50%to 7.00%]
FINDETER	1,138,415	966,409	DTF + spread [-4.00% to 4.80%] IBR + spread [-2.80% to 3.90%] CPI + spread [-1.00% to 5.00%]
	1,648,271	**1,406,411**	

		December 31, 2018	December 31, 2017	Interest rate
In Foreign currency				
BANCOLDEX		154,478	102,729	LIBOR 6 + (2.87% to 6.09%)
FINDETER		116,887	136,597	LIBOR 3 + (5.20% to 5.30%) LIBOR 6 + 5.29%
		271,365	**239,326**	
Total	$	**1,919,636**	**1,645,737**	

The following is a breakdown of the maturities borrowings from development entities:

		December 31, 2018	December 31, 2017
2018	$	0	135,441
2019		192,223	92,151
2020		89,024	150,954
2021		232,627	211,071
After 2021		1,405,762	1,056,120
Total	$	**1,919,636**	**1,645,737**

NOTE 22 - EMPLOYEE BENEFITS

The following is a breakdown of employee benefit liabilities:

		December 31, 2018	December 31, 2017
Short-term benefits	$	255,240	236,629
Post-employment benefits		183,162	188,448
Other long-term benefits		129,059	124,762
	$	**567,461**	**549,839**

22.1 Post-employment benefits

- In Colombia, pensions for employees who retire after reaching a certain age and completing a particular period of service are assumed by public or private pension funds, based on established contribution plans where the company and the employee pay monthly amounts determined by law so as to afford the employee a retirement pension. 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 number of employees with severance pay benefits recognized prior to the enactment of Law 50/1990. In this case, the benefit is cumulative and is paid based on the last salary earned by the employee, multiplied by the number of years of service, less any advances that might have been made on the new benefit.

The following table shows the movement in retirement and long-term employee benefits:

	Post-employment benefits		Other long-term benefits	
	December 31, 2018	December 31, 2017 (2)	December 31, 2018	December 31, 2017
Balance at December 31, 2017	$ **187,808**	**163,210**	**124,594**	**101,302**
Changes in accounting policies (see note 2.21)	12,825	0	0	0
Balance at January 1, 2018	**200,633**	**163,210**	**124,594**	**101,302**
Costs incurred during the period	11,534	3,552	10,372	8,707
Interest costs	11,913	12,826	7,434	7,136
Cost of past services	(1,953)	(214)	3,266	(3,961)
	21,494	**16,164**	**21,072**	**11,882**
Changes in actuarial assumptions	6,982	1,730	1,060	0
Changes in mortality tables	1,467	(8,627)	0	0
Changes in interest rates, inflation rates and salary adjustments	(12,645)	9,239	508	25,639
Liquidations liabilities (assets) for net defined benefits	158	12,937	0	0
Return on plan assets, liabilities (assets) for net defined benefits	0	14,555	0	0
Effect changes in experience	0	0	0	(594)
	(4,038)	**29,834**	**1,568**	**25,045**
Exchange difference	3,504	92	0	0
Payments to employees	(31,464)	(20,380)	(18,299)	(13,635)
Direct arrangements with employees	(8,004)	0	0	0
Others movements (1)	1,037	0	0	0
Employee benefits of foreign agencies	0	0	124	0
Balance at December 31, 2018	**$ 183,162**	**188,920**	**129,059**	**124,594**

(1) Corresponding to Leasing Bogotá S.A. Panamá by records of items in other liabilities accounts for employee benefits.
(2) At December 31, 2017, includes $(472), corresponding to the projected employee payments against the actual.

In accordance with decree 1625/ 2016, the pension liability was updated, which resulted in a pension liability of $98,965 at December 31, 2017. When comparing the result to IAS 19 the difference corresponds to $12,825, the justification of this difference is presented by the differential in actuarial assumptions, since the discount rate under decree 1625/2016 was 10.82% and under IAS 19 it was 6.75%.

