NOTE 1 - REPORTING ENTITY

Banco de Bogotá S.A. (the Bank) 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's operating structure is comprised of ten thousand and eighty-two (10,082) direct employees, one thousand and nine hundred ninety-two (1,992) employees on fixed-term contracts and four hundred thirty-seven (437) apprentices from the National Vocational Training Service (SENA), this amounts to a total of twelve thousand and five hundred eleven (12,511) employees. The Bank also has four thousand and twenty-six (4,026) staff members hired through outsourcing with specialized companies. Additionally, it provides a broad range of services for its customers, based on seven hundred one (701) offices; thirty-seven (37) payment and collection centers; nine thousand and forty hundred forty-four (9,444) correspondent banks; and one thousand and seven hundred forty-four (1,744) ATMs for a total of eleven thousand and eight hundred eighty-nine (11,889) service points in Colombia, this is in addition to its two agencies in the United States of America: one in Miami and another in New York, which are licensed to carry out banking activities abroad, and a bank branch in Panama City, which has a general license for banking on the local market.

Banco de Bogotá S.A. is a subordinate of Grupo Aval Acciones y Valores S.A.

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

2.1 Compliance statement

The accompanying separate financial statements 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 International Accounting Standards Boards (IASB) as compiled pursuant to the Regulating Technical Framework of Decree 2420/2015 and the modifying decrees, issued by the Colombian government, except in relation to the accounting treatment of classification and valuation of investments under IFRS 9, the loan portfolio and its provision, the provision of foreclosed and returned assets from leasing, regardless of their accounting classification, for which the accounting provisions issued by the Superintendencia Financiera de Colombia, included in the Basic Accounting and Financial Circular (BAFC).

These separate financial statements were prepared to comply with the legal requirements to which the Bank is subject in its capacity as a legally independent entity. Some accounting principles may differ relative to those applied to the consolidated financial statements. Therefore, the separate financial statements should be read in conjunction with the consolidated financial statements of Banco de Bogotá S.A.

2.2 Basis of presentation of the financial statements

Presentation of the 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 Bank's main source of income.

- Investment activities: These concern the acquisition, sale or disposal by any other means of long-term assets and other investments that are not included in cash and cash equivalents.

- Financing activities: These are activities that produce changes in the size and composition of net equity and liabilities that are not part of operating activities or investment activities.

2.3 Investments in subsidiaries, associates and joint arrangements

Considering the foregoing, the following describes the accounting treatment afforded to investments in subsidiaries, associates, and Joint Arrangements according to Chapter I-1 of Basic Accounting and Financial Circular of the Superintendencia Financiera de Colombia and the accounting policies of the Bank:

Investments in subsidiaries

Investments in subsidiaries are those in which the Bank has direct or indirect control; in other words, when it has all the following elements:

- Power over the entity; that is, the rights that give it the ability to direct the relevant activities that significantly affect the subsidiary's returns or yield.

- Exposure or right to variable returns arising from its implication in the subsidiary; and

- Ability to use its power over the subsidiary to influence the amount of the Bank's returns.

Investments in associates

An associate is an entity over which the Bank 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 Bank 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 subsidiaries, 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 Bank's profit or loss includes its share of the subsidiaries, associates and joint arrangements profit or loss and the Bank'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 Bank'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 Bank considers the Colombian peso is the functional and the presentation currency of the financial statements because it is the currency of the primary economic environment in which the Bank operates.

Therefore, all balances and transactions denominated in currencies others than the Colombian peso are considered "foreign currency".

2.5 Foreign currency transactions

Transactions in foreign currency are converted into Colombian pesos using the exchange rate that is in effect on the date of the transaction. Monetary assets and liabilities in foreign currency are converted into the reporting currency, using the exchange rate that is in effect on the closing date of the statement of financial position. Non-monetary assets and liabilities that are denominated in foreign currency and valued at historical cost are measured at the exchange rate prevailing on the date of the transaction. Non-monetary assets and liabilities that are denominated in foreign currency and valued at fair value are converted into the functional currency at the exchange rate prevailing on the date when their fair value was determined. Any exchange differences generated are charged to gain or loss in fair value except the financial liability designated to hedge a net investment in a foreign operation that is recognized directly under other comprehensive income (OCI). The exchange rates at December 31, 2018 and 2017 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 Bank in the management of its short-term commitments.

2.7 Financial assets

a. Financial assets investment

The Bank classifies its investments as “trading,” “held to maturity” and “available for sale”. This is according to the business model approved by the Board of Directors of the Bank and the provisions outlined in Chapter I -1 on the Basic Accounting and Financial Circular related to classification, valuation and accounting treatment of investments for the separate financial statements.

The Bank values most of its investments using the information supplied by a pricing service designated PRECIA S.A. Proveedor de Precios para la Valoración S.A., which supplies the information required to value investments (prices, rates, curves, margins, etc.) and has valuation methods approved in accordance with Decree 2555 / 2010 and with the instructions outlined in the Basic Legal Circular issued by the Superintendencia Financiera de Colombia.

The way the different types of investments are classified, valued and recorded, according to the business model defined by the Bank, is described below:

Held-for-trading		
Characteristics	**Valuation**	**Entered on the books**
This portfolio is used to manage fixed-income and variable-income investments other than shares, primarily to obtain profits as a result of variations in the short-term market value of such instruments and the purchase and sale of securities.	The investments represented in debt stocks or securities are assessed at fair value based on the price determined by the valuation pricing service. For exceptional cases where an established fair value does not exist on the day of valuation, these securities or bonds are valued exponentially at the internal rate of return. Holdings in collective investment funds, private capital funds, hedge funds and mutual funds, among others, and the securities issued in the development of securitization processes are to be valued taking into account the unit value calculated by the management company on the day immediately prior to the measurement date. Unless they are listed on securities exchanges that mark to the secondary market in which case they are to be valued with at that price.	These investments are to be recorded in the respective "Investments at Fair Value through Changes in Income" accounts. The difference between the current fair value and the value immediately prior is recorded as a greater or lesser value of the investment, thereby affecting income for the period.

Held-to-maturity		
Characteristics	**Valuation**	**Entered on the books**
These are securities for which the Bank has the intent and the legal, contractual, financial and operational capacity to hold until maturity or redemption, considering the structure of the financial instruments eligible for this portfolio involves only principal and interest payments.	They are valued exponentially, according to the internal rate of return calculated at the moment of acquisition, based on a 365-day year. For fixed-income investments at a floating rate, the internal rate of return is recalculated once the value of the facial indicator changes. In the case of securities that include the prepayment option, the internal rate of return is recalculated once the future flows and the payment date change.	These investments are to be recorded in the respective "Investments at Amortized Cost" account. The difference between the actual fair value and that immediately preceding the respective value is recorded as a greater value of the investment, affecting income for the period. Receivable returns pending collection are recorded as a greater value of the investment. Consequently, the collection of said returns is entered on the books as a lesser value of the investment.

Available for sale - Debt securities		
Characteristics	**Valuation**	**Entered on the books**
These include stocks or securities and, in general, any kind of investment that is not classified as a trading security or as an investment held to maturity. According to the business model, fixed income investments are managed in this portfolio primarily for the purpose of obtaining contractual flows and making sales when required by circumstances to maintain an optimum combination of profitability, liquidity and coverage that provides the kind of profitability support relevant to the Bank's balance.	Investments represented in debt stocks or securities are to be valued based on the valuation price determined by the pricing service. For exceptional cases where an established fair value does not exist on the day of valuation, these securities or bonds are valued exponentially at the internal rate of return.	These investments must be recorded in the respective "Investments at Fair Value with Changes in Other Comprehensive Income-(OCI)". The difference between the present value on reappraisal day and the day immediately prior (calculated at the internal rate of return at the time of purchase, based on a 365-day year) must be recorded as a greater value of the investment, with credit to the income accounts. The difference between the fair value and the present value calculated according to the preceding paragraph must be recorded in the respective unrealized gain or loss account (OCI).

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Available for sale - Equity securities		
Characteristics	**Valuation**	**Entered on the books**
Investments in subsidiaries and associates, as well as ownership interest in joint Arrangements and other investments, are part of this category and make the Bank part owner of the issuer.	• Investments in subsidiaries, associates and joint arrangements are recognized by the equity method. • Equity securities in the National Registry of Securities and Issuers (RNVE); listed in foreign securities quoting systems authorized in Colombia: These securities are valued according to the price determined by pricing services authorized by the Superintendencia Financiera de Colombia. • Equity securities listed only on foreign stock exchanges: In the absence of a valuation method, the most recent closing price in the last 5 trading days shall be used, including the valuation day, or the simple average of the closing prices reported during the last 30 days. • Equity securities not listed on stock exchanges: (investments in equity instruments through Other Comprehensive Income - OCI) are valued according to the valuation price determined by the pricing service designated as official for the respective segment. When the pricing service does not have a method for valuing these investments, the acquisition cost is increased or decreased by the percentage the investor´s ownership interest in subsequent changes in the equity of the issuer.	These investments are recorded initially at cost and are adjusted subsequently according to the changes in the equity of the investee in accordance to ownership interest. The effect of the valuation or assessment of investments in equity securities, other than those in subsidiaries, associates and joint arrangements, is recorded in the respective “Unrealized Gain or Loss” account under other comprehensive income (OCI), charged or credited to the investment. Dividends that are distributed in kind or in cash, from investments in equity securities, other than subsidiaries, associates and joint ventures, must be recorded as income, adjustment the corresponding profit or loss account (maximum up to its accumulated value) and, if necessary, also the value of the investment in the amount of the surplus on that account.

Investment reclassification

Investments may be reclassified when the following requirements are met.

Reclassification from investments held to maturity to held for trading

Reclassification is possible in any of the following circumstances:

- When the conditions of the issuer, its parent company, its subsidiaries or affiliated parties are seriously impaired.
- When changes in regulations make it impossible to maintain the investment.
- When mergers or institutional restructuring lead to reclassification or realization of the investment, either to maintain the previous position concerning interest-rate risk or to adjust to the credit-risk policy established previously by the resulting entity.

(Continued)

- In the case of other unforeseen events, subject to prior authorization from the Superintendencia Financiera de Colombia.

When the investments held to maturity are reclassified into trading investments, the regulations on valuation and accounting of the latter must be observed. As a result, the profit or loss no recovery was made as income or expenses on the day of reclassification.

Reclassification from investments available for sale to held for trading or held to maturity

Reclassification is possible when any of the circumstances described in the previous paragraphs occurs or when:

- When the significant activities of the business are redefined as a result of situations such as a change in the economic cycle or the market niches where the supervised entity operates, or changes in its appetite for risk.
- When assumptions of the business model has defined previously on adjustment in the management of investments materialize.
- When the investor loses its status as a parent or controlling company and this also implies the decision to dispose investments in the short term, at that date.

When investments available for sale are reclassified as trading investments, the income from the reclassification of such investments must be recognized and maintained in Other Comprehensive Income (OCI) as an unrealized gain or loss, until the respective investment is sold. The accounting treatment afforded to trading investments, as previously described, is applied from the date of reclassification.

When investments available for sale are reclassified as investments held to maturity, the standards on valuing and recording the latter must be observed. Therefore, unrealized gains or losses that are recorded in the OCI account are cancelled out against the registered value of the investment. In this way, the inversion will remain registered as if it had always been classified in the held-to-maturity category. As of that date, those are value based at the internal rate of return; on the day prior to reclassification.

Investments repurchase rights

These are investments that represent the collateral in money market transactions such as repos and simultaneous operations. The Bank retains the economic rights and benefits associated with the investment and all the risks inherent therein, although legal ownership is transferred when the money market operation is carried out.

These securities continue to be valued daily and accounted for in the statement of financial position and statement of income, consistent with the methodology and procedure applicable to investments, according to the category in which they are included prior to acquisition of the repurchase agreement.

Investments delivered as collateral

These are investments in bonds or debt securities that are delivered as collateral to support the fulfillment of operations accepted for clearing and settlement by a central counterparty risk clearing house.

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These securities are valued daily and accounted for in the statement of financial position and statement of income, consistent with the methodology and procedures applicable to the category in which they were included prior to being furnished as collateral.

Impairment (allowance) or losses due to the issuer's risk classification

The price of held for trading or available for sale investments for which no fair value exists on the valuation day, and the price of investments classified as investments held to maturity, as well as equity investments that are valued according to changes in equity, are adjusted on each valuation date based on their credit risk rating. This is done according to the following criteria:

- The rating of the issuer and/or security in question, when it exists.
- Objective evidence that an impairment loss on the value of these assets has occurred or could occur. This criterion applies even for recording a larger impairment than the one resulting from simply using the rating of the issuer and/or security, if required based on the evidence.

The amount of an impairment loss is always recognized in the statement of income for the period, regardless of whether an amount for the respective investment is recorded in Other Comprehensive Income (OCI). However, there are some exceptions; namely, domestic or foreign bonds and/or securities issued or secured by the Colombian government, those issued by the Central Bank of Colombia, and those issued or secured by the Financial Institution Guarantee Fund (FOGAFIN – Spanish acronym).

Investments in subsidiaries, associates and Joint ventures are evaluated at each reporting date of the financial statements, if there is evidence of impairment, the recoverable amount is estimated and the investment impairment is determinate.

(i) Securities and/or bonds of unrated issues or issuers

Securities or bonds that are not externally rated or issued by entities that are not classified will be rated as follows.

Category / Risk	Characteristics	Allowances
A – Normal	Complies with the terms agreed on in the stock or security, with adequate ability to pay principal and interest.	None required.
B – Acceptable	Issues with uncertainty factors that could affect the ability to continue to comply adequately with debt service. Moreover, the issuer's financial statements and additional available information reflect weaknesses that could affect its financial position.	With respect to debt securities and/or stocks, the value at which they are entered on the books may not exceed eighty percent (80%) of the net face value of amortization up to the date of valuation. In the case of equity securities and/or stocks, the net value of credit risk allowances (cost less the allowance) entered on the books may not be more than eighty percent (80%) of the acquisition cost.
C – Appreciable	Issues with high or medium probability of defaulting on timely payment of principal and interest. Moreover, the issuer's financial statements and other available information show deficiencies in its financial position that compromise recovery of the investment.	In terms of debt securities and/or stock, the values at which they are entered on the books may not exceed sixty percent (60%) of the net face value of amortization up to the date of valuation. In the case of equity securities and/or stocks, the net value of credit risk allowances (cost less the allowance) entered on the books may not exceed sixty percent (60%) of the acquisition cost.

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Category / Risk	Characteristics	Allowances
D – Significant	Issues that default on the terms agreed in the instrument. In addition, the respective financial statements and other available data show serious weaknesses in the issuer's financial situation.	In terms of debt securities and/or stock, the values entered on the books may not exceed forty percent (40%) of the net face value of amortization up to the date of valuation. In the case of equity securities and/or stocks, the net value of credit risk allowances (cost less the allowance) entered on the books may not exceed forty percent (40%) of the acquisition cost.
E – Uncollectible	Issuers with financial statements and other available data that suggests the investment is uncollectible.	The value of these investments is provisioned in its entirety.

(ii) Externally rated issues or issuers

Debt securities or stocks with one or more ratings and debt securities or stocks ranked by external credit rating agencies that are recognized by the Superintendencia Financiera de Colombia may not be recorded for an amount that exceeds, the following percentages of the net face value of amortization prior to the valuation date:

Long-term Rating	Maximum Value %	Short-term Rating	Maximum Value %
BB+, BB, BB-	Ninety (90)	3	Ninety (90)
B+, B, B-	Seventy (70)	4	Fifty (50)
CCC	Fifty (50)	5 and 6	Zero (0)
DD,EE	Zero (0)		

If the allowances for investments that are classified as "held to maturity" and for which it is possible to establish a fair value are higher than those estimated according to the standard indicated above, the latter shall apply. This allowance pertains to the difference between the registered value of the investment and the fair value, when it is less.

In the event the investment or the issuer is rated by more than one rating agency, the lowest rating is taken into account, provided these ratings were issued within the last three (3) months, or the most recent rating when there is a lapse of more than three (3) months between the two ratings.

b. 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 Bank 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 Bank 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.

At the beginning of the hedging transaction, the Bank 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 Bank 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.

c. Loan portfolio and financial leases transactions

The provisions established by the Superintendencia Financiera de Colombia in Chapter II of the Basic Accounting and Financial Circular are applied to accounting treatment of the loan portfolio.

Loans are recorded at their disbursement value, except for portfolio purchases and / or factoring, which are recorded at the acquisition cost that involves both principal and allowance. The financial income from assets delivered under a financial lease is measured based on a constant rate of return on the net financial investment.

i. Loans portfolio classification

The loans portfolio is classified into four (4) types of credit, as described below.

Commercial	These are loans granted to individuals or legal entities for the development of organized business activities and are different from loans granted in the microcredit category.
Consumer	These loans, regardless of their amount, are granted to individuals to finance the acquisition of consumer goods or the payment of services for non-commercial or non-business purposes. They are different from loans in the microcredit category.
Mortgages	These loans, regardless of their amount, are granted to individuals for the purchase of a new or existing home, or for the construction of an individual home. According to Law 546 / 1999, home loans are denominated in constant value units (UVR) or Colombian pesos, and are backed by a first mortgage on the property being financed.
	A mortgage may be for as much as seventy-percent (70%) of the value of the property, as determined by the purchase price or by a professional appraisal done within six (6) months before the loan is granted. Loans to finance low-income housing may be for as much as eighty percent (80%) of the value of the property. The repayment period ranges from a minimum of five (5) years to a maximum of twenty (20) years.
Microcredit	These are the loans referred to in Article 39, Law 590/2000, or the regulations that amend, substitute or add to it, and loans made to a micro-business where the primary source of repayment is the income derived from its commercial activities.
	A micro-business is understood as an economic production unit that is operated by a private individual or legal entity and is engaged in activities related to business, farming and livestock, industry, trade or services, they are rural or urban, with a staff of not more than ten (10) workers and total assets amounting to less than five hundred (500) times the current minimum monthly wage.
	The borrower's debt balance may not exceed one hundred and twenty (120) times the legal minimum monthly wage in effect when the loan is approved.

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ii. Criteria for credit risk assessment, qualification and allowance

Loan portfolio assessment and qualification

The Bank continuously assesses the risk inherent in its loan assets. This is done when a loan is granted and throughout the life of the loan, even in cases of restructuring. The Credit Risk Management System (SARC – Spanish acronym) comprised of credit-risk management policies and processes.

The loan approval process involves a series of variables established for each of the portfolios. These variables make it possible to identify borrowers who fit the Bank's risk profile. The methods and procedures included in the loan approval process allow the Bank to monitor and control credit exposure for the various individual portfolios.

Nevertheless, the Bank assesses and reclassifies the loan portfolio i) when loans fall into arrears after being restructured, in which case they must be reclassified immediately, and ii) during May and November, at the very least, recording the results of the assessment and reclassifying, at the close of the following month, as appropriate.

When assessing regional government agencies, the Bank verifies compliance with the provisions outlined in Law 358/1997, Law 550/1999 and Law 617/2000.

Credit risk rating

- **Commercial and consumer loans**

These are classified and rated in the appropriate risk category, pursuant to the standards and provisions outlined in Chapter II of Basic Accounting and Financial Circular 100/1995, as detailed in Attachment 3 on application of the Commercial Loan Reference Model (MRC- Spanish acronym) and Attachment 5, which contains instructions on the Consumer Loan Reference Model (MRCO- Spanish acronym).

Credit risk assessment is based on a variety of criteria; namely, information on the past performance of portfolios and loans, the particular characteristics of borrowers, their credit history with other lenders and their financial information, as indicated below.

Category	Granting	Commercial Loans Granted	Consumer Loans Granted
"AA"	New loans rated "AA" when granted are classified in this category.	Loans not in default more than 29 days in their contractual obligations, this is between 0 and 29 days past due.	Loans with a rating equivalent to "AA" obtained through application of the MRCO, as provided for in the respective standard.
"A"	New loans rated "A" when granted are classified in this category.	Existing loans 30 days or more but less than 60 days past due in their contractual obligations.	Loans with a rating equivalent to "A" obtained through application of the MRCO rating methods, as provided for in the respective standard".
"BB"	New loans rated "BB" when granted are classified in this category.	Existing loans 60 days or more but less than 90 days past due in their contractual obligations.	Loans with a rating equivalent to "BB" obtained through application of the MRCO rating method, as provided for in the respective standard".
"B"	New loans rated "B" when granted are classified in this category.	Existing loans 90 days or more but less than 120 days past due in their contractual obligations.	Loans with a rating equivalent to "B" obtained through application of the MRCO rating method, as provided for in the respective standard.

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Category	Granting	Commercial Loans Granted	Consumer Loans Granted
"CC"	New loans rated "CC" when granted are classified in this category.	Existing loans 120 days or more but less than 150 days past due in their contractual obligations.	Loans with a rating equivalent to "CC" obtained through application of the MRCO rating method, as provided for in the respective standard.
"Default"		Existing loans 150 days or more past due.	Consumer loans more than 90 days past due.

The Bank applies the following table to standardize the commercial and consumer loan portfolio risk ratings in the borrowing reports and in the entries in its financial statements.

Group Category	Reporting Categories	
	Commercial	Consumer
A	AA	AA
		"A" - currently 0-30 days past due
B	A	"A" - currently 30 days past due
	BB	BB
C	B	B
	CC	CC
	C	C
D All other customers rated as being in default.	D	D
E Customers in default with an assigned LGD equal to one hundred percent (100%).	E	E

- **The mortgage and microcredit portfolio**

The mortgage and microcredit portfolio is classified as follows, taking loan arrears aging into account.

Category	Microcredit	Mortgage
"A" Normal Risk	Loans that are current, or up to 1 month past due	Payments up-to-date or up to 2 months past due
"B" Acceptable Risk	Loans more than 1 month but less than 2 months past due	More than 2 months past due, but less than 5 months
"C" Appreciable Risk	Loans more than 2 months but less than 3 months past due	More than 5 months past due, but less than 12 months
"D" Significant Risk	Loans more than 3 months but less than 4 months past due	More than 12 months past due, but less than 18 months
"E" Risk of Non-recoverability	Loans more than 4 months past due	Loans more than 18 months past due

Allowances for the loan portfolio and accounts receivable

The Bank has a system of allowances to cover credit risk. These allowances are calculated on the outstanding balance by applying the commercial loan portfolio reference model and the consumer loan portfolio reference model. In the case of the mortgage and microcredit portfolios, the allowance is determined based on the customer's record of arrears.

- **The commercial and consumer loan portfolio**

The Bank has adopted the commercial and consumer reference models established by the Superintendencia Financiera de Colombia to estimate the allowances for this portfolio.

The allowances in the reference models are calculated as the sum of the "pro-cyclical individual component (PIC)" and the "counter-cyclical individual component (CIC)". The respective methodologies are defined according to the accumulative phase applied by the Bank, which includes indicators related to the loan allowances, efficiency and portfolio growth.

The processes used to segment and discriminate the loan portfolios and their potential borrowers serve as a basis for estimating expected losses using the Commercial Loan Portfolio Reference Model (MRC- Spanish acronym). This model is founded on segments differentiated by the debtors' asset level, pursuant to the following criteria:

Commercial loan classification by asset level	
Company Size	**Asset Level**
Large companies	More than 15,000 legal minimum monthly wages
Medium-sized companies	Between 5,000 and 15,000 legal minimum monthly wages
Small companies	Under 5,000 legal minimum monthly wages
Individual	All private individuals with commercial loans are grouped into the category

The following segments are defined by the Bank for the Consumer Reference Model (MRCO – Spanish acronym):

Segment	Description
General - Vehicles	Loans to purchase vehicles
General - Other	Loans to purchase consumer goods other than vehicles. Credit cards are not included in this segment
Credit card	Revolving credit to acquire consumer goods with a credit card

The reference models for the commercial and consumer loan portfolio make it possible to identify the components of expected losses, based on the following parameters.

Probability of Default (PD)

This is the probability that borrowers will default within a 12-month period. Probability of default is defined according to the following matrices, which were established by the Superintendencia Financiera de Colombia:

Commercial loan portfolio

Rating	Large Company		Medium Company		Small Company		Natural People	
	Matrix A	**Matrix B**	**Matrix A**	**Matrix B**	**Matrix A**	**Matrix B**	**Matrix A**	**Matrix B**
AA	1.53%	2.19%	1.51%	4.19%	4.18%	7.52%	5.27%	8.22%
A	2.24%	3.54%	2.40%	6.32%	5.30%	8.64%	6.39%	9.41%
BB	9.55%	14.13%	11.65%	18.49%	18.56%	20.26%	18.72%	22.36%
B	12.24%	15.22%	14.64%	21.45%	22.73%	24.15%	22.00%	25.81%
CC	19.77%	23.35%	23.09%	26.70%	32.50%	33.57%	32.21%	37.01%
Default	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Consumer loan portfolio

Rating	Matrix A			Matrix B		
	General - Vehicles	General - Other	Credit Cards	General - Vehicles	General - Other	Credit Cards
AA	0.97%	2.10%	1.58%	2.75%	3.88%	3.36%
A	3.12%	3.88%	5.35%	4.91%	5.67%	7.13%
BB	7.48%	12.68%	9.53%	16.53%	21.72%	18.57%
B	15.76%	14.16%	14.17%	24.80%	23.20%	23.21%
CC	31.01%	22.57%	17.06%	44.84%	36.40%	30.89%
Default	100.0%	100.0%	100.0%	100.00%	100.00%	100.00%

Loss Given Default (LGD)

Loss given default is defined as the economic loss the Bank would incur if any of the default situations were to occur. The LGD for borrowers in the "default category" would increase gradually, according to the days that have passed after their classification in that category.

Loan collateral is taken into account to calculate the losses expected in the event of default and, therefore, to determine the size of the allowances. The Bank considers suitable collateral as that which has been duly developed, has a value established on the basis of technical and objective criteria, offers legally effective support for payment of the secured loan, and is reasonably easy to execute.

The following is LGD, by type of collateral:

Commercial portfolio

Type of collateral	LGD	Days past default	New LGD	Days past default	New LGD
Suitable collateral					
Subordinated loans	75%	270	90%	540	100%
Admissible financial collateral	0-12%	0	0%	0	0%
Commercial and residential real estate	40%	540	70%	1080	100%
Assets furnished in real estate lease	35%	540	70%	1080	100%
Assets furnished in non-real estate lease	45%	360	80%	720	100%
Collection rights	45%	360	80%	720	100%
Other suitable collateral	50%	360	80%	720	100%
Unsuitable collateral	55%	270	70%	540	100%
Unsecured	55%	210	80%	420	100%

Consumer portfolio

Type of collateral	LGD	Days past default	New LGD	Days past default	New LGD
Suitable collateral					
Admissible financial collateral	0-12%	0	0%	0	0%
Commercial and residential real estate	40%	360	70%	720	100%
Assets furnished in real estate lease	35%	360	70%	720	100%
Assets furnished in non-real estate lease	45%	270	70%	540	100%
Collection rights	45%	360	80%	720	100%
Other suitable collateral	50%	270	70%	540	100%
Unsuitable collateral	60%	210	70%	420	100%
Payroll deduction loans collateral	45%	0	0%	0	0%
Unsecured	75%	30	85%	90	100%

Collateral:

Types of collateral

Suitable collateral:	Unsuitable collateral	Unsecured
The following are classified as admissible financial collateral (AFC): •Cash collateral deposits have a LGD of 0%. •Stand-by letters have a LGD of 0%. •Loan insurance has a LGD of 12%. •Sovereign guarantees (Law 617/2000) have a LGD of 0%. •Collateral issued by guarantee funds that manage government resources has a LGD of 12%. •Securities issued by financial institutions and pledged as collateral have a LGD of 12%. *Commercial and residential real estate. *Assets furnished under a real estate lease. *Assets furnished under a non-real estate lease. *Collection rights (CR)): Collateral that affords the right to charge rent or commercial flows related to the debtor's underlying assets. *Other suitable collateral: Collateral not listed in the previous points and the collateral referred to in Law 1676/ 2013 (real estate collateral) are classified in this category.	This category includes co-signers, guarantors and payroll deduction loans collateral, among others.	All collateral not listed in any of the foregoing sections and all unsecured loans are classified by the bank in this category.

Policy on admitting and managing collateral

Collateral constitutes additional support in the estimates of expected losses. Collateral is not regarded as a payment instrument. Requirement for the constitution of additional collateral is established when required according to legal regulations on credit limits and collateral may not be shared with any of the customer's other creditors, unless shared to the same degree with the Bank's subordinates outside the country, with its affiliates or in syndicated loans.

Valuing collateral

External Circular 043/2011 modified by 032/2015 issued by the Superintendencia Financiera de Colombia included instructions on the mandatory assessment of suitable collateral for loans, that support loans obligations, meeting the established in chapter II of the Basic Accounting and Financial Circular.

Mortgages and microcredit

General allowance

The general allowance corresponds to at least one percent (1%) of the total gross portfolio in the case of microcredit and mortgages.

The Bank invariably maintains allowances equal to no less than the following percentages of outstanding balances.

	Microcredit		Mortgage		
Category	**Principal %**	**Interest and other items %**	**Secured principal %**	**Unsecured principal %**	**Interest and other items**
A – Normal	1	1	1	1	1
B – Acceptable	2.2	100	3.2	100	100
C – Appreciable	20	100	10	100	100
D – Significant	50	100	20	100	100
E – Uncollectible	100	100	30	100	100

In terms of the mortgage portfolio, if a loan remains in category "E" for two (2) consecutive years, the allowance on the secured portion increases to sixty percent (60.0%). If one (1) additional year passes under these conditions, the allowance on the secured portion increases to one hundred percent (100%).

Effect of suitable collateral on the constitution of individual allowances

For the purpose of constituting individual allowances, it is understood that a collateral guarantee secures only the principal of a loan. Therefore, the unamortized balance of loans secured with suitable collateral is provisioned according to the following percentages:

- For the unsecured portion of mortgage loans, the percentage is applied to the difference between the unpaid balance and one hundred percent (100%) of the value of the collateral. For the secured portion, it is applied to one hundred percent (100%) of the balance of the secured debt.

- For commercial, consumer and microcredit, the percentage is applied to the difference between the unpaid balance and seventy percent (70%) of the value of the collateral. In these cases, depending on the nature of the collateral and the amount of time the loan is past due, only the percentages of the total value of the collateral are considered for provisioning, those indicated in annex I of chapter II of the Basic Circular (External Circular 100 of 1995) issued by the Superintendencia Financiera de Colombia.

Letters of credit support the guarantees granted by the guarantee funds that manage the public resources that meet the conditions for the right of the suitable guarantees, they are taken for 100% of their value for the purposes of the constitution of the individual provisions which they are calculated in accordance with what was indicated in the previous paragraph.

iii. Recognition of Income from yields and financial leases

The interest income from the loan portfolio and financial leasing is recognized when accrued.

Suspension of accrual interest

When a loan is past due, the Bank suspends accrual of interest, monetary correction, exchange adjustments and revenue from other items, as per the following table according to Chapter II of the External Circular 100 by the Superintendencia Financiera de Colombia:

Type of loan	Arrears over
Commercial	3 months
Consumer	2 months
Mortgage	2 months
Microcredit	1 month

Therefore, the statement of income is not affected until such amounts are actually collected. Until that time, the respective entry is made in the memorandum accounts.

Interest accrual also is suspended from the first day of default on loans for which yield accrual has been suspended in the past.

Special rule on allowances for accounts receivable (interest, monetary correction, leasing payments, exchange adjustments and other items)

When the Bank suspends the accrual of interest, monetary correction, exchange adjustments, leasing payments and other income from these items, a full allowance is made for the total amount accrued and not collected under those headings, except in the following cases:

- No allowance is made for operations with items entered under deferred credit, as they are offset in liabilities.
- Customers classified in risk categories "C" or "D" who are subject to accrual, since it is being in arrears that activates suspension of accrual, not their classification. This even includes arrears of one day for repeater offenders.

iv. Restructuring processes

Loan restructuring is understood as any exceptional mechanism implemented through the execution of any legal transaction to alter the originally agreed conditions, in order to appropriately address the debtor's obligation prior to real or potential impairment of its ability to pay. Additionally, agreements signed within the context of Law 550 / 1999, Law 617 / 2000 and Law 1116 / 2006, or the regulations that add to or replace these statutes, are considered restructuring processes, as are extraordinary restructurings and novation.