22.2 Actuarial assumptions

The variables used for calculating the projected liability for post-employment and other long-term benefits are listed below:

	December 31, 2018	December 31, 2017	
		Other Benefits	Pensions (1)
Discount rate	7.22%	6.75%	10.82%
Inflation rate	3.66%	3.50%	5.74%
Wage increase rate	4.04%	3.50%	5.74%
Employee turnover rate	4.00%	3.98%	
Pension increase rate	3.00%		5.74%

(1) Includes the change in rates for retirement pensions, as per Decree 2496/2015.

The employee turnover rate is calculated based on an average for years of service between 1 and 40 for men and women.

Employee life expectancy is calculated based on mortality tables published by the Superintendencia Financiera de Colombia. These tables are constructed based on mortality experience studies provided by several insurance companies operating in Colombia.

The retirement age in Colombia is 57 for women and 62 for men. The table below shows the mortality rates.

Mortality rates		
Age	Man	Woman
20	0.06%	0.03%
25	0.07%	0.04%
30	0.09%	0.05%
35	0.11%	0.06%
40	0.15%	0.09%
45	0.22%	0.13%
50	0.34%	0.19%
55	0.50%	0.28%
60	0.77%	0.43%
65	1.27%	0.69%
70	2.11%	1.13%
80	5.37%	3.27%
90	12.78%	9.57%
100	29.39%	28.34%
110	100.00%	100.00%

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.

22.3 Long-term employee benefits

The Group grants its employees discretionary, long-term seniority bonuses, depending on their years of service. These bonuses are given every five, ten, fifteen and twenty years, etc. Each payment is calculated according to a certain number of salary days (between 15 and 180 days).

Compensation for key management personnel in each benefit category is disclosed in note 34 related parties.

The Group is exposed to a series of risks (interest rate and operational) through its employee benefits plans, which it seeks to minimize through the application of risk management policies and procedures.

22.4 Sensitivity analysis

The following is a sensitivity analysis of post-employment liabilities, according to the various financial and actuarial assumptions, with the other variables being left constant:

Post-employment Benefits	Change in the variable	Increase in the variable	Decrease in the variable
		+50 points	-50 points
Discount rate	0.50%	(3.17%) decrease	3.40% increase
Wage growth rate	0.50%	3.43% increase	(3.24%) decrease
Pension growth rate	0.50%	4.14% increase	(3.90%) decrease

Long-term employee benefits	Change in the variable	Increase in the variable	Decrease in the variable
		+50 Points	-50 Points
Discount rate	0.50%	(2.67%) decrease	2.83% increase
Wage growth rate	0.50%	3.37% increase	(3.20%) decrease

22.5 Expected payments for future benefits

Anticipated future benefits, which reflect service, as appropriate, are expected to be paid as follows:

		Post-employment benefits	Other long-term benefits
2019	$	29,316	19,638
2020		24,034	17,786
2021		24,318	13,981
2022		23,444	14,855
2023		21,984	18,307
Years 2024–2028	$	97,571	83,493

NOTE 23 - PROVISIONS

The following table shows the provisions movement:

		Provisions for legal proceedings, fines, penalties and compensation	Other various provisions	Total
Balance at December 31, 2016	$	**30,652**	**209,383**	**240,035**
New provisions		9,789	93,071	102,860
Increase in existing provisions		557	46,866	47,423
Provisions used		(5,772)	(91,739)	(97,511)
Reverted unused provisions		(232)	(28,870)	(29,102)
Increase for net exchange differences		(184)	206	22
Reclassifications		5	(5)	0
Contingent provisions with effect in OCI		0	1,389	1,389
Amount reversed for provisions not used with effect in ORI		0	(882)	(882)
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
Provisions used		(4,792)	(63,412)	(68,204)
Reverted unused provisions		(2,065)	(28,697)	(30,762)
Increase (decrease) for net exchange differences		(249)	581	332
Reclassifications		0	(393)	(393)
Balance at December 31, 2018	$	**35,784**	**230,666**	**266,450**

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 to labor, civil and administrative processes filed by third parties against Banco de Bogotá S.A., Almaviva S.A. and Porvenir S.A. on which provisions were recognized as of December 31,

(Continued)

2018 and 2017 in the amount of $10,546 and $10,610 respectively. A calendar or schedule for their disbursement of these provisions cannot be determined due to the diversity of the suits and the different stages they are in. However, the Bank expects no major changes in the amounts provisioned as a result of the payments that will be made in each of the processes.