Tax reform Law 617/2000

In the case of restructuring under the tax and financial reform programs subscribed as per Law 617/ 2000, sovereign guarantees were provided for loans contracted by regional government agencies with financial institutions supervised by the Superintendencia Financiera de Colombia, provided they met the requirements outlined in that legislation and the respective fiscal adjustment were entered into before June 30, 2001.

The respective guarantee could be as much as forty percent (40.0%) for loans outstanding at December 31, 1999 and up to one hundred percent (100.0%) in the case of new loans used for tax adjustment purposes.

These restructurings reversed the allowances constituted for the sovereign-secured portion of the restructured debt. The restructured portion not secured by the government kept the rating it had at June 30, 2001.

Restructuring agreements

In the case of loans that were restructured before Law 550/1999 took effect, the Bank suspended interest accrual on the outstanding balance at the onset of restructuring negotiations and maintained the rating assigned to the loan at that particular point in time. However, a customer in risk category “A” was reclassified to at least category “B” and an allowance equal to one hundred percent (100.0%) was established of accounts receivable.

(Continued)

When a customer is admitted to the restructuring process under the terms of Law 1116/ 2006, the Bank suspends interest accrual and classifies the customer in a risk category consistent with its situation at the time. If the customer's situation subsequently worsens or the proposed agreement is perceived as not meeting the Bank's expectations, the rating is reviewed and the debt is reclassified in the pertinent risk category. If no agreement is reached, or if the courts order a legal settlement, the customer is classified as being "in default".

Restructured loans may keep the rating they had immediately prior to restructuring, provided the restructuring agreement leads to an improvement in the borrower's ability to pay and/or reduces the likelihood of default. If restructuring contemplates grace periods for the repayment of principal, that rating is maintained only when those periods do not extend beyond one (1) year as of the date the agreement is signed.

v. Write-offs

A loan that is fully-provisioned (100%) may be written off when the Bank's management believes it is uncollectable or offers only a remote and uncertain possibility of recovery, provided that agencies specializing in debt collection through the courts and the bank´s legal counsel are of the opinion that all possible means of collection have been exhausted.

The Board of Directors is the only body with the authority to write-off loans that are unlikely to be recovered.

2.8 Non-current assets held for sale

Assets the Bank intends to sell, since they are expected to be recovered mainly through sales rather than through continued use, and their sale is considered highly probable within a term not exceeding one year, are recorded as "Non-current assets held for sale ". These assets are recorded at their book value at the time of their transfer to this account or at their fair value, less estimated sales costs and the difference between the two is recognized in the income statement.

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 Bank.

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.

Foreclosed assets

The bank registered the value of foreclosed assets on outstanding loans from credits in its favor.

Foreclosed real estate is accepted on the basis of a professional commercial appraisal. Movable assets, shares of stock and equities are accepted at their market value. The following are the conditions for recording assets received through foreclosure:

(Continued)

The initial recognition is based on the value decided by the courts or agreed on with the debtors, taking into account the fair value of the foreclosed asset, the resulting differences are recorded as an expense changed to the statement of income or as an account payable to the debtor, as applicable (in case of an excess of the value of the credits with respects to the value of foreclosed assets).

Once a foreclosed asset is received and the debtor's balances are adjusted, the asset in question is analyzed to determine how it will be classified for accounting purposes. Its classification in the appropriate asset category will depend on the intent or specific use the Bank has for the asset and the criteria established in the International Financial Reporting Standards adopted in Colombia.

Also, regardless of the accounting classification that is determined for the asset (whether in portfolio, investments, investment properties, non-current assets held for sale and other assets), the foreclosed allowance is calculated as instructed by the Superintendencia Financiera de Colombia by applying chapter III of the Basic Accounting and Financial Circular which indicates the purpose of that allowance is not to impair the value of the asset but to prevent risk and to preserve the Bank's equity, as described below.

Allowances for foreclosures

Real estate

Allowances are constituted using the model developed by the Bank and approved by the Superintendencia Financiera de Colombia. The model estimates the maximum loss expected on the sale of foreclosed real estate, according to the history of recoveries on assets sold and including expenses incurred in the receipt, upkeep and sale of such properties, which are grouped into common categories to estimate the base allowance rate. This rate is adjusted by a factor that takes into account the time has elapsed between receipt of the asset and until eight percent (80%) of the allowance is achieved within a maximum period of forty-eight (48) months. However, in the event an extension is not requested prior to expiration of the deadline for disposal of the property, or if an extension is not granted, the Bank must constitute an additional allowance of up to 80% of the value of the foreclosed asset. This is done pursuant to its internal models and once two (2) years have passed.

Movable assets

In the case of foreclosed movables, an allowance is established within the following year which the item have been received. It estimates the maximum expected loss on the sale of goods received in foreclosure and is equivalent to 35% of the acquisition cost of the foreclosed item. The allowance is increased during the second year by an additional 35%, until it is equivalent to 70% of the book value of the foreclosed item, prior to provisioning. Once the legal deadline for the sale has expired, without an extension being authorized, the allowance is adjusted to 100% of the book value of the foreclosed item, before provisioning. If the deadline is extended, the remaining 30% of the allowance may be constituted within the term thereof.

Notwithstanding the aforementioned rules on provisioning, foreclosed movable assets that pertain to investment securities are valued by applying the criteria contemplated to that effect in Chapter I-1 of the Basic Accounting and Financial Circular, taking into account their classification as investments held for trading, available for sale or held to maturity.

2.9 Property, plant and equipment

Property, plant and equipment includes own assets or those financial leases by the Bank 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 Bank 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 Bank 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 Bank 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 Bank'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 Bank 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.

2.11 Leased assets

a. Assets delivered on lease

Assets delivered by the Bank 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 Bank.

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 Bank 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 Goodwill

Goodwill represents the price paid in excess of the fair value of the assets and liabilities acquired in a business combination (with some exceptions, where the book value is used). Goodwill is considered to have an indefinite useful life and is not amortized; however, it is subject to an annual assessment for impairment. In cases where there are indications that some of the cash-generating units to which goodwill was allocated might be impaired, the Bank conducts an assessment, through an independent expert, and uses that appraisal to determine if any impairment exists. If so, it is recorded against income. Once an impairment loss is recognized, it is not reversed in subsequent periods.

In the annual impairment test, the cash flow valuation method is used for each of the investments that generated the effects of goodwill. If the net present value of discounted future cash flows is less than their carrying amount, impairment is recorded.

2.13 Other intangible assets

The Bank'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 Bank.

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 Bank's experience.

Licenses are 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.

(Continued)

At each reporting date, the Bank analyzes whether there are indications, both external and internal, that an asset may be impaired. If there is evidence of impairment, the Bank 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 Bank 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 Bank or an agreement that can or will be settled using equity securities owned by the Bank. 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 Bank'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 Bank grants its employees the following benefits as consideration in exchange for their services:

(Continued)

a. Short- term benefits

These are benefits the Bank 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 Bank 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 Bank 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 Bank due to retirement.

The liability for post-employment benefits in defined contribution plans (payment of the Bank'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 Bank'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.

(Continued)

d. Work contract termination benefits

These are payments the Bank 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 Bank 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 Bank 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 Bank's decision to terminate the contract.
- When provisions are recognized for the cost of restructuring by a subsidiary or business in the Bank 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 Bank 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 Bank 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.

The details of the policy adopted for each of these items are explained below.

- **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.

- **Deferred tax**

Deferred taxes are recognized on temporary differences that arising between the tax base for assets and liabilities and the amounts recorded in the financial statements. These differences result in amounts that are deductible or taxable when determining fiscal gains or losses in future periods, either when the asset's carrying value is recovered or the liability is settled. Nonetheless, deferred tax liabilities are not recorded: i) if they stem from initial recognition of goodwill; ii) if they arise from initial recognition of an asset or liability in a transaction other than a business combination, which at the time of the transaction does not affect accounting or tax gains or losses; and iii) on investments in subsidiaries, associates or joint arrangements when the opportunity to reverse temporary differences is controlled by the Bank and it is not likely they will be reversed in the foreseeable future.

Deferred tax assets are recognized only to the extent that the entity is likely to have future taxable income against which deductible temporary differences can be applied.

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

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 Bank 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 bank 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 Bank. Contingent liabilities are subject to disclosure and, to the extent they become probable liabilities, they are recognized as a provision.

(Continued)

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 Bank, 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 Bank recognizes income when the amount can be measured reliably, when it is likely that future economic benefits will flow to the Bank, and when the specific criteria for each of the Bank'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 Bank 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 Bank 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 Bank 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 Bank distributes the transaction price among the performance obligations in amounts representing the amount of the consideration that the Bank 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 Bank complies with a performance obligation.

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

- The Bank’s performance does not create an asset with alternative use for the Bank, and the Bank has a callable entitlement to payment for the performance completed as of the date.

- The Bank’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 Bank’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 Bank 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 Bank 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.

The Bank 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 Bank 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 Bank generates income deriving from contracts with customers is as follows:

(i) Bank (Financial Services)

Generally the Bank enters into contracts covering several different services. Such contracts may contain components within or without the scope of IFRS 15. For such reason, the Bank only applies 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:**

The Bank receives 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 Bank, 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 Bank 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 Bank 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 Bank'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 Banks´s right to receive the dividend payment is established;
  - It is probable that the bank receives the 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 Bank 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 Bank'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.

2.21 Impact of changes in accounting policies

The Bank adopted IFRS 9 – Financial Instruments (See (a) below), IFRS 15 Revenue from contracts with customers (see (b) below) and parameters to determine the liability for post-employment benefits (See (c) 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.

The following is the detail of the impacts on assets and liabilities resulting from the change in accounting policies:

	Note		December 31, 2017	Adjustment	December 31, 2018
IFRS 9	11- Other accounts receivable, net	$	(36,060)	(1,074)	(37,134)
IFRS 9	13- Investments in subsidiaries, associates and joint ventures		12,688,532	(3,844)	12,684,688
IFRS 15 and IFRS 9	13- Investments in subsidiaries, associates and joint ventures		3,419,661	124,030	3,543,691
	Total assets		**16,072,133**	**119,112**	**16,191,245**
IFRS 15	18 Income tax		(614,005)	11,038	(602,967)
Actuarial assumptions	18 Income tax		0	(5,052)	(5,052)
IFRS 15	22- Provisions		43,060	21,100	64,160
Actuarial assumptions	21- Employee benefits		315,734	15,090	330,824
IFRS 15	Other liabilities		53,332	(53,332)	0
	Total liabilities	$	**(201,879)**	**(11,156)**	**(213,035)**

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	$	(1,074)	0	(1,074)
Implementing IFRS 15		9,556	11,638	21,194
Measurement of post-employment benefits		0	(10,038)	(10,038)
Changes in accounting policies subsidiaries		(3,844)	0	(3,844)
Changes in accounting policies associates		124,030	0	124,030
Total	$	**128,668**	**1,600**	**130,268**

a. IFRS 9 Financial instruments requirements

As described previously, IFRS 9 requirements regarding the accounting treatment of classification and valuation of investments, the loan portfolio and its impairment do not apply for preparing separate financial statements and instead, accounting provisions issued by "Superintendencia Financiera de Colombia" are applied, including the Basic Accounting and Financial Circular (BAFC). Due to the foregoing, the impact of the new IFRS 9 in the preparation of separate financial statements solely relate to the management of hedge accounting and to impairment of financial assets different than the loan portfolio and investments. IFRS 9 basically applies to the preparation of consolidated financial statements.

As allowed under the new IFRS 9 the Bank 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".

Pursuant to the foregoing, it is deemed that implementing the new IFRS 9 in the drafting of separate financial statements generate a decrease in equity by $ (5,408) because of the impairment of receivable accounts by ($1,074) and adjustments of equity method as a consequence of the impact recognized by the subsidiaries of the impairment of receivable accounts by ($4,334).

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 Bank 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. Actuarial assumptions for measuring pensions liabilities

Until December 31, 2017, the liability of benefits post-employment for retirement pensions was determined under the parameters established by Decree 2783/2001, pursuant to what is foreseen under Decree 2496/2015, and the remaining requirements of the International Accounting Standard No. 19 "Employee Benefits" (IAS 19). As from January 1, 2018, for determining the pensions liabilities, the Bank applies actuarial assumptions as required by IAS 19, applying such international standard comprehensively and for disclosing differences in the calculation of pensions liabilities on its charge, in accordance with the parameters set forth under Decree 1625/2016. The effect of this change implied a decrease in equity of ($10,038), (amount before taxes for ($15,090) and deferred tax for ($5,052).

NOTE 3 – NEW PRONOUNCEMENTS ON ACCOUNTING

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

The following is a summary of the new accounting pronouncements, which are not yet enforceable in Colombia.

3.1 Pronouncements issued by supervisory organism and accounting regulations in Colombia

On December 22, 2017, the Ministry of Commerce, Industry and Tourism partially amended Decree 2420/2015 through Decrees 2170/2017 and 2483/2018 thereby incorporating into Colombian law the following standards, amendments issued by the IASB during the years 2016 and 2017:

New issues of IASB	Title of the standard or amendment
IFRS 16	Leases.
Amendment to IAS 40	Investment property transfers
Amendment to IFRS 2	Classification and measurement of transactions with share-based payment.
Amendment to IFRS 4	Application of IFRS 9 “Financial Instruments” with IFRS 4 “Insurance Contracts”.
Annual improvements cycle 2014 -2016	• Modifications to IFRS 1 - First-time adoption of international financial reporting • Modifications to IFRS 12 - Disclosure of Interests in other entities • Modifications to IAS 28 - Investments in associates and joint ventures
Amendment to IAS 28	Long term interests in associates and joint ventures.
Amendment to IFRS 9	Advanced payment with negative compensation.
Annual improvements cycle 2015-2017	• Modifications to IFRS 3 Business Combinations, • Modifications to IFRS 11 Joint Arrangements, • Modifications to IAS 12 Income Taxes, • Modifications to IAS 23 Borrowing Costs.
IFRIC 22	Transactions in foreign currency and early consideration.

The dates on which the standards incorporated into the regulatory technical framework take effect are those indicated in the decree, with application of the amendments being established at January 1, 2019. Early application of the new standards is allowed, disclosing this fact;

The following is a summary of the new accounting pronouncements issued by IASB established at January 1, 2019. A potential impact is not expected over the separate financial statements of the Bank, with the exception of the implementation of IFRS 16 Leases:

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 Bank 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 Bank has not finished testing and assessing the operating controls and information technology (IT); and
- New accounting policies are subject to changes until the Bank 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 Bank is a lessee

The Bank 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 Bank expects to report right of use assets totaling approximately $630,615, and lease liabilities totaling approximately $630,615. This will generate a deferred tax asset and liability in the amount of $199,476, with a neutral effect.

Moreover, depreciation expenses totaling $66,179 and interest expenses of $34,757 are estimated for the first year.

Given that in the subsequent measurement the right of use asset and lease liability will be affected very differently because of the depreciation value and lease fees and applicable interests, respectively, the Bank is projecting that the 846 valid contracts (to date) will be impacted by smaller income tax expenses in the first year, for $4,865.

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

Leases in which the Bank is a lessor

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

In cases in which the Bank 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.

(Continued)

Transition

The Bank 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 IAS 40 - Investment property transfers

Required that an investment property be transferred, only when there is a change in use and provides examples to identify the appropriate evidence in the change in use.

c. Amendment to IFRS 2 - Classification and measurement of transactions with share-based payment.

Some accounting-related aspects were cleared up pertaining to stock-based payment transactions paid in cash. Based on the information available to date on the financial statements, this regulation is not applicable to the Bank.

d. Amendment to IFRS 4 –Application of IFRS 9 “Financial Instruments” with IFRS 4 “Insurance Contracts”.

It provides two options for entities that issue insurance contracts within the scope of IFRS 4. Based on the information available to date on the financial statements, this regulation is not applicable to the Bank.

e. Annual improvements cycle 2014 -2016

- Modifications to IFRS 12 - Clarifies the disclosure requirements.
- Modifications to IFRS 1 – Eliminates short-term exemptions for first-time adopters.
- Modifications to IAS 28 – Mentions the measurement of the investees at fair value through profit or loss on the basis of investment by investment

f. Amendment to IAS 28 - Long term interests in associates and joint ventures.

This amendment clarifies the accounting process for companies with long term interests in an associate or joint venture that do not apply the participation method and utilize IFRS 9.

g. Amendment to IFRS 9 - Advanced payment with negative compensation.

Include modifications on characteristics of advanced payments with negative compensation, allowing lenders to measure some debt instruments with advanced payment characteristics at amortized cost. This amendment does not apply to the Bank, since there is an exception in the application of IFRS 9 in the separate financial statements of the country’s financial entities.

h. Annual improvements cycle 2015 – 2017

- Modifications to IFRS 3: Clarifies the investments previously held in a joint operation.

(Continued)

- Modifications to IFRS 11: Clarifies the investments previously held in a joint operation.
- Modifications to IAS 12: Explains the consequences of payments of financial instruments classified as equity.
- Modifications to IAS 23: Considerations of the costs for eligible for capitalization loans.

i. IFRIC 22 – Transactions in foreign currency and early consideration

Interpretation regarding how to determine the exchange rate relating to advanced payments in foreign currency. Such interpretation clarifies the transaction date for determining the exchange rate for the initial recognition of the asset, expense or related income, when an entity has received or paid a consideration in foreign currency in advance. Such transaction date is the date wherein an entity initially recognizes the non-monetary asset or liability arising from the payment or collection of the advanced consideration.

3.2 Issued by the IASB not incorporated into Colombian law

The following is a summary of new statements issued by the IASB for international accounting standards which have not yet been applied by the Bank because they have not been incorporated into the Colombian legislation and have not yet gone into effect internationally. Their application in Colombia will depend on the regulations issued by the Colombian Government:

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

a. 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.

b. 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.

c. 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.

d. 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.

e. 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.

f. 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.

g. 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.

h. IFRS 3 - Business combinations: “Definition of a business”:

This amendment sets forth improvements to the definition of a “business”, emphasizing its purpose, which is providing goods or services to customers; while the old definition centered on returns (dividends), lower costs generated by the entity or other economic benefits to investors and others.

The IASB announced that the international application date of this improvement will be as of January 1, 2020, while the effective date for Colombia has not been specified, since it depends on the issuance of a decree.

i. Amendment to IAS 1 Presentation of Financial Statements and to IAS 8 Accounting policies, changes in accounting estimates and errors: "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, the date of entry in force in Colombia has not yet been defined, since it depends on the issuance of a decree.

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

The Bank makes estimates and assumptions that affect the amounts recognized in the 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 Bank'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 Bank also makes certain judgments apart from those involving estimates.

The judgments that have the most significant impact on the amounts recognized in the financial statements and the estimates that can cause a significant adjustment in the carrying value of assets and liabilities within the next year include the following:

4.1 Business model

In Chapter I-1 of its Basic Accounting and Financial Circular, the Superintendencia Financiera de Colombia determined that investments would be classified according to the business model established by the Bank. Therefore, when making an assessment as to whether or not the objective of a business model is to hold assets in order to collect contractual cash flows, the Bank considers at what level of its commercial activities that assessment should be made. Generally speaking, a business model is something that can be illustrated by the way the business is managed and the information that is provided to management. However, in some circumstances, more judgment may be required to determine whether a particular activity involves a business model with certain infrequent sales of assets or if the anticipated sales indicate there are two separate business models.

The Bank takes the following into consideration when determining if its business model for financial asset management is to maintain assets to collect contractual cash flows:

- The policies and procedures indicated for the loan portfolio, by management, and how those policies operate in practice.
- How management assesses loan performance.
- Whether or not the management strategy is focused on obtaining income from contract interest.
- The frequency of any expected sale of assets.
- The reason for any sale of assets.

- If the assets for sale are held for a prolonged period in relation to their contract maturity, or if they are sold shortly after being acquired or far in advance of their maturity.

Specifically, the Bank uses its judgment to determine the objective of the business model for loans that are held for liquidity purposes.

The Bank's central treasury maintains some debt instruments in a separate loan portfolio to obtain a long-term yield and as a liquidity reserve. These instruments may be sold to resolve unexpected liquidity deficits, but such sales are not expected to be more frequent. The Bank considers these instruments as part of a business model that is intended to hold assets to collect contractual cash flows. It maintains other debt instruments in separate loan portfolios for the purpose of managing short-term liquidity. Sales of this portfolio are frequent in order to satisfy continuous commercial needs. The Bank has determined these instruments are not maintained within a business model bent on maintaining assets to collect contractual cash flows.

When a business model involves transferring the contract rights to cash flows from financial assets to third parties and the transferred assets are not derecognized, the Bank reviews the agreements in order to determine their impact when assessing the objective of the business model.

In this assessment, the Bank considers whether or not, under the agreements, it will continue to receive cash flows from the assets, either directly from the issuer or indirectly form the receiver, including whether or not the assets will be repurchased from the receiver.

In the case of contractual cash flows from financial assets, the Bank uses its judgment to determine if the contract terms of the financial assets it generates or acquires, lead to cash flows on specific dates that represent only payment of principal and interest on outstanding principal and that qualify for measurement at amortized cost. In this assessment, the Bank takes all the contract terms into account, including any pre-payment term or allowances in order to extend the maturity of the assets. It also considers the terms that change the amount and timing of the cash flows, and whether or not the contract terms contain leveraging.

In cases where the Bank's rights to financial assets are limited to specific assets of the debtor (non-recourse assets), the Bank evaluates whether the contract terms of those financial assets limit cash flows in a way that is inconsistent with the payments that represent principal and interest. When the Bank invests in contractually linked instruments (tranches), it uses its judgment to determine if the exposure to credit risk in the acquired tranche is equal to or less than the exposure to credit risk in the respective group of financial instruments. If so, the acquired tranche would qualify to be measured at amortized cost.

4.2 Financial asset allowance for impairment:

a. Allowance of financial assets of investment:

In the case of impairment (allowances) for its investments, the Bank makes a judgment based on financial information about the issuers, a review of their credit quality and other macroeconomic variables, and then issues an internal rating. This qualification is revised in light of the one issued by the agencies that have rated the investment. When there is a likelihood of impairment, the allowance to be made (for impairment) is estimated as provided for in Chapter I-1 of the Basic Accounting and Financial Circular, according to the percentages indicated in Note 2, Section 2.7, Paragraph a - "Financial investment assets".

b. Allowances on loan portfolio

Pursuant to the standards set by the Superintendencia Financiera de Colombia, the Bank regularly reviews its portfolio of loans and financial leases to assess whether or not impairment should be recorded and charged to income for the period. This is done in light of the guidelines established in Chapter II of the Basic Accounting and Financial Circular. In the case of commercial loans and commercial leases, the Bank exercises its judgment to decide their credit risk rating in accordance with the borrower's ability to pay, which is evaluated based on the borrower's financial statements and the fair value of the collateral granted. The idea is to determine if there is observable information that indicates a decline in the customer's estimated cash flow. When granting consumer loans and consumer leases, the Bank uses internal scoring models that assign a rating dependent on the risk level. The rating is subsequently adjusted, basically taking into account the historical performance of these loans, the collateral that supports them, the debtor's performance with other entities and the debtor's financial information. The risk rating for the mortgage portfolio is based essentially on the number of days the customer is in arrears.

Once the various loan portfolios are rated according to their level of risk, the respective allowances are calculated using the percentages in the allowance tables established specifically for each type of loan by the Superintendencia Financiera de Colombia. These percentages also are indicated in Note 2, Section 2.7, paragraph c - "Loan Portfolio and Financial Leasing Operations".

In addition, as instructed by the Superintendencia Financiera de Colombia, the Bank establishes a general allowance for home mortgages and microcredit that is equal to 1% of the total portfolio, charged to income.

The Bank believes the loan portfolio allowances at December 31, 2018 and 2017 are sufficient to cover any possible losses on its portfolio of loans that are outstanding on those dates.

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.

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

The determination of what constitutes "observable" requires significant judgment on the part of the Bank's management. The Bank 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 Bank 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 Bank estimates that the items of the deferred income tax asset shall be recoverable as a function of their future estimated future taxable gains. Deferred tax liabilities are recognized on the temporary differences associated with the undistributed profits of the subsidiaries, unless the Bank controls the dividend policy of the subsidiary and it is likely the temporary difference will not be reversed in the foreseeable future. See note 18.

4.5 Evaluating impairment of Goodwill

The Bank's management evaluates impairment of cash-generating units with distributed Goodwill recorded on its 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 Bank 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 methods and assumptions used to assess the value of the cash-generating units to which goodwill is allocated were reviewed by management. Based on that review, management concluded there was no need to record any impairment at December 31, 2018 and 2017, since the amounts recoverable from these units are significantly higher than their book value.

4.6 Estimates for lawsuits provisions

The Bank 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.

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 Bank 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 Bank has selected government bonds for this purpose.

The Bank 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 21).

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 Bank 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 Bank 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 Bank considers the following aspects:

- **Estimate of the variable consideration:** The Bank 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 Bank, 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 Bank'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 Bank'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 Bank 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 Bank. 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 Bank 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. 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 Bank 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 Bank'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 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.

(Continued)

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 Bank'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 for trading issued or secured				
Colombian government	$ 103,864	723	0	104,587
Other of the Colombian government entities	15,286	24,616	0	39,902
Other financial entities	0	354,811	0	354,811
Entities of the Non-financial sector	0	21,406	0	21,406
Others	0	15,402	0	15,402
	119,150	**416,958**	**0**	**536,108**
Investments in equity securities for trading	0	333,533	0	333,533
Total investments held for trading	**119,150**	**750,491**	**0**	**869,641**
Derivatives at fair value				
Trading derivatives				
Currency forwards	0	221,522	0	221,522
Interest rate swaps	0	27,983	0	27,983
Currency swaps	0	38,049	0	38,049
Cash transactions	0	25	0	25
Currency options	0	29,507	0	29,507
	0	**317,086**	**0**	**317,086**
Hedging derivatives				
Currency forwards	0	21,485	0	21,485
Total derivatives at fair value	**0**	**338,571**	**0**	**338,571**

(Continued)

BANCO DE BOGOTÁ S.A.
Notes to the Separate Financial Statements
At December 31, 2018

		December 31, 2018			
		Level 1	Level 2	Level 3	Total
Investments in debt securities available for sale issued or secured					
Colombian government		1,428,191	622,534	0	2,050,725
Other of the Colombian government entities		3,110	132,403	0	135,513
Entities of the Non-financial sector		0	21,333	0	21,333
Foreign government		0	8,273	0	8,273
Other financial entities		0	373,766	0	373,766
Others		0	19,883	0	19,883
		1,431,301	**1,178,192**	**0**	**2,609,493**
Investments in equity securities available-for-sale		6,339	13	167,199	173,551
Total investments available-for-sale		**1,437,640**	**1,178,205**	**167,199**	**2,783,044**
Investment properties (1)		**0**	**0**	**74,944**	**74,944**
Total assets at fair value on recurring basis		**1,556,790**	**2,267,267**	**242,143**	**4,066,200**
Liabilities					
Financial liabilities derivative at fair value					
Trading derivatives					
Currency forwards		0	203,100	0	203,100
Interest rate swaps		0	14,053	0	14,053
Currency swaps		0	135,771	0	135,771
Cash transactions		0	163	0	163
Currency options		0	16,484	0	16,484
		0	**369,571**	**0**	**369,571**
Hedging derivatives					
Currency forwards		0	180,696	0	180,696
Total liabilities at fair value on recurring basis	$	**0**	**550,267**	**0**	**550,267**

		December 31, 2017			
		Level 1	Level 2	Level 3	Total
Assets					
Investments in debt securities for trading issued or secured					
Colombian government	$	14,832	89,420	0	104,252
Other of the Colombian government entities		0	49,296	0	49,296
Other financial entities		0	348,193	0	348,193
Entities of the Non-financial sector		0	17,403	0	17,403
Others		0	22,580	0	22,580
		14,832	526,892	0	541,724
Investments in equity securities for trading		14,479	706	0	15,185
Total investments held for trading		**29,311**	**527,598**	**0**	**556,909**
Derivatives at fair value					
Trading derivatives					
Currency forwards		0	124,596	0	124,596
Interest rate swaps		0	30,696	0	30,696
Currency swaps		0	19,772	0	19,772
Currency options		0	5,930	0	5,930
		0	180,994	0	180,994
Hedging derivatives					
Currency forwards		0	50,107	0	50,107
Total Derivatives at fair value		**0**	**231,101**	**0**	**231,101**
Investments in debt securities available for sale issued or secured					
Colombian government		1,921,823	238,329	0	2,160,152
Other of the Colombian government entities		0	59,385	0	59,385
Entities of the Non-financial sector		0	2,326	0	2,326
Foreign government		0	6,206	0	6,206
Other financial entities		78,468	365,422	0	443,890
		2,000,291	671,668	0	2,671,959
Investments in equity securities available-for-sale		6,866	0	162,382	169,248
Total investments available-for-sale		**2,007,157**	**671,668**	**162,382**	**2,841,207**
Investment properties (1)		**0**	**0**	**82,083**	**82,083**
Total assets at fair value on recurring basis		**2,036,468**	**1,430,367**	**244,465**	**3,711,300**

(Continued)

		December 31, 2017			
		Level 1	Level 2	Level 3	Total
Liabilities					
Financial liabilities derivative at fair value					
Trading derivatives					
Currency forwards		0	70,727	0	70,727
Interest rate swaps		0	17,370	0	17,370
Currency swaps		0	72,788	0	72,788
Cash transactions		0	44	0	44
Currency options		0	11,488	0	11,488
		0	172,417	0	172,417
Hedging derivatives					
Currency forwards		0	9,911	0	9,911
Total liabilities at fair value on recurring basis	$	**0**	**182,328**	**0**	**182,328**

(1) Reconciliation between the opening and closing balances, disclosing separately the Level 3 hierarchy changes during the period, as detailed in note 5.3 b. investment property.

5.2 Non-recurrent measurements of fair value

Although there is no need to be measured at fair value on a recurring basis, non-current assets held for sale classified at level 3 at December 31, 2018 and 2017, remained assessed at fair value for $ 77,947 and $ 11,405, respectively, as a result of assessment for impairment using the IFRS standards applicable.

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 Bank 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, matrix and implicit volatility curves.

a. Equity securities

The Bank´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 Bank operations and those of its subsidiaries. ACH Colombia S.A. and the Camara 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.

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

1) Information obtained from the National Department of Planning

The following table shows a sensitivity analysis of the changes in these variables in the Bank's equity, considering the variations in the fair value of these investments are recorded in equity, since they pertain to investments classified as available for sale:

Methods and variables	Variation	Favorable impact	Unfavorable impact
Present value adjusted for discount rate			
Income	+/- 1%	963	(1,077)
Growth residual values after ten years	+/- 1%	252	(208)
Growth residual values after five years	+/- 1% +/- 30 BPS	1,566 14	(1,323) (33)
Discount interest rates	+/- 50 BPS	94	(131)
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 Bank´s investment property (see note 15).

The preparation of investment property assessment reports excludes foreclosure transactions. The Bank 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 $749 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	
		Equity securities	Investment properties	Equity securities	Investment properties
Balance at beginning of the period	$	**162,382**	**82,083**	**154,080**	**40,090**
Transfer from level 3 to level 2 (1)		(12)	0	0	0
Valuation adjustment with an effect on income		(2,632)	26,807	4,700	5,383
Valuation adjustments with an effect on OCI		8,465	0	9,279	0
Dividends received		(3,540)	0	0	0
Additions		0	0	8	6,000
Sales/disposals		0	(19,495)	0	(4,244)
Reclassifications		0	18,843	(5,253)	77,953
		164,663	**108,238**	**162,814**	**125,182**
Impairment, net		2,536	(33,294)	(432)	(43,099)
Balance at end of the period	$	**167,199**	**74,944**	**162,382**	**82,083**

(1) Transfer from level 3 to level 2, corresponds to the investment of APC group for $12 at December 31, 2018.