As for other suits, Porvenir S.A. as of December 31, 2018 and 2017, presents pension claims (survivor pensions, disability and old-age pensions, return of balances, etc.) of $20,937 and $20,449 respectively.

Other Provisions

Banco de Bogotá S.A. reported $16,950 and $18,051 in respective estimated provisions at December 31, 2018 and 2017 for expenses involved in dismantling teller machines and improving in leased properties. Provisions also were established for payments to franchises; namely, Visa, MasterCard, Redeban and Credibanco, with respect to operations conducted at establishments by the Bank's cardholders and other expenditures particular to the credit card business. At December 31, 2018 and 2017 these came to $1,756 and $15,216 respectively. Such provisions are canceled out during the month after the one in which they are established. The other hand at December 31, 2018 and 2017 the Bank through its Panamá and Miami branches reported $1,449 and $1,423 in tax provisions, respectively.

Porvenir S.A. reports $206,786 and $190,534, in respective provisions on managed funds at December 31, 2018 and 2017 for decapitalized accounts and other errors in pension payments.

NOTE 24 - ACCOUNTS PAYABLES AND OTHER LIABILITIES

Accounts payables and other liabilities include the following:

		December 31, 2018	December 31, 2017
Liabilities payable for services - collections	$	1,661,283	783,663
Electronic transactions in processes		634,299	513,903
Payments to suppliers and payments for services		455,672	268,273
Payable dividends and surpluses		298,522	283,124
Affiliate establishments		268,344	248,064
Income received in advance		213,753	204,466
Withholding and other employee contributions		158,683	146,419
Cash surpluses - clearing		135,974	7,326
Distribution of funds pending credit to customers		92,728	119,437
Contributions and memberships		54,344	42,488
Commissions and fees		52,416	60,859
Other taxes		49,979	51,933
Visa smart card payments - Visa Electron		41,093	24,942
Certificates of time deposit - matured		39,441	33,294
Account payable for security and peace bonds		35,997	36,266
Sales tax payable		32,855	35,128
Checks drawn but not cashed		29,781	24,209
Insurance companies		18,162	12,918
Lien orders		16,024	12,236
Electronic purse for coffee growers		14,610	10,975
Commitments to buyers		8,613	10,855
Other accounts payable		452,446	371,831
	$	**4,765,019**	**3,302,609**

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, 2018	December 31, 2017
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, 2018	December 31, 2017
Legal		
Appropriation of net profits	$ 9,062,218	8,480,848
Statutory and occasional		
Charity and donations	106,009	72,633
Occasional reserves	52,644	46,253
Tax provisions	708	10,386
Others	905,472	169,126
	1,064,833	**298,398**
	$ **10,127,051**	**8,779,246**

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

Dividends are declared and paid to shareholders based on the amount of unconsolidated net profits in the immediately prior six-month period until 2017, from de year 2018 Dividends are declared and paid to shareholders based on the amount of unconsolidated net profits in the previous year. Dividends decreed are:

(Continued)

		December 31, 2018	December 31, 2017
Dividends paid in cash		$270.00 per share payable in the first ten (10) days of each month between April 2018 and March 2019 (based on profits in the year of 2017).	$260.00 per share payable in the first ten (10) days of each month between April 2017 and March 2018 (based on profits in the second half of 2016).
Outstanding common shares		331,280,555	331,280,555
Total dividends decreed	$	**1,073,349**	**1,033,595**

25.4 Net earnings per share

The following table summarizes net earnings per share:

		December 31, 2018	December 31, 2017
Net income for the period	$	3,131,212	2,296,482
Less share of non-controlling interests		193,950	232,352
Net income attributable to controlling interests		**2,937,262**	**2,064,130**
Common outstanding shares		331,280,555	331,280,555
Basic and diluted net earnings per share	$	**8,866**	**6,231**

See capital management policies in note 32.