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.

- **Investments in debt securities held to maturity:** The fair value of investments in debt securities held to maturity 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:** In the case of the loans portfolio, their fair value was determined using cash flow models discounted at the interest rates offered by the Bank 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 Bank'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					
Investments held to maturity	$ 1,380,125	0	1,358,533	0	1,358,533
Loan portfolio and financial leases transactions, net	55,843,384	0	0	56,720,904	56,720,904
	57,223,509	**0**	**1,358,533**	**56,720,904**	**58,079,437**
Liabilities					
Deposits in current, savings accounts and others	34,315,445	0	34,315,445	0	34,315,445
Time certificates of deposit	19,815,853	0	19,727,960	0	19,727,960
Interbank borrowings and overnight funds	714,994	0	714,994	0	714,994
Borrowings from banks and others	4,959,572	0	4,939,186	0	4,939,186
Bonds issued	7,308,290	7,307,658	0	0	7,307,658
Borrowing from development entities	1,919,636	0	1,840,925	0	1,840,925
	$ **69,033,790**	**7,307,658**	**61,538,510**	**0**	**68,846,168**

	December 31, 2017				
	Book value	Fair value			
		Level 1	Level 2	Level 3	Total
Assets					
Investments held to maturity	$ 1,380,755	26,852	1,353,891	0	1,380,743
Loan portfolio and financial leases transactions, net	53,183,039	0	0	54,298,367	54,298,367
	54,563,794	**26,852**	**1,353,891**	**54,298,367**	**55,679,110**
Liabilities					
Deposits in current, savings accounts and others	35,016,444	0	35,016,444	0	35,016,444
Time certificates of deposit	16,956,783	0	17,000,059	0	17,000,059
Interbank borrowings and overnight funds	519,480	0	519,480	0	519,480
Borrowings from banks and others	3,319,903	0	3,304,531	0	3,304,531
Bonds issued	6,712,614	7,155,015	0	0	7,155,015
Borrowing from development entities	1,645,737	0	1,625,794	0	1,625,794
	$ **64,170,961**	**7,155,015**	**57,466,308**	**0**	**64,621,323**

(Continued)

NOTE 6 - FINANCIAL RISK MANAGEMENT

The Bank manages comprehensive risk management considering compliance with current regulations and internal standards.

6.1 Description of risk management objectives, policies and processes

The Bank's objective is to maximize returns for its investors, through proper risk management. The following are the principles guiding that effort:

- Provide customers with security and continuity in the services being offered.
- Make risk management a part of every institutional process.
- Arrive at collective decisions within each of the committees and the Board of Directors on commercial loans and other investment operations.
- Have extensive, in-depth knowledge of the market, based on management's leadership and experience.
- Establish clear risk policies based on a top-down approach with respect to:
  - ✓ Compliance with know-your-customer policies.
  - ✓ Structures for granting commercial loans based on a clear identification of sources of repayment and the debtor's capacity to generate a cash flow.
- Diversify the commercial loan portfolio in terms of industries and economic groups.
- Specialize in consumer products niches.
- Make extensive use of credit rating and scoring models that are updated permanently, so as to ensure a build-up in consumer loans with high credit ratings.
- Follow conservative policies with respect to:
  - ✓ Composition of the trading portfolio biased toward less volatile instruments,
  - ✓ Proprietary trading operations, and
  - ✓ Variable remuneration for the trading staff.

6.2 Risk culture

The risk culture at the Bank is based on the principles indicated in the section above. It is conveyed to every unit within the Bank and supported by the following guidelines.

- The structure of delegation of powers within the Bank 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 Bank has detailed manuals on procedures and policies for adequate risk management.
- It also has implemented a limit system on maximum exposure, which is updated on a regular basis to address new circumstances in the markets and the risks to which they are exposed.
- Information systems are in place to monitor risk exposure on a recurring basis. The idea, in this respect, is to ensure that approval limits are systematically met and, if necessary, to take proper corrective action.

(Continued)

- The primary risks are analyzed not only when they arise or when problems occur during the normal course of business, but also on a recurrent basis.
- The Bank offers adequate and continuous training programs on the risk culture at every level within the organization.

6.3 Corporate structure for risk management

According to the guidelines established by the Bank, the corporate structure for risk management is comprised of the following levels:

- Board of Directors
- Risk committees
- Administrative processes for risk management
- Internal Auditing Department

a. Board of Directors

It is the responsibility of the Board of Directors of the Bank to adopt the following decisions or actions, among others, with respect to proper organization of the risk management system:

- Define and approve general policies and strategies on the internal control system for risk management.
- Approve policies on managing the different risks.
- Approve trading and counterparty limits, according to defined attributes.
- Approve exposure and limits for different types of risks.
- Approve the procedures to be followed when exceeding the established limits.
- Approve different procedures and methods for risk management.
- Approve the allocation of human, physical and technical resources for risk management.
- Create the necessary committees to ensure operations that generate exposure are properly organized, controlled and monitored, and define the duties of such committees.
- Indicate the responsibilities and attributions assigned to the positions and areas in charge of managing risks.
- Approve internal control systems for risk management.
- Require management to submit 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 its regular meetings, based on periodic reports submitted to the Auditing Committee on risk management within the Bank and the measures taken to control or mitigate the more relevant risks.
- Approve the nature and scope of the strategic businesses and markets where the Bank will operate.

(Continued)

b. The risk committees

Treasury and credit risk committee

Its purpose is to discuss, measure, control and analyze credit risk management (SARC - Spanish acronym) and treasury risk management (SARM - Spanish acronym). Its primary duties are to:

- Monitor the Bank's credit and treasury risk profile to ensure exposure remains within the established parameters, pursuant to the Bank's risk limits and policies.
- Evaluate incursion into new markets and new products.
- Assess policies, strategies and rules of procedure for commercial activities with respect to both treasury and loan operations.
- Ensure the methods for risk management and measurement are appropriate, considering the Bank's characteristics and activities.

Asset and liability committees

The purpose of asset and liability committees (ALCO) is to assist senior management in defining policies and limits, in monitoring the control and measurement systems used to guide the management of assets and liabilities, and in liquidity risk management developed though the different liquidity risk management systems (SARL - Spanish acronym).

Its main function is to:

- Establish adequate procedures and mechanisms for liquidity risk management.
- Monitor liquidity risk exposure reports.
- Pinpoint the origin of exposure and identify, through sensitivity analysis, the probability of lower returns or the need for resources due to movement in cash flow.

Auditing committee

Its aims to evaluate and monitors its internal control system.

The main duties of this committee are the following.

- Propose to the Board of Directors, for its approval, the structure, procedures and methods required for the internal control system to operate.
- Evaluate the Bank's internal control structure to determine if the designed procedures reasonably protect its assets and the third-party assets it manages or has custody of, and to verify that there are controls in place to ensure that transactions are properly authorized and reported. For this purpose, the areas responsible for the management of the different risk systems, the statutory auditor and the comptroller´s office submits to the committee the periodic reports established and the other that its required.
- Monitor risk exposure levels, implications for the organization, and the measures taken to control and mitigate risk.

c. Administrative processes for risk management

Consistent with its business models, the Bank has structures and procedures concerning the administrative processes to be followed for risk management, which are well defined and documented in manuals. It also has a variety of technological tools to monitor and control risk. These are discussed, in detail, herein.

d. Internal auditing department

The Bank´s internal auditing department is independent from management and depends directly on the auditing committee. Pursuant to their assigned duties, these committees conduct periodic assessments of compliance with the policies and procedures the Bank follows to manage risk. Their reports are submitted directly to the risk and auditing committee, which is in charge of monitoring the Bank's management when it comes to the corrective measures taken. The Bank also receives regular visits from the internal auditors to monitor compliance with its risk management policies. Their reports are submitted directly to management and to the Bank's auditing committee.

6.4 Individual risk analysis

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

The financial risks include: i) market risk (price risks, interest rate risk and exchange rate risk, as explained later), and ii) structural risks posed by the make-up of the Bank's statement of financial position with respect to assets and liabilities. The most important ones, in this respect, are the risk of fluctuation in the exchange rate, liquidity risk and interest rate risk.

The following is an analysis of each of these risks.

a. Credit risk

Consolidated credit risk exposure

The Bank 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 Bank's exposure to credit risk is a product of its loan activities and transactions with counterparties that result in the acquisition of financial assets.

The maximum exposure to credit risk is reflected in the book value of the financial assets listed in the statement of financial position, as indicated below:

		December 31, 2018	December 31, 2017
Cash and cash equivalents(1)	$	**5,875,676**	**4,034,006**
Financial instruments held-for-trading			
Government		104,587	104,252
Financial entities		354,811	348,193
Other sectors		76,710	89,279
		536,108	**541,724**
Derivatives at fair value		**338,571**	**231,101**
Debt securities available-for-sale			
Government		2,058,998	2,166,358
Financial entities		393,649	443,890
Other sectors		156,846	61,711
		2,609,493	**2,671,959**

(Continued)

		December 31, 2018	December 31, 2017
Held-to-maturity			
Government		32,321	26,865
Other sectors		1,347,804	1,353,890
		1,380,125	**1,380,755**
Loan portfolio and financial leases transactions			
Commercial		43,700,054	41,712,897
Consumer		11,534,158	10,730,746
Mortgage		3,476,297	2,938,419
Microcredit		398,314	384,474
		59,108,823	**55,766,536**
Other accounts receivable		**1,030,928**	**566,418**
Total financial assets with credit risk		**70,879,724**	**65,192,499**
Financial instruments with credit risk - off- statement of financial position at their face value			
Financial collateral and guarantees		1,580,356	1,825,727
Credit limits		7,257,280	6,781,851
Total exposure to off- statement of financial position credit risk		**8,837,636**	**8,607,578**
Total maximum exposure to credit risk	$	**79,717,360**	**73,800,077**

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

In the case of collateral and commitments to extend the amount of a loan, the maximum exposure to credit risk is the amount of the commitment; see note 10 and 29 to that effect. Credit risk is mitigated through guarantees and collateral, as described below:

Credit risk mitigation, collateral and other improvements in credit risk

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

The methods used to assess collateral 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 collateral received on loans granted are as follows:

		December 31, 2018					
		Commercial	Consumer	Mortgage	Microcredit	Finance leases	Total
Unsuitable collateral	$	169,422	148	0	32,823	0	202,393
Admissible financial collateral		881,897	37,078	68,949	97,871	8,431	1,094,226
Commercial and residential real estate		3,647,764	62,262	2,983,614	3,618	116,013	6,813,271
Assets furnished in real estate lease		0	0	0	0	1,227,319	1,227,319
Assets furnished in non-real estate lease		0	0	0	0	1,471,659	1,471,659
Other suitable collateral		8,026,373	946,898	739	793	80,580	9,055,383
Collection rights		5,297,971	490	1,229	0	208,649	5,508,339
Unsecured		23,002,789	10,470,235	0	263,209	0	33,736,233
Total	$	**41,026,216**	**11,517,111**	**3,054,531**	**398,314**	**3,112,651**	**59,108,823**

(Continued)

	December 31, 2017						
		Commercial	Consumer	Mortgage	Microcredit	Finance leases	Total
Unsuitable collateral	$	368,697	286	0	23,631	0	392,614
Admissible financial collateral		822,234	31,183	61,924	100,102	7,217	1,022,660
Commercial and residential real estate		3,795,769	62,461	2,536,269	5,379	119,403	6,519,281
Assets furnished in real estate lease		0	0	0	0	1,004,118	1,004,118
Assets furnished in non-real estate lease		0	0	0	0	1,561,795	1,561,795
Other suitable collateral		3,869,427	914,426	2,462	1,578	85,050	4,872,943
Collection rights		4,175,965	508	2,326	0	195,658	4,374,457
Unsecured		26,063,782	9,701,102	0	253,784	0	36,018,668
Total	$	**39,095,874**	**10,709,966**	**2,602,981**	**384,474**	**2,973,241**	**55,766,536**

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 Bank maintains maximum risk-level concentration rates that are permanently updated at the individual level and for sector portfolios. The limit to the Bank's exposure in a loan commitment to a specific customer depends on the customer's risk rating.

Pursuant to Colombian regulations the Bank cannot grant unsecured loan to a borrower, which on a combined basis exceed 10% of its regulatory capital calculated according to the regulations. However, such loans may be up to 25% of the bank's regulatory capital, if they are secured with acceptable guarantees.

The following is a breakdown of Bank-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, see note 10.

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 48.5% and 50.0%, respectively, of the total investment portfolio.

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

		December 31, 2018		December 31, 2017	
		Value	Share	Value	Share
Investment grade (1)					
Colombia	$	2,155,312	98.15%	2,264,405	98.56%
USA		40,594	1.85%	33,070	1.44%
Total sovereign risk		**2,195,906**	**100.00%**	**2,297,475**	**100.00%**
Others (2)		**2,329,820**		**2,296,963**	
Total debt securities	$	**4,525,726**		**4,594,438**	

(1) The 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 and Standard & Poor's.
(2) Pertains to other debt instruments with corporations, financial institutions, and other public and multilateral entities.

The process for granting counterpart loans and allocations

The Bank 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 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 follow the principal guidelines establish by the credit and treasury risk committee.

The highest authority on credit is the Board of Directors of the Bank; it approves operational and counterparty limits, according to a defined set of attributes. Risk control is exercised essentially through three mechanisms: annual allocation of operational limits and daily control; regular assessment of solvency per issuer; and reporting on the concentration of investments, by economic group.

Loan approval also hinges on considerations such as probability of default, counterparty limits, the recovery rate on collateral received, the terms of loans, and concentration by economic sector, among others.

The Bank has its Credit Risk Management System (SARC – Spanish acronym), which is run by the Office of Credit and Treasury Risk Management. Among its functions, (SARC – Spanish acronym) focuses on designing, implementing and assessing the risk policies and tools defined by the Credit Risk Committee and the Board of Directors. These are reviewed and modified regularly to reflect changes and expectations in the markets where the Bank is active, as well as regulations and other factors to be considered when formulating such policies.

Several different models its uses to assess credit risk. There are financial rating models for the loan portfolio. These are based on the customer’s financial information and its financial history with the Bank or with the financial system in general. There are scoring models for massive portfolios (consumption, housing and microcredit), which are based on information regarding behavior towards the Bank and the financial system, as well as demographic and customer profile variables. In addition, the financial risk of the operation is analyzed based on the debtor's ability to pay and to generate future funds.

Credit-risk monitoring process

The Bank’s credit-risk monitoring process is conducted in several stages. These include daily monitoring and management of collections, based on an analysis of the non-performing portfolio, by age; classification by risk level; continuous monitoring of high-risk customers; a restructuring process; and the receipt of foreclosed assets.

The Bank evaluates the risk posed by each of its debtors. This is done monthly, according to their financial information and/or performance. Based on that information, it classifies customers into one of five risk levels: A- Normal, B- Acceptable, C- Appreciable, D- Significant and E-Uncollectible.

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.

In the case of consumer loans, all the elements in the credit cycle are analyzed continuously, from design and origination to the collection process and cross-selling. The Bank has a set of standard reports and a series of committees for regular monitoring and follow-up in this respect.

For commercial loans, the Bank assesses portfolio concentration quarterly in 25 economic sectors, and evaluates the level of risk in each of them.

It also has a system of financial alerts that lead to individual customer analysis in situations of possible increased credit risk. These studies are analyzed in evaluation committees that meet periodically. Delinquency, risk, the coverage of allowances and loan concentration levels are monitored continuously through a system of reports that are conveyed to senior management.

See note 10 for details on distribution of the non-performing portfolio at December 31, 2018 and 2017, by age and risk classification.

Calculating allowances

The process of calculating allowances follows the set of guidelines established to that effect by the Superintendencia Financiera de Colombia, as outlined in Chapter II of the Basic Accounting and Financial Circular, specifically Attachment 3 on commercial loans (Reference Model for the Commercial Portfolio), Attachment 5 on consumer loans (Reference Model for the Consumer Portfolio) and Attachment 1 on home mortgages and microcredit (General System of Loan Assessment, Rating and Provisioning).