The Group had no share with diluted effects.

NOTE 26 - NON-CONTROLLING INTEREST

The following table provides details of the non-controlling interest on each of the Group's subsidiaries:

		December 31, 2018			
	Country	% Share	Share of equity	Share of profits	Dividends decreed
Almacenes Generales de Depósito Almaviva S.A.	Colombia	4.20%	$ 3,068	(48)	358
Fiduciaria Bogotá S.A.	Colombia	5.01%	16,655	3,196	3,129
Sociedad Administradora de Pensiones y Cesantías Porvenir S.A.	Colombia	53.61%	1,074,201	190,879	80,018
Megalínea S.A.	Colombia	5.10%	231	26	0
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**

		December 31, 2017			
	Country	% Share	Share of equity	Share of profits	Dividends decreed
Almacenes Generales de Depósito Almaviva S.A.	Colombia	4.20%	$ 3,259	592	594
Fiduciaria Bogotá S.A.	Colombia	5.01%	15,508	3,130	1,871
Sociedad Administradora de Pensiones y Cesantías Porvenir S.A.	Colombia	53.61%	965,466	227,889	68,885
Megalínea S.A.	Colombia	5.10%	214	7	0
Others (1)	Colombia y Panamá		137	734	102
			$ **984,584**	**232,352**	**71,452**

(1) Pertains primarily to non-controlling interest in subsidiaries that sub consolidate, primarily, Leasing Bogotá S.A. Panamá, Almaviva S.A. 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, 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
Megalínea 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

	December 31, 2017					
	Assets	Liabilities	Total income	Net earnings	OCI	Cash Flows
Almacenes Generales de Depósito Almaviva S.A.	$ 118,739	41,007	177,451	14,124	3,253	(4,446)
Fiduciaria Bogotá S.A.	394,071	84,353	195,571	62,510	39,434	(23,485)
Sociedad Administradora de Pensiones y Cesantías Porvenir S.A	2,790,468	972,058	1,512,794	429,218	0	(82,424)
Megalínea S.A.	$ 23,138	18,943	141,605	146	0	7,777

NOTE 27 - OTHER COMPREHENSIVE INCOME

The following are details on the "Other Comprehensive Income" accounts included in equity:

	Balance as at December 31, 2017	Changes in accounting policies (1)	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 translation of the financial statements of foreign agencies, branches and subsidiaries.	(218,132)	14,284	(203,848)	(271,176)	(475,024)
Unrealized profit from measurement of financial assets at fair value	35,305	(25,544)	9,761	(40,130)	(30,369)
Share in other comprehensive income of associates	(7,544)	19,089	11,545	(69,654)	(58,109)
Impairment of debt instruments at fair value	0	13,206	13,206	6,127	19,333
Adjustment allowance for loan portfolio for purposes of consolidated financial statements	(138,901)	138,901	0	0	0
Actuarial gains from defined benefit plans	(24,458)	(14,748)	(39,206)	2,398	(36,808)
Income tax	1,200,394	(79,175)	1,121,219	296,518	1,417,737
Controlling interest	**862,493**	**66,013**	**928,506**	**(75,372)**	**853,134**
Non-controlling interest	**(624)**	**9,173**	**8,549**	**(7,179)**	**1,370**
Total	$ **861,869**	**75,186**	**937,055**	**(82,551)**	**854,504**

(1) See note 2.21

(Continued)