Restructuring credit operations

The Bank periodically restructures the debts of customers who have problems fulfilling their loan obligations. This restructuring process is done at the borrower's request and usually consists of extending terms, lowering interest rates or forgiving part of the debt, depending on the customer's needs.

The fundamental policy on granting this sort of refinancing is to provide the customer with the debt payment conditions required to adapt to a new situation for generating funds, based on financial feasibility.

When a loan is restructured because the debtor has financial problems, it is flagged in the Bank's files as a restructured loan, pursuant to the regulations established in that respect by the Superintendencia Financiera de Colombia. The restructuring process has a negative impact on the debtor's credit risk rating.

After restructuring, the customer's risk rating will improve only if the customer complies with the terms of the agreement, within a reasonable period of time, and its 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 value of restructured loans in domestic currency at December 31, 2018 and 2017 came to $2,034,659 and $1,878,204, respectively.

Receipt of foreclosed assets

When persuasive collection or loan restructuring processes do not produce satisfactory results within a reasonable amount of time, collection is carried out through legal means or agreements are reached with the customer to receive foreclosed assets. The Bank has a set of clearly established policies, and has separate specialized departments for receiving foreclosed assets and subsequent sale.

The following is a breakdown of foreclosed assets and those sold:

		December 31, 2018	December 31, 2017
Foreclosed assets	$	108,867	25,905
Sold assets		4,368	3,112

b. Market risk

Market risk is defined as the potential loss the Bank faces as a result of adverse fluctuations in prices or market rates, such as interest rates, exchange rates, and other factors that affect the value of the products it markets.

The Market Risk Management System (SARM) allows the Bank to identify measure, control and monitor the market risk to which it might be exposed, according to the positions assumed in carrying out its operations. The Bank reported at December 31, 2018 and 2017 the following financial assets and liabilities at fair value subject to market risk (trading):

		December 31, 2018	December 31, 2017
Assets			
Debt securities			
Held-for- trading	$	536,108	541,724
Available- for- sale		2,609,493	2,671,959
		3,145,601	**3,213,683**
Trading derivatives		317,086	180,994
Hedging derivatives		21,485	50,107
Total assets		**3,484,172**	**3,444,784**
Liabilities			
Trading derivatives		369,571	172,417
Hedging derivatives		180,696	9,911
Total liabilities		**550,267**	**182,328**
Net position	$	**2,933,905**	**3,262,456**

Description of risk management objectives, polices and processes

The Bank participates in monetary, exchange and capital markets in an effort to meet its needs and those of its customers. This is done according to well established policies and risk levels. In that regard, it manages various portfolios of financial assets within the permitted limits and risk levels.

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

Business strategies are established in light of approved limits, seeking a balance in the profit/risk ratio. There also is a structure of limits that is congruent with the Bank's overall philosophy, based on the extent of its capital, the performance of earnings, and its tolerance for risk.

Description of risk exposure

- **Interest rate exposure**

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

- **Exchange rate risk**

The treasury portfolios are exposed to exchange risk when the actual value of the asset positions in each currency does not match the actual value of the liability positions in the same currency, and the difference is not offset. Positions are taken in derivative products where the underlying asset is exposed to exchange risk and the sensitivity of the value to variations in exchange rates has not been immunized completely. Positions are taken in 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 liability positions in said currency, which generates losses or profits, or when the margin depends directly on the exchange rates.

Market risk management

The Bank's senior management and its Board of Directors play an active role in risk management and control, by analyzing an established protocol of reports and presiding over a number of committees. This represents a combined and comprehensive effort to monitor - both technically and fundamentally - the different variables that influence markets at internal and external levels. It also is a way to support strategic decisions.

Furthermore, analyzing and monitoring the various risks incurred by the Bank in its operations is fundamental to making decisions and assessing results. On the other hand, a permanent analysis of macroeconomic conditions is essential to achieving an ideal combination of risk, return and liquidity.

The risks assumed in the Bank's operations are reflected in a framework of limits to its positions in different instruments. These limits are based on the specific strategy of the institution, the depth of the markets where it operates, the impact on risk-weighted assets and capital adequacy levels, and the structure of its statement of financial position. These limits are monitored daily and reported weekly to the Board of Directors.

(Continued)

The Bank also implements hedging strategies to minimize the risks associated with interest rates and exchange rates for some of the items on its statement of financial position. It does so by taking positions in derivative instruments.

According to the Bank’s risk management strategy, exposure to exchange risk generated by investments in subsidiaries and agencies abroad is hedged through a combination of "non-derivative" instruments (USD denominated debt) and "derivative" instruments (a portfolio of dollar - peso forwards). From an accounting perspective, these instruments are treated as hedges and all respective requirements are met.

The economic relationship between financial instrument and the hedged item is explained in note 9, section 9.5.4.

Risk measurement methods

Market risks are quantified through the use of value-at-risk models (internal and standard), and measurements are made by 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 earnings, and sets additional limits depending on the type of risk in question.

The Bank uses the standard model to measure, control and manage market interest and exchange risk and share price risk in the treasury and bank books, as required by the Superintendencia Financiera de Colombia, pursuant to Chapter XXI of the Basic Accounting and Financial Circular. These exercises are performed daily and monthly for risk exposure. At present, asset and liability positions in the treasury book are mapped by zones and bands, according to the duration of the portfolios, the investment in equity securities and the net position in foreign currency (asset, less liability). This is done for both the bank book and the treasury book, in line with the standard model recommended by the Basel Committee.

The Bank also has parametric and non-parametric internal management models that are based on the value-at-risk (VaR) method. These models contribute to market-risk management by being used to identify and analyze variations in risk factors (interest rates, exchange rates and price indexes) with respect to the value of the different instruments in the Bank’s portfolios. The parametric VaR model, the conditional VaR model and historical simulation are the ones used.

Use of these methods has made it possible to estimate profits and capital at risk. This, in turn, facilitates resource allocation to the various business units, as well as a comparison of activities in different markets and identification of the positions that pose the most risk to the treasury business. These tools also are used to set limits on traders’ positions and to review positions and strategies quickly, as market conditions evolve.

The methods used to measure VaR are assessed regularly and back-tested to check their efficiency. The Bank also 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 used to set limits for the risk management of treasury portfolios, with In order to verify that they are contained in them. Furthermore, it has set limits according to the “type of risk" associated with each of the instruments that make up the different portfolios (sensitivity or impact on portfolio value as a result of fluctuations in interest rate or respective factors - impact of variations in specific risk factors: interest rate (Rho), exchange rate (Delta) and volatility (Vega).

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

It also has a process to monitor the clean prices of the international vector (fixed-income bonds issued abroad) and input published by PRECIA S.A. for valuing derivatives. This is done daily to identify prices and/ or input that show significant differences between the information provided by the pricing service and the prices observed on the market.

Monitoring of this sort is intended to provide the pricing service with feedback on the most significant differences in prices and/ or input, so they can be revised.

Fixed income bonds issued abroad also are subject to a qualitative analysis of liquidity to determine the depth of the market for instruments of this type and to identify their hierarchy or fair value.

Finally, part of the effort to monitor operations includes controlling the different aspects of trading, such as negotiated terms, unconventional or off-market operations, operations with related parties, etc.

Quantitative data

The VaR indicators (maximum, minimum and average VaR) presented by the Bank are summarized as follows:

	December 31, 2018				December 31, 2017			
	Minimum	Average	Maximum	Latest	Minimum	Average	Maximum	Latest
Interest rate in pesos	237,277	278,549	309,177	237,277	175,263	220,111	281,490	193,431
Exchange rate	53,677	113,011	165,364	156,134	11,509	37,195	113,873	112,962
Shares of stock	711	740	792	792	717	752	776	717
Mutual funds	90	12,332	49,029	49,029	65	83	104	104
Total VaR	**353,510**	**404,632**	**510,463**	**443,232**	**194,063**	**258,141**	**308,124**	**307,214**

The following is a sensitivity analysis of the impact the average portfolio of debt securities “held for trading” would have had on earnings during the periods ended at December 31, 2018 and 2017, if interest rates for Bank had increased by 25 or 50 basis points (BP):

		December 31, 2018	December 31, 2017
Average value of the portfolio	$	538,916	501,149
25 basis points		674	626
50 basis points		1,347	1,253

Investment price risk in equity instruments

Equity securities

The Bank also is exposed to financial asset price risk in equity instruments (variable rate investments) listed on the stock exchange (mainly the Bolsa de Valores de Colombia). If the prices of these investments had been 1% higher or lower, the greater or lesser impact on the Bank´s OCI, before taxes, would have been $63 at December 31, 2018 and $69 at December 31, 2017.

- **Risk of variation in the foreign exchange rate**

The bulk of the Bank's assets and liabilities in foreign currency are held in US dollars.

The following is a breakdown, in pesos, of the assets and liabilities in foreign currency held by the Bank:

	December 31, 2018				
	Millions of US dollars	Millions of US euros	Other currencies expressed in millions of US dollars		Total in millions of Colombian pesos
Assets					
Cash and cash equivalents	1,523.19	7.05	1.21	$	4,976,801
Debt securities held-for-trading	83.85	0.00	0.00		272,481
Debt securities available-for-sale	127.09	0.00	0.00		413,025
Debt securities held-to-maturity	9.95	0.00	0.00		32,321
Loans portfolio and financial leases transactions, net	1,762.09	0.99	4.87		5,745,389
Other accounts receivable, net	79.62	0.00	0.00		258,739
Total assets	**3,585.79**	**8.04**	**6.08**		**11,698,756**
Liabilities					
Current accounts deposits	1,270.33	0.00	0.00		4,128,250
Savings accounts deposits	58.38	0.00	0.00		189,714
Time certificates of deposit	1,133.23	0.00	0.00		3,682,723
Other deposits	20.15	0.52	0.02		67,250
Interbank borrowings and overnight funds	172.05	0.00	0.00		559,123
Borrowings from bank and others	1,520.23	0.99	4.86		4,959,372
Bonds issued	2,207.42	0.00	0.00		7,173,553
Borrowing from development entities	83.50	0.00	0.00		271,365
Accounts payable and other liabilities	1.37	0.01	0.00		4,496
Total liabilities	**6,466.66**	**1.52**	**4.88**		**21,035,846**
Net asset (liabilities) position	**(2,880.87)**	**6.52**	**1.20**	$	**(9,337,090)**

	December 31, 2017				
	Millions of US dollars	Millions of US euros	Other currencies expressed in millions of US dollars		Total in millions of Colombian pesos
Assets					
Cash and cash equivalents	655.44	1.01	0.80	$	1,961,846
Debt securities held-for-trading	41.45	0.00	8.20		148,154
Debt securities available-for-sale	201.63	0.00	0.00		601,664
Debt securities held-to-maturity	9.00	0.00	0.00		26,865
Loans portfolio and financial leases transactions, net	2,022.66	0.91	3.49		6,049,271
Other accounts receivable, net	12.86	0.00	0.00		38,371
Total assets	**2,943.04**	**1.92**	**12.49**		**8,826,171**
Liabilities					
Current accounts deposits	1,298.25	0.00	0.00		3,873,964
Savings accounts deposits	114.36	0.00	0.00		341,263
Time certificates of deposit	618.12	0.00	0.00		1,844,464
Other deposits	30.08	1.69	0.05		95,955
Interbank borrowings and overnight funds	152.04	0.00	0.00		453,677
Borrowings from bank and others	1,106.49	0.91	3.49		3,315,405
Bonds issued	2,204.97	0.00	0.00		6,579,625
Borrowing from development entities	80.20	0.00	0.00		239,326
Accounts payable and other liabilities	1.59	0.00	0.00		4,741
Total liabilities	**5,606.10**	**2.60**	**3.54**		**16,748,420**
Net asset position	**(2,663.06)**	**(0.68)**	**8.95**	**$**	**(7,922,249)**

(Continued)

The Bank has a number of investments in subsidiaries and branches abroad. Their net assets are exposed to financial-statement-conversion risk for consolidation purposes.

The exposure posed by net assets in operations abroad is hedged primarily with financial obligations, bonds and derivatives in foreign currency.

If the value of the US dollar against the Colombian peso would have increased by $10 Colombian pesos per US$1 the effect on the net position of the Bank would decrease ($28,637) for December 31, 2018 and decrease ($26,549) for December 31, 2017.

- **Risk in the interest rate structure**

The Bank is exposed to the effects of fluctuations in the interest-rate market that affect its financial position and future cash flows. Interest margins can increase as a result of changes in interest rates, but they also can decline and create losses in the event of unexpected movement in interest rates. So, they are monitored regularly in this sense, and limits are set on the degree of mismatch in the re-pricing of assets and liabilities due to changes in interest rates.

The following table shows the assets and liabilities, according to re-pricing bands:

		December 31, 2018				
		Up to 1 Month	From 1 to 6 Months	From 6 to 12 Months	More than 1 year	Total
Assets						
Cash and cash equivalents	$	8,213,628	0	0	0	8,213,628
Debt securities held-for-trading		536,108	0	0	0	536,108
Debt securities available-for-sale		0	58,223	159,147	2,392,123	2,609,493
Debt securities held-to-maturity		1,344,502	32,395	3,228	0	1,380,125
Commercial loans		8,433,346	8,291,723	5,007,812	21,967,173	43,700,054
Consumer loans		299,370	177,157	1,072,149	9,985,482	11,534,158
Mortgages loans		26,105	170	940	3,449,082	3,476,297
Microcredit loans		15,695	11,554	37,463	333,602	398,314
Total assets		**18,868,754**	**8,571,222**	**6,280,739**	**38,127,462**	**71,848,177**
Liabilities						
Current accounts deposits		12,841,770	0	0	0	12,841,770
Savings accounts deposits		21,405,390	0	0	0	21,405,390
Time certificates of deposit		7,975,853	9,391,249	1,520,198	928,553	19,815,853
Interbank borrowings and overnight funds		714,994	0	0	0	714,994
Borrowings from bank and others		853,521	2,754,799	1,348,959	2,293	4,959,572
Bonds issued		7,591	50,250	0	7,250,449	7,308,290
Borrowing from development entities		510,924	1,398,471	10,241	0	1,919,636
Total liabilities	$	**44,310,043**	**13,594,769**	**2,879,398**	**8,181,295**	**68,965,505**

		December 31, 2017				
		Up to 1 Month	From 1 to 6 Months	From 6 to 12 Months	More than 1 year	Total
Assets						
Cash and cash equivalents	$	6,195,046	0	0	0	6,195,046
Debt securities held-for-trading		541,724	0	0	0	541,724
Debt securities available-for-sale		98,724	34,057	270,006	2,269,172	2,671,959
Debt securities held-to-maturity		1,350,583	30,172	0	0	1,380,755
Commercial loans		4,935,892	9,181,215	4,581,085	23,014,705	41,712,897
Consumer loans		249,227	84,018	1,043,051	9,354,450	10,730,746
Mortgages loans		22,317	176	482	2,915,444	2,938,419
Microcredit loans		13,241	10,964	37,415	322,854	384,474
Total assets		**13,406,754**	**9,340,602**	**5,932,039**	**37,876,625**	**66,556,020**

(Continued)

		December 31, 2017				
		Up to 1 Month	From 1 to 6 Months	From 6 to 12 Months	More than 1 year	Total
Liabilities						
Current accounts deposits		12,407,415	0	0	0	12,407,415
Savings accounts deposits		22,512,200	0	0	0	22,512,200
Time certificates of deposit		6,154,109	7,217,862	2,578,027	1,006,785	16,956,783
Interbank borrowings and overnight funds		519,480	0	0	0	519,480
Borrowings from bank and others		948,635	1,735,676	635,592	0	3,319,903
Bonds issued		8,288	50,250	0	6,654,076	6,712,614
Borrowing from development entities		503,785	1,115,948	26,004	0	1,645,737
Total liabilities	$	**43,053,912**	**10,119,736**	**3,239,623**	**7,660,861**	**64,074,132**

The following is a breakdown according to the type of interest rates on financial assets and liabilities:

		December 31, 2018				
		Under one year		More than one year		Total
		Variable	Fixed	Variable	Fixed	
Assets						
Debt securities held-for-trading	$	88,405	447,703	0	0	536,108
Debt securities available-for-sale		0	217,371	0	2,392,122	2,609,493
Debt securities held-to-maturity		1,347,804	32,321	0	0	1,380,125
Commercial loans		20,464,949	1,765,101	20,484,664	985,340	43,700,054
Consumer loans		233,458	3,841,162	283,212	7,176,326	11,534,158
Mortgages loans		26,087	172,712	268	3,277,230	3,476,297
Microcredit loans		12,053	192,945	0	193,316	398,314
Abandoned accounts - Icetex		0	0	129,705	0	129,705
Total assets		**22,172,756**	**6,669,315**	**20,897,849**	**14,024,334**	**63,764,254**
Liabilities						
Current account deposits		445,839	12,395,931	0	0	12,841,770
Savings accounts deposits		707,849	20,697,541	0	0	21,405,390
Time certificates of deposit		4,426,625	10,353,668	4,084,533	951,027	19,815,853
Interbank borrowings and overnight funds		0	714,994	0	0	714,994
Borrowings from bank and others		86,456	4,870,823	0	2,293	4,959,572
Bonds issued		0	392,117	50,250	6,865,923	7,308,290
Borrowing from development entities		454,974	9,417	1,455,245	0	1,919,636
Total liabilities	$	**6,121,743**	**49,434,491**	**5,590,028**	**7,819,243**	**68,965,505**

		December 31, 2017				
		Under one year		More than one year		Total
Assets		Variable	Fixed	Variable	Fixed	
Debt securities held-for-trading	$	21,569	174,855	51,681	293,619	541,724
Debt securities available-for-sale		0	402,788	0	2,269,171	2,671,959
Debt securities held-to-maturity		1,353,890	26,865	0	0	1,380,755
Commercial loans		15,822,210	3,308,926	21,272,350	1,309,411	41,712,897
Consumer loans		62,968	3,725,868	250,182	6,691,728	10,730,746
Mortgages loans		31	165,374	224	2,772,790	2,938,419
Microcredit		7	190,685	0	193,782	384,474
Abandoned accounts - Icetex		0	0	120,059	0	120,059
Total assets		**17,260,675**	**7,995,361**	**21,694,496**	**13,530,501**	**60,481,033**
Liabilities						
Current account deposits		511,294	11,896,121	0	0	12,407,415
Savings accounts deposits		548,561	21,963,639	0	0	22,512,200
Time certificates of deposit		3,637,377	8,286,982	4,013,371	1,019,053	16,956,783
Interbank borrowings and overnight funds		0	519,480	0	0	519,480
Borrowings from bank and others		0	3,319,903	0	0	3,319,903
Bonds issued		0	361,353	50,250	6,301,011	6,712,614
Borrowing from development entities		304,509	11,052	1,330,176	0	1,645,737
Total liabilities	$	**5,001,741**	**46,358,530**	**5,393,797**	**7,320,064**	**64,074,132**

If interest rates had been 50 basis points lower (higher) with all other variables held constant, the Bank's net income for December 31, 2018 and December 31, 2017 would have increased (decreased) by $26,996 and $19,895, respectively, this is mainly due to a lower (higher) interest expense on financial obligations and customer deposits.

- **Other activities**

The value of the derivatives has been adjusted at January 1, 2015, by including counterparty credit risk and that of the Bank, as per IFRS 13.

c. Liquidity risk

- **Management and models**

The Bank manages liquidity risk according to the standard model described in Chapter VI of the Basic Accounting and Financial Circular issued by the Superintendencia Financiera de Colombia and pursuant to the applicable rules on liquidity risk management. This process adheres to the fundamental principles of the Liquidity Risk Management System (SARL – Spanish acronym), which establish the minimum reasonable parameters entities must monitor to effectively manage the liquidity risk to which they are exposed in their operations.

A liquidity risk indicator (LRI) is calculated weekly for periods of 7, 15 and 30 days and used to measure liquidity risk, as per the standard model of the Superintendencia Financiera de Colombia.

As part of liquidity risk analysis, the Bank measures the volatility and/or stability of deposits (with or without contractual maturity), 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 of own or systemic stress.

Liquid assets include cash plus investments (held for trading, available for sale or held to maturity) adjusted by a liquidity haircut at 33 days, which is calculated monthly by the Banco de la República de Colombia. This haircut reflects the premium a financial entity would have to pay to carry out interbank or simultaneous repo operations. By the same token, liquid assets in foreign currency are adjusted by an exchange rate haircut at one month that reflects their volatility in the event positions in foreign currency have to be sold to meet liquidity needs. Entities must maintain a level of high-quality liquid assets equivalent to at least 70% of their total liquid assets. High-quality liquid assets are understood as cash and the liquid assets the Banco de la República de Colombia receives for its monetary contraction and expansion operations.

A quantification of funds obtained on the money market is an integral part of the liquidity measurement that Bank does. Primary and secondary sources of liquidity are identified, based on technical studies, in order to have a range of funding suppliers; the goal is to ensure funding stability and sufficiency and to minimize any concentration of funding sources. Once identified, sources of funding are assigned to the different lines of business, according to the budget and the 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, the Bank has liquidity warning indicators to determine the current situation, as well as the strategies to be followed in each case. These include, among others, liquidity risk indicators (LRI), deposit concentration levels, and use of the Banco de la República de Colombia liquidity quotas.

Senior management is made aware of the Bank's liquidity situation, through the Technical Committee on Assets and Liabilities, and adopts the necessary decisions. These take into account the high-quality liquid assets that must be maintained, tolerance in liquidity management or minimum liquidity, strategies for granting loans and obtaining funds, policies on placing liquidity surpluses, changes in the characteristics of new and existing products, diversification of funding sources to prevent any concentration of deposits with in few investors or savers, hedging strategies, the Bank's statement of income, and the changes in the structure of its statement of financial position.

The Bank required maintaining enough cash on hand and in restricted banks to meet the requirements of the Banco de la República de Colombia and the Superintendencia Financiera de Colombia. These funds are part of the legal reserve requirement and are calculated on average daily deposits in the following accounts, according to the percentages listed below.

Item	Required percentage
Deposits and demand accounts and up to 30 days	11%
Public entity deposits	11%
Deposits and demand accounts after 30 days	11%
Ordinary savings deposits	11%
Fixed-term savings deposits	11%
Trading security repurchase agreements	11%
Accounts other than deposits	11%
Time certificates of deposit:	
Under 540 days	4,5%
540 days or more	0%

- **Quantitative data**

The following is a summary of the liquid assets that are expected to be available during a period of 90 days, pursuant to the provisions established by the Superintendencia Financiera de Colombia:

		Liquid assets available at the end of the period	From 1 to 7 days	From 1 to 15 days	From 1 to 30 days	From 1 to 90 days
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

An analysis of the maturities of the Bank's financial assets and liabilities shows the remaining contractual maturities listed below:

		December 31, 2018				
		Less than one month	From one to six months	From six to twelve months	More than one year	Total
Assets						
Cash and cash equivalents	$	8,213,628	0	0	0	8,213,628
Debt securities held-for-trading		536,108	0	0	0	536,108
Trading derivatives		317,086	0	0	0	317,086
Hedging derivatives		21,485	0	0	0	21,485
Debt securities available-for-sale		3,930	111,032	276,800	3,079,100	3,470,862
Debt securities held-to-maturity		308,492	554,742	526,260	0	1,389,494
Comercial loans		4,234,093	9,617,542	6,083,724	26,076,891	46,012,250
Consumer loans		700,889	2,388,895	2,541,650	9,850,551	15,481,985
Mortgages loans		61,271	213,595	254,842	6,040,186	6,569,894
Microcredit loans		56,258	119,757	122,836	251,825	550,676
Total Assets		**14,453,240**	**13,005,563**	**9,806,112**	**45,298,553**	**82,563,468**

(Continued)

		December 31, 2018				
		Less than one month	From one to six months	From six to twelve months	More than one year	Total
Liabilities						
Trading derivatives		369,571	0	0	0	369,571
Hedging derivatives		180,696	0	0	0	180,696
Current accounts deposits		12,841,770	0	0	0	12,841,770
Savings accounts deposits		21,405,390	0	0	0	21,405,390
Time certificates of deposit		3,061,346	8,304,893	3,905,090	5,485,626	20,756,955
Other deposits		68,285	0	0	0	68,285
Interbank borrowings and overnight funds		714,994	0	0	0	714,994
Borrowings from bank and others		713,005	2,539,839	1,767,614	0	5,020,458
Bonds issued		95,201	309,742	927,934	8,797,683	10,130,560
Borrowing from development entities		31,146	297,807	210,901	1,708,495	2,248,349
Accounts payable and other liabilities		2,983,772	0	0	0	2,983,772
Total Liabilities	$	**42,465,176**	**11,452,281**	**6,811,539**	**15,991,804**	**76,720,800**

		December 31, 2017				
		Less than one month	From one to six months	From six to twelve months	More than one year	Total
Assets						
Cash and cash equivalents	$	6,195,046	0	0	0	6,195,046
Debt securities for trading		541,724	0	0	0	541,724
Trading derivatives		180,994	0	0	0	180,994
Hedging derivatives		50,107	0	0	0	50,107
Debt securities available for sale		101,092	66,645	411,304	2,593,547	3,172,588
Debt securities held to maturity		353,270	474,440	565,532	0	1,393,242
Commercial loans		3,624,746	10,514,487	5,586,033	27,164,604	46,889,870
Consumer loans		604,034	2,235,584	2,472,630	9,230,212	14,542,460
Mortgages loans		47,928	181,251	216,278	5,148,968	5,594,425
Microcredit loans		49,486	115,656	118,213	259,541	542,896
Total Assets		**11,748,427**	**13,588,063**	**9,369,990**	**44,396,872**	**79,103,352**
Liabilities						
Trading derivatives		172,417	0	0	0	172,417
Hedging derivatives		9,911	0	0	0	9,911
Current accounts deposits		12,407,415	0	0	0	12,407,415
Savings accounts deposits		22,512,200	0	0	0	22,512,200
Time certificates of deposit		2,089,880	5,941,761	4,429,324	5,756,875	18,217,840
Others deposits		96,829	0	0	0	96,829
Interbank borrowings and overnight funds		519,480	0	0	0	519,480
Borrowings from bank and others		822,991	1,808,520	699,949	0	3,331,460
Bonds issued		0	191,532	181,838	9,311,934	9,685,304
Borrowing from development entities		28,049	176,814	184,242	1,600,799	1,989,904
Accounts payable and other liabilities		1,769,012	0	0	0	1,769,012
Total Liabilities	$	**40,428,184**	**8,118,627**	**5,495,353**	**16,669,608**	**70,711,772**

d. Operating risk

The Bank’s Operational Risk Management System (SARO – Spanish acronym) was implemented according to the guidelines established in Chapter XXIII of the Basic Accounting and Financial Circular (External Circular 100 / 1995) issued by the Superintendencia Financiera de Colombia. This system is operated by the Operational Risk Management, which is part of the Control and Compliance Unit.

The Bank has improved its understanding and control of the risks in its processes, activities, products and operating lines, and has managed to reduce errors and identify opportunities for improvement to support the development and operation of new products and services.

(Continued)

The Operational Risk Manual outlines the policies, standards and procedures to ensure its business is managed within defined levels of appetite for risk. The Business Continuity Management System Manual contains guidelines on how the Bank would operate in the event it does not have the basic resources it needs to function.

The Bank keeps a detailed log of all operational risk events (ORE) that are reported by the risk managers and entered in the expense accounts assigned for proper accounting follow-up.

The Department of Operational Risk Management (GRO – Spanish acronym) takes part in the Bank's activities through its involvement in the complaints, claims and fraud committees and in matters that affect the process and/or the customers. It also helps to operate the Financial Customer Service System (SACF – Spanish acronym) through efforts to identify measure and control the risks derived from implementing that system and from registering the risks and controls involved in compliance with the Sarbanes-Oxley Law (SOX). This department also participates in the Information Security Committee, which analyzes the operational risks associated with the information assets generated in the banking process.

The operational risk profile at December 31, 2018 contained risks and controls for its 251 processes. The updated model is dynamic and takes into account the tests run on controls, the effort made to filter risks and controls, the changes in structure, roles, and applications and generated by the Process Management Department.

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). In addition, meets the regulatory requirements established in that respect by the supervisory organism in the countries where the Bank operates.

In light of the foregoing, operational risk is defined as the possibility that events caused by people, information technology or inadequate or failed internal processes, as well as those occasioned by outside events, might have a negative impact that could undermine accomplishment of the institution' objectives. Given the nature of the organization, there is operational risk in all the Bank´s activities.

The organization's priority is to identify and manage primary risk factors, regardless of whether or not they might result in monetary loss. This measurement also helps to set priorities for operational risk management.

The operational risk management system is a process that includes the following:

- Measurement from the standpoint of the control environment,
- Identification and assessment of operational risks,
- Treatment and mitigation of operational risks,
- Risk monitoring and review,
- Recording and entering losses on the books caused by incidents involving operational risk.

In addition, the Bank has formally established policies to manage information security, business continuity and fraud prevention, among others that support the proper management of operational risks within the organization.

The following are the figures resulting from each update of the Bank's operating risk profile at December 31, 2018 and 2017:

	December 31, 2018	December 31, 2017
Controls	4,282	4,328
Risks	1,720	1,793
Failures	1,423	2,211
Processes	251	261

The losses registered for operational-risk events during the six months ended at December 31, 2018 came to $ 18,818, they break down as follows: losses in loan portfolio D/C (16%), fines and penalties interest operational risk (14%), losses for claims in savings accounts (14%), operating process failures with deposit-taking products in D/C (12%), and losses on other operational risk accounts (44%).

As per the Basel risk classification, these events are distributed according to: implementation and management processes (43%), external fraud (30%), internal fraud (14%), and others (13%). Those with the highest incidence are the following:

- **Implementation and management processes:** Errors in the value-added tax liquidation charged on fees of customers under process of collection, generating a sanction payment and default interest to the "Dirección de Impuestos y Aduanas Nacionales (DIAN)" for $3,195.

  Compliance was omitted the Bank's obligation to transfer recoveries to "Fondo para el Financiamiento Del Sector Agropecuario (FINAGRO)" for payments received for years 2013 to 2017 of credits destined for renewal of coffee plantations, the Bank assumed the amount of principal plus interest for a total of $1,107.

  Deficiencies were noted in support processes for negotiations at the National Collections Office when credit card payment forms were generated, for which the Bank assumed the cost of $883.

  Errors in a direct international draft of a customer at the time of funds transfer from its account in the Bank to Bancolombia Panamá: the product number was recorded as inconsistencies, for which it was credited to a different customer and it was impossible to recover the money $613.

  Payment through the execution of the minutes of early termination and liquidation of lease contracts, wherein the parties agreed to pay the compensation or relief for $350.

- **External fraud:** Creation of a provision for $1,300 constituted in alleged tort by the Bank regarding the theft of moneys to a public entity occurred during April 3 and 4, 2007, through the company's web page.

  Fraudulent use of credit cards (stolen cards, minor frauds, secure commerce and forgery, retainers, transfers or unauthorized purchases by the holder of the product) for $1,839, and personal banking customer's identity theft in the product request and utilization of financial products for $956.

- **Internal fraud:** Appropriation of money misuse of accounts receivable by officials in missing clearing for $2,485.

e. Risk of money laundering and terrorism financing

Efforts to support the Bank's Money Laundering and Terrorist Financing Risk Management System (SARLAFT – Spanish acronym) have produced good results and fall within the regulatory framework established to that effect by the 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 Bank'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 Bank develops its operations as dictated by law and ethical principles, pursuing sound banking practices. It continues to adhere to the methods, procedures, responsibilities and functions required to manage properly the risk of money laundering and terrorism financing properly.

The activities carried out in terms of SARLAFT took into account the methodologies adopted by the Bank, 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 Bank has maintained with respect to SARLAFT.

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

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

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

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

In addition, with respect to the regulatory framework, which indicates entities must identify, analyze and examine ML/TF risks prior to launching a new product or modifying the characteristics of an existing one, and before entering a new market or launching or modifying distribution channels, studies (3) done during the year 2018 produced specific recommendations on the adoption of controls to mitigate the risks that might arise from the standpoint of the four risk factors.