		Balance as at December 31, 2016	Movement during the period	Balance as at December 31, 2017
Exchange difference on translation of the financial statement of foreign subsidiaries	$	3,209,666	(51,494)	3,158,172
Exchange difference on derivatives in foreign currency		(2,262,751)	16,832	(2,245,919)
Exchange difference on bonds in foreign currency		(931,288)	34,864	(896,424)
Exchange difference on translation of the financial statements of foreign agencies, branches and subsidiaries.		(119,727)	(98,405)	(218,132)
Unrealized profit from measurement of financial assets at fair value		30,711	4,594	35,305
Share in other comprehensive income of associates		(11,369)	3,825	(7,544)
Adjustment allowance for loan portfolio for purposes of consolidated financial statements		25,316	(164,217)	(138,901)
Actuarial gains from defined benefit plans		(6,988)	(17,470)	(24,458)
Income tax		1,164,104	36,290	1,200,394
Controlling interest		**1,097,674**	**(235,181)**	**862,493**
Non-controlling interest		**(66)**	**(558)**	**(624)**
Total comprehensive income, net of taxes	$	**1,097,608**	**(235,739)**	**861,869**

NOTE 28 - COSTS AND EXPENSES OF CONTRACTS WITH CUSTOMERS FOR COMMISSIONS AND OTHER SERVICES

The following is a breakdown of expenses for commissions and and other services for the years ending in:

		December 31, 2018	December 31, 2017
Banking services	$	183,484	196,811
Pension fund affiliations		69,161	74,531
Office network services		32,246	36,919
Operator information processing services		14,242	11,071
Administration and intermediation services		16,374	230
Others		63,234	31,510
Total	$	**378,741**	**351,072**

NOTE 29 - OTHER INCOME

Other income is as follows for the years ending in:

		December 31, 2018	December 31, 2017
Share in investments using the equity participation method (1)	$	568,195	46,060
Profit for sale of property, plant and equipment (2)		314,826	3,560
Net gain on exchange difference		302,775	346,507
Waiver of shares subscription Corficolombiana (see note 14)		123,409	0
Recovery fees legal and pre - legal collection		59,280	46,756
Other recoveries		49,028	38,863
Changes in fair value investment properties		29,267	6,123
Net profit on sale of investments		24,805	29,765
Sale of non-current assets held for sale		18,765	12,963
Dividends and participations		17,748	4,421
Income from claims		10,260	9,270
Operating income consortiums or temporary unions		7,477	9,793
Leases		7,325	6,588
Recoveries for operational risk		7,275	6,381
Prescription of liabilities declared in abandonment		4,384	12,950
Reimbursement provisions		3,389	8,777

(Continued)

		December 31, 2018	December 31, 2017
Cash transport service		0	7,348
Others		35,741	33,101
Total	$	**1,583,949**	**629,226**

(1) The main increase is of Corficolombiana (see note 14).
(2) Includes profit by assets mobilized to "Fondo De Capital Privado Nexus Inmobiliario" for $312,316.

NOTE 30 - OTHERS EXPENSES - ADMINISTRATIVE

The following is a breakdown of administrative expenses for the years ending in:

		December 31, 2018	December 31, 2017
Fees	$	414,262	331,527
Contributions affiliations and transfers		407,617	336,526
Taxes and rates		406,443	403,413
Leases		290,719	270,233
Maintenance and repairs		256,317	271,349
Advertising services		239,004	195,825
Insurance		209,080	195,442
Public services		189,729	195,706
Transport		113,241	109,381
Toilet and surveillance services		90,669	86,670
Supplies and stationery		68,715	65,687
Electronic data processing		62,953	57,515
Temporary services		60,457	56,312
Travel expenses		43,129	39,290
Adaptation and installation		37,063	43,702
Incentives payroll		22,315	21,669
Software development services		21,206	23,378
Building administration fee		18,138	17,477
Business collaboration		17,538	29,318
Changes in fair value of investments properties		16,260	13,690
Database and queries		16,217	13,988
Others		170,075	226,259
Total	$	**3,171,147**	**3,004,357**

NOTE 31 - COMMITMENTS AND CONTINGENCIES

31.1 Credit commitments

The entities in the Group grant guarantees and letters of credit to their customers in the normal course of their operations. In doing so, they irrevocably commit to make payments to third parties in the event the customer does not comply with its obligations with said third parties. These guarantees and letters of credit imply the same credit risk as the financial assets in the loan portfolio, and they are subject to the same authorization policies on loan disbursement in terms of the customer's credit rating. The collateral considered appropriate under the circumstances is obtained.

Commitments to extend loans represent unused portions of authorizations to extend credit in the form of loans, credit card use, overdraft limits and letters of credit. As for the credit risk involved in commitments to extend lines of credit, the Group is potentially exposed to losses in an amount equal to the total amount of the unused commitment, if the total unused amount were to be withdrawn in full. However, the amount of the loss is less than the total amount of the unused commitment, since most commitments to extend credit are contingent on the customer maintaining specific credit-risk standards. The Group monitors the

(Continued)

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, 2018		December 31, 2017	
	Notional amount	Fair value	Notional amount	Fair value
Unused credit card limits	$ 16,523,871	0	14,453,598	0
Guarantees	2,295,389	31,518	2,586,004	32,879
Opened lines of credit	2,147,038	0	2,181,417	0
Loans approved but not disbursed	1,143,487	0	837,924	0
Unused letters of credit	928,411	7,580	1,052,728	9,804
Overdraft limits	93,783	0	65,518	0
Others	99,500	0	114,065	0
Total	$ **23,231,479**	**39,098**	**21,291,254**	**42,683**

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.

Following are the details on loan commitments, by type of currency:

	December 31, 2018	December 31, 2017
Colombian pesos	$ 8,042,337	7,797,906
US dollars	12,128,980	13,196,158
Euros	2,836,188	25,038
Others	223,974	272,152
Total	$ **23,231,479**	**21,291,254**

31.2 Commitments to disburse funds for capital disbursements

The Group incurred $1,771 and $1,957 in disbursements of capital expenses at December 31, 2018 and 2017, respectively. These correspond to contracts for purchases of property, plant and equipment (real estate). There are respective commitments for $8,143 and $4,482 in disbursements on these contracts, effective during the year 2019.

31.3 Operational lease commitments

In developing their operations, the bank and the Group's subsidiaries sign agreements to receive property, plant and equipment and certain kinds of intangible assets under operational leases.

Following are the details of the payment obligations in operational leases during the years ahead:

	December 31, 2018	December 31, 2017
Not more than one year	$ 200,713	213,967
More than one year and less than five	647,362	410,538
More than five years	569,983	182,216
Total	$ **1,418,058**	**806,721**

The Group has several operational leases, mainly due to the use of bank branches and offices. These contracts expire, in seven (7) to ten (10) years on average. They contain options for renewal, generally at the time agreed upon initially, and require the Group to assume all execution costs, such as maintenance and insurance. The rental fees are adjusted as agreed in the lease and / or as required by law.

The minimum rental payments on operational leases are recognized according to the straight-line method, during the term of the lease. The rental expense recognized in statement of income at December 31, 2018 and 2017 amounts to $290,719 and $270,233, respectively.

31.4 Contingencies

Legal Contingencies

The administrative and judicial claims pending against the Group at December 31, 2018 amounted $228,718. 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 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.

Civil liability suit brought by "Casa de Cambios Unidas S.A." alleging undue financial transaction tax withholding

This is a tort suit brought by "Casa de Cambios Unidas S.A.", against Banco de Bogotá S.A. alleging undue withholding of financial transaction tax during the years 2001, 2002 and 2003 on operations the plaintiff charged to its current accounts for payments to end beneficiaries, transactions the plaintiff claims were exempt from said tax. In the opinion of the Bank, the financial translation tax was applied and withheld by Banco MEGABANCO S.A. according to law, since the plaintiff did not request, in due course, that the accounts be marked for the exemption. The claims amount to $5,900. Once the evidence was gathered, the court set a date and time to hear the allegations and ruling on the case.

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 EPSA and Sociedad Portuaria de Buenaventura and to pay damages to the Valle del Cauca Department. The claims amount to $18,000. The case is pending the trustee taking office.

Incident within the Labor Process of Clínica la Asunción against Cafesalud E.P.S.

Incident of joint and several 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 Banco de Bogotá S.A. 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 $3,471 and for the period March 1 to 30, 2014 whose claims sought reach $8,476, these claims were filed on February 2018.

Administrative Proceeding Tax Superintendence Banco de America Central S.A.

Administrative Proceeding filed with Leasing Bogota 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 November 1 to 30, 2014 whose claims sought reach $7,213, such claim was filed in February 2018.

Administrative Proceeding Tax Superintendence Banco de America Central S.A.

Administrative Proceeding filed with Leasing Bogota 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 November 1 to 30, 2014 whose claims sought reach $7,968, 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 Superintendencia Financiera de 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. On the other hand, regulatory capital includes basic ordinary capital as well as unrealized gains on debt and equity securities, subordinated debentures, and a portion of income for the period, pursuant to the profit appropriation commitment that was approved at the shareholders' meeting.

In an effort to manage capital from an economic perspective and in a way that generates value for shareholders, management keeps a close eye on the level of returns for each line of business and on capital requirements in accordance with the growth expectations for each line. Managing economic capital also involves analyzing how it can be affected by the credit, market, liquidity and the operational risks to which the Group is exposed in the course of its operations.

The following is a breakdown of the estimate of the Group's minimum regulatory capital.

		December 31, 2018	December 31, 2017
Regulatory capital	$	17,730,918	16,749,137
Total risk-weighted assets	$	130,879,378	123,708,231
Total solvency risk rate > 9%		13.55%	13.54%
Basic solvency risk rate > 4.5%		8.91%	8.79%

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, 2018	December 31, 2017
Banco de Bogotá separate and consolidated	9%	20.70%	21.23%
BAC International Bank Consolidated	8% (1)	13.52%	13.72%
Porvenir S.A.	9%	23.83%	21.80%
Fidubogotá S.A.	9%	149.52%	130.79%
Almaviva S.A.	36 times (2)	10.86 times	10.00 times

(1) According to agreements 001/ 2015 and 003/ 2016 of the Panamá Banking Authority.
(2) In the case of Almaviva, the capital requirement is measured as the maximum storage capacity, which may not exceed 36 times its regulatory capital.

On August 6, 2018, the Ministry of Finance and Public Credit issued Decree 1477 which amends Decree 2555 of 2010 as it pertains with adequate equity requirements for credit institutions. The primary objective of the new decree is to increase both the quality and quantity of capital at credit institutions, in line with Basilea III's capital adequacy ratio definitions.

The provisions contained in the new decree must be fulfilled starting on February 6, 2020.

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, 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**

	December 31, 2017					
	Gross Amounts of Recognized Assets and liabilities	Gross Amounts Offset in the Consolidated statement of financial position	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	$ 376,997	142,505	234,492	0	45,387	189,106
Repurchase agreements	1,487,373	0	1,487,373	0	0	1,487,373
Total assets subject to offsetting	**1,864,371**	**142,505**	**1,721,866**	**0**	**45,387**	**1,676,479**
Liabilities						
Derivatives	324,943	134,407	190,536	0	33,182	157,354
Repurchase agreements	249,804	0	249,804	249,804	0	0
Total liabilities subject to offsetting	$ **574,746**	**134,407**	**440,340**	**249,804**	**33,182**	**157,354**

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 over, or could be considered a key member of management within 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 in Grupo Aval, 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 shareholders or entities thereof.

b. Shareholders who individually own more than 10% of the Bank's capital stock (Grupo Aval Acciones y Valores).

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 Bank, as well as the president and vice presidents and the members of the Board of Directors.

d. Subordinate entities: Companies in which the Bank 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 has significant influence, which generally is regarded as owning between 20% and 50% of the firm's equity.

f. Other related parties: These include Banco de Occidente 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, 2018 and 2017.

- 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 S.A. manual on agreements, specifically Chapter VI- "Special Agreements with Subsidiaries on Using the Bank's Network," Banco de Bogotá S.A. has agreements with Fiduciaria Bogotá S.A. and Porvenir S.A. to allows them to use its network of offices.

Fiduciaria Bogotá S.A. entered into a contract with Banco de Bogotá S.A. to use the Bank's network of offices for its operations. The agreement outlines how the transactions of customers with mutual funds managed by Fiduciaria Bogotá S.A. will be handled, from an operational standpoint.

In keeping with the provisions outlined in Law 50 / 1990 (Labor Reform Act) and Law100 / 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 periods ended at December 31, 2018 and 2017, $1,517 and $1,228 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:

	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	4,157,015
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
Trading derivatives	1,919	0	0	0	0
Hedging derivatives	0	2,886	0	0	0
Financial assets investment	0	0	0	258,335	40,072
Other assets	3,442	0	0	0	0
Liabilities					
Financial liabilities at amortized cost	971,864	2,113,007	47,997	2,275	460,476
Trading derivatives	1,332	0	0	0	0
Hedging derivatives	0	614	0	0	0
Accounts payables and other liabilities	3,670	189,475	281	11,050	3,197
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	1,674
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

	31 de diciembre de 2017				
				Related entities	
	Economically related parties	Grupo Aval S.A.	Key management personnel	Non-subsidiaries	Associates and joint ventures
Assets					
Cash and cash equivalents	$ 45,336	0	0	11,205	0
Investments accounted using the equity method	2,363	0	0	0	3,391,459
Loan portfolio and financial leases transactions	1,535,130	525,732	17,091	1	207,096
Other accounts receivable	1,339	92,864	8	226	17
Hedging derivatives	2,209	1,269	0	0	0
Financial assets investment	0	0	0	310,838	40,081
Other assets	1,127	0	0	0	0

(Continued)

	31 de diciembre de 2017				
				Related entities	
	Economically related parties	Grupo Aval S.A.	Key management personnel	Non-subsidiaries	Associates and joint ventures
Liabilities					
Financial liabilities at amortized cost	1,137,876	1,963,958	22,547	1,059	646,017
Hedging derivatives	2,209	2,533	0	0	0
Accounts payables and other liabilities	938	181,939	76	12,478	5,456
Income					
Interest	883,506	54,232	1,567	23,418	19,352
Contracts with customers for commissions and other services	455	458	39	2,038	493
Others	6,087	80,516	0	767	2,590
Expenses					
Interest	809,068	116,638	1,540	12	41,669
Contracts with customers for commissions and other services	0	0	73	11,022	848
Others	$ 12,898	256,075	14,919	20,443	22,799

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, 2018	December 31, 2017
Short-term employee benefits	$ 104,782	97,592
Post-employment benefits	100	39
Compensation for key management personnel and other long-term employee benefits	1,632	920
Termination benefits	24	23
Total	$ **106,538**	**98,574**

NOTE 35 - STATUTORY CONTROLS

Statutory controls are the regulations the Superintendencia Financiera de Colombia has established for credit institutions (banks, financial corporations and finance companies) with respect to the required float reserve ratio (see Note 6, paragraph 6.4, Section c, Liquidity Risk), the proprietary position (see Note 6, paragraph 6.4, Section c. Individual Risk Analysis), the capital adequacy ratio (see note 32), and the mandatory investments to be made in securities issued by the “Fondo para el Financiamiento Del Sector Agropecuario (FINAGRO)”. The Group complied with all these requirements during the years ended as of December 31, 2018 and 2017.

NOTE 36 - SUBSEQUENT EVENTS

There were no events after the reporting period that need to be disclosed for the period ended at December 31, 2018 and up until the date when the financial statements were approved.

NOTE 37 - APPROVAL FOR THE PRESENTATION OF FINANCIAL STATEMENTS

The Bank´s board of directors, in session of February 26, 2019, the presentation of the consolidated financial statements was approved for the period ended at December 31, 2018 and the accompanying notes.