As for the measurement stage, approval was made of the impact and probability tables that the parent of the Bank established for the risk rating criteria inherent to SARLAFT for the Consolidation of the parent companies of the Group.

In terms of the control stage, the Bank has designed a methodology that enables it to verify the effectiveness of these controls, so as to eventually establish a ML/TF residual risk profile.

(Continued)

At this point in time, there is an inventory of controls that have been tested to validate their effectiveness. They are described as follows.

Controlling the customer risk factor: The Bank has implemented a series of controls to mitigate ML/TF risk from the standpoint of the customer. These focus on different aspects, such as the process of customer acceptance, updating customer information and validating public information, among other aspects. The activities for this risk factor include analyzing means of communication; managing the communication system (SIMEDCO); monitoring customers who are publicly exposed people (PEP); cross-checking against public lists when accepting new customers; analyzing the risk posed by campaigns to market new products; analyzing the quality of the information in CRM; monitoring the process whereby the Bank accepts customers and updates their financial information; referencing products to liabilities; analyzing suppliers, shareholders and foreclosed assets; analyzing applications from foreigners to become customers of the Bank; and examining unusual transactions.

Controlling the product risk factor: Considering the standard definition of a product and pursuant to the methodology adopted by the Bank, the activities developed to combat this risk factor include analyzing product transactions through the implementation of SMT-SARLAFT; analyzing operations in foreign currency; monitoring cashier's checks; following up on credit cards with a positive balance; tracking cash transactions; and monitoring embargoed accounts. The goal is look at the way products perform and particularly those that are more exposed to ML/TF risk. This is done according to international and national recommendations and the respective procedures establish by the Bank.

Controlling the distribution-channel risk factor: Different routes and models have been developed to identify unusual events in the distribution channel, as part of the controls to mitigate risk. This is done with SPSS Modeler, which allows for a more detailed analysis. Specifically, it lets us select transactions that do not fit a customer's normal behavior when using a particular channel, or transactions that require more attention by virtue of their nature. The advanced control activities for this factor include monitoring AVAL operations, monitoring ACH transactions, tracking acquisitions, and monitoring Internet operations.

Controlling the jurisdiction risk factor: The jurisdiction risk factor is interpreted as the geographical location where the Bank is present and is involved by providing its services. This factor is analyzed in light of social, political, economic and security circumstances that might affect transactions at certain geographic locations, both domestically and internationally. The Bank has designed an illogical site method to identify transactions that seem to be unrelated to the place where they originate and their destination.

Controls in the business units: there were informative visits focused primarily on the customer acceptance process, publicly exposed people (PEP), political campaigns, cash transactions, transaction analysis using the SMT-SARLAFT application, reports of no unusual transactions without (ROI – Spanish acronym), foreign currency operations, information updating, and training. Inventory controls were evaluated during these visits. They are executed by the offices and constitute the basis for mitigating the risks related to money laundering and terrorism financing.

Other control activities: The Bank has implemented a number of additional controls to supplement those described above by supporting and complementing proper ML/TF risk management. Among others, these activities include certifying "no reports of unusual transactions," conducting management surveys, the "ABCs of knowing the customer," and compiling and delivering "Knowledge of Code of Ethics and Conduct" certificates.

In addition, Forty two (42) internal controls that are the responsibility of the Compliance Control Unit and others internal areas were validated as well and seventeen (17) controls in business units through didactic visits. They were assessed by developing a run-through test to determine their effectiveness in mitigating the inherent risk.

The extent of the residual risk of ML/TF is defined by associating the effectiveness of the controls with respect to each risk and following the measurement methodology.

Documentation for the ML/TF Risk Management System (SARLAFT – Spanish acronym) stages takes place in the Money Laundering and Terrorist Financing Risk Management System within Operating Risk Strategic Control tool (CERO – Spanish acronym), which integrates different dimensions of interest in risk management: risk matrices and controls, indicators, action plans, etc., which include several stakeholders such as risk managers, advisors and control agencies, and has all the characteristics needed to efficiently manage risks and provide proper matrix documentation.

Finally, in the monitoring stage from 2017, the documentation of the stages of the SARLAFT is carried out in the module for the Management of Asset Laundering and Terrorist Financing Risk of the tool Strategic Control of Operational Risk (CERO – Spanish acronym), which integrates different dimensions of interest in risk management: risk matrices and controls, indicators, action plans, among others, and in which different stakeholders intervene as risk managers, advisors and control bodies, and account with all the characteristics to carry the efficient management of the risks and the adequate documentation of the matrix.

Likewise, the tool is used to track the risk level of ML / FT. This software also made it possible to calculate the residual risk at Level 1, which translates into a frequency and impact tending towards zero, maintaining stable performance compared to previous periods. In addition, several indicators have been defined that reflect, in a general way, SARLAFT management with respect to points that are sensitive and have more of an impact in terms of the objectives of ML/TF risk management.

- **Elements of the money laundering and terrorism financing risk management system**

The Bank 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 Bank.

The Bank submitted institutional reports to the Financial Information and Analysis Unit (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 Bank´s policy is to give these authorities our support and cooperation, within the bounds of the law.

The SARLAFT support the commercial activities of the Bank, 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.

The Bank followed up on the SARLAFT reports submitted by the Office of Government Accounting and the Statutory Auditor, so as to address their recommendations for optimizing the system. According to the reports received by the Bank, the results of SARLAFT management within the bank are considered satisfactory.

The Bank remains dedicated to risk management and it has the technological tools to implement policies such as those focused on “knowing the customer” and “knowing the market”. The objective is to single out unusual transactions and to report suspicious ones to the Financial Information Unit (UIAF – 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 Bank 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 Bank 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. Ninety nine percent (99%) of the Bank’s employees were covered by this program in the year 2018, through the various training schemes that are used.

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.

The organization remains committed to ML/TF risk management issues as part of its corporate responsibility to society and to the regulators.

f. Legal risk

The Legal Division supports legal risk management for the Bank’s operations. Specifically it defines and institutes the necessary procedures to adequately control the legal risks inherent in banking operations, making sure those controls comply with legal standards and are properly documented. It also analyzes and drafts contracts for operations conducted in the various business units.

As instructed by the supervisory agency, the Bank appraised the claims lodged against it and established the allowances necessary to cover probable losses. This was done based on the opinion of its lawyers. See note 29 to the financial statements for an explanation of the lawsuits pending against the Bank, apart from those classified as remotely probable.

NOTE 7 - OPERATING SEGMENTS

Operating segments are defined as a component of an entity that: (i) develops business initiatives through 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, which decides on the resources to be allocated to the segment and evaluates its performance; and (iii) has differentiated financial information about its operations.

Based on this definition, consider the fact that the Board of Directors, which is the maximum decision-making authority on operational matters, conducts a monthly review and assessment of information, key financial data and of the outcome of the Bank's operations as a whole, separating the income of subsidiaries from the other activities in the banking operation and including additional information on four defined strategic units of the business. The Bank operates with two segments:

- The banking operation, which includes all the Bank's activities apart from investment in its subsidiaries.
- Investment in subsidiaries.

The following are the main strategic units. The first three pertain to the banking segment of banking operation:

Corporate banking

This channel is for large and medium-sized companies. Its focus is on services such as cash flow management, risk coverage, specialized lines of credit and structured financing for energy, infrastructure and real estate projects, among others. This channel serves territorial and decentralized entities, members of the military and the police force. These are made available through financing to develop projects with a high social impact.

SME banking (SMEs, microfinance, people and the network officer)

This channel offers timely, comprehensive and specialized advice to its customers concerning their financial needs. It provides new options that enable them to have the liquidity they need to develop their business. Special units for vehicles and payroll deduction loans, the main objective is to offer financing solutions, through products and processes that adjust to the needs of the customer and the market.

Treasury

This area manages liquidity, the fixed-income investment portfolio, and operations in foreign currency and in the derivatives markets.

The Bank's surpluses are managed by this area, as stipulated by law and according to the strategies defined by the Board of Directors and the Committee on Assets and Liabilities.

The Bank also has portfolios of investments that are intended primarily to diversify risk in the statement of financial position and to support the daily management of treasury liquidity.

The composition, duration and strategy of these portfolios follow the guidelines set by the Board of Directors of the Bank and its Risk Management Office, which are the highest authorities such matters.

The Treasury Division also manages the business with foreign exchange and derivatives. Its two primary mandates in this respect are to manage currency risk on the Bank's statement of financial position and to move into different markets to meet the specific needs of our position and to offer innovative products to customers. It has two trading desks for this purpose. One is the Products Desk, which operates in the professional market; the other is the Distribution Desk, which is connected directly to customers in the different commercial segments served by the Bank.

Investments in subsidiaries

Follow-up on the strategies that make it possible to optimize the value of the portfolio.

The information presented monthly to the Board of Directors is measured according to applicable accounting standards. The following are figures, by segment, on the assets, liabilities, income and expenses that have to be reported.

Assets and liabilities, by segments

	December 31, 2018			December 31, 2017		
	Bank operation	Investments in subsidiaries, associates and joint ventures(1)	Total	Bank operation	Investments in subsidiaries, associates and joint ventures (1)	Total
Assets						
Cash and cash equivalents	$ **8,213,628**	**0**	**8,213,628**	**6,195,046**	**0**	**6,195,046**
Financial assets of investments and derivatives	**5,349,896**	**21,485**	**5,371,381**	**4,959,865**	**50,107**	**5,009,972**
Held for trading	**869,641**	**0**	**869,641**	**556,909**	**0**	**556,909**
Debt securities	536,108	0	536,108	541,724	0	541,724
Equity securities	333,533	0	333,533	15,185	0	15,185
Financial assets derivatives at fair value	**317,086**	**21,485**	**338,571**	**180,994**	**50,107**	**231,101**
Trading derivatives	317,086	0	317,086	180,994	0	180,994
Hedging derivatives	0	21,485	21,485	0	50,107	50,107
Available-for-sale	**2,783,044**	**0**	**2,783,044**	**2,841,207**	**0**	**2,841,207**
Debt securities	2,609,493	0	2,609,493	2,671,959	0	2,671,959
Equity securities	173,551	0	173,551	169,248	0	169,248
Held to maturity	**1,380,125**	**0**	**1,380,125**	**1,380,755**	**0**	**1,380,755**
Loan portfolio and financial leases transactions, net	**55,843,384**	**0**	**55,843,384**	**53,183,039**	**0**	**53,183,039**
Commercial	43,700,054	0	43,700,054	41,712,897	0	41,712,897
Consumer	11,534,158	0	11,534,158	10,730,746	0	10,730,746
Mortgage	3,476,297	0	3,476,297	2,938,419	0	2,938,419
Microcredits	398,314	0	398,314	384,474	0	384,474
Allowance	(3,265,439)	0	(3,265,439)	(2,583,497)	0	(2,583,497)
Other accounts receivable, net	**988,935**	**0**	**988,935**	**530,358**	**0**	**530,358**
Non-current assets held for sale	**77,947**	**0**	**77,947**	**11,405**	**0**	**11,405**
Investments in subsidiaries, associates and joint ventures	**0**	**18,605,783**	**18,605,783**	**0**	**16,109,790**	**16,109,790**
Property, plant and equipment	**696,218**	**0**	**696,218**	**726,599**	**0**	**726,599**
Investment properties	**74,944**	**0**	**74,944**	**82,083**	**0**	**82,083**
Goodwill	**465,905**	**0**	**465,905**	**465,905**	**0**	**465,905**
Other intangible assets	**375,959**	**0**	**375,959**	**318,288**	**0**	**318,288**
Income tax	**593,530**	**0**	**593,530**	**626,446**	**0**	**626,446**
Current	215,001	0	215,001	532,104	0	532,104
Deferred	378,529	0	378,529	94,342	0	94,342
Other assets	**52,638**	**0**	**52,638**	**16,765**	**0**	**16,765**
Total assets	**72,732,984**	**18,627,268**	**91,360,252**	**67,115,799**	**16,159,897**	**83,275,696**
Liabilities						
Financial liabilities derivatives at fair value	**369,571**	**180,696**	**550,267**	**172,417**	**9,911**	**182,328**
Trading derivatives	369,571	0	369,571	172,417	0	172,417
Hedging derivatives	0	180,696	180,696	0	9,911	9,911
Financial liabilities at amortized cost	**65,761,572**	**3,272,218**	**69,033,790**	**61,170,030**	**3,000,931**	**64,170,961**
Customer deposits	**54,131,298**	**0**	**54,131,298**	**51,973,227**	**0**	**51,973,227**
Current accounts	12,841,770	0	12,841,770	12,407,415	0	12,407,415
Savings accounts	21,405,390	0	21,405,390	22,512,200	0	22,512,200
Time certificates of deposit	19,815,853	0	19,815,853	16,956,783	0	16,956,783
Others	68,285	0	68,285	96,829	0	96,829
Financial obligations	**11,630,274**	**3,272,218**	**14,902,492**	**9,196,803**	**3,000,931**	**12,197,734**
Interbank borrowings and overnight funds	714,994	0	714,994	519,480	0	519,480
Borrowings from banks and others	4,959,572	0	4,959,572	3,319,903	0	3,319,903

(Continued)

BANCO DE BOGOTÁ S.A.
Notes to the Separate Financial Statements
At December 31, 2018

	December 31, 2018			December 31, 2017		
	Bank operation	Investments in subsidiaries, associates and joint ventures(1)	Total	Bank operation	Investments in subsidiaries, associates and joint ventures (1)	Total
Bonds issued	4,036,072	3,272,218	7,308,290	3,711,683	3,000,931	6,712,614
Borrowing from development entities	1,919,636	0	1,919,636	1,645,737	0	1,645,737
Employee benefits	**315,613**	**0**	**315,613**	**315,734**	**0**	**315,734**
Provisions	**27,733**	**0**	**27,733**	**43,060**	**0**	**43,060**
Income tax liability	**30,725**	**0**	**30,725**	**12,440**	**0**	**12,440**
Current	5,963	0	5,963	5,678	0	5,678
Deferred	24,762	0	24,762	6,762	0	6,762
Accounts payables and other liabilities	**3,139,559**	**0**	**3,139,559**	**1,828,315**	**0**	**1,828,315**
Total liabilities	**$ 69,644,773**	**3,452,914**	**73,097,687**	**63,541,996**	**3,010,842**	**66,552,838**

Statement of income for the period, by segment

	December 31, 2018			December 31, 2017		
	Bank Operation	Investments in subsidiaries, associates and joint ventures (1)	Total	Bank Operation	Investments in subsidiaries, associates and joint ventures (1)	Total
Interest income	**$ 5,577,003**	**0**	**5,577,003**	**5,971,878**	**0**	**5,971,878**
Loan portfolio and finance leases transactions	5,376,845	0	5,376,845	5,794,568	0	5,794,568
Investments	200,158	0	200,158	177,310	0	177,310
Interest expenses	**2,230,453**	**145,139**	**2,375,592**	**2,707,306**	**101,084**	**2,808,390**
Customer deposits	**1,768,406**	**0**	**1,768,406**	**2,232,411**	**0**	**2,232,411**
Current account	177,231	0	177,231	166,334	0	166,334
Savings accounts	656,012	0	656,012	904,366	0	904,366
Time certificates of deposit	935,163	0	935,163	1,161,711	0	1,161,711
Financial obligations	**462,047**	**145,139**	**607,186**	**474,895**	**101,084**	**575,979**
Interbank borrowings and overnight funds	73,352	0	73,352	80,166	0	80,166
Borrowings from banks and others	75,032	0	75,032	67,599	0	67,599
Bonds issued	231,447	145,139	376,586	232,966	101,084	334,050
Borrowings from development entities	82,216	0	82,216	94,164	0	94,164
Net interest income	**3,346,550**	**(145,139)**	**3,201,411**	**3,264,572**	**(101,084)**	**3,163,488**
Allowances on financial assets	**1,374,146**	**0**	**1,374,146**	**1,318,791**	**0**	**1,318,791**
Loan portfolio and other accounts receivable	1,497,574	0	1,497,574	1,418,516	0	1,418,516
Recoveries	(123,930)	0	(123,930)	(108,516)	0	(108,516)
Investments in debt securities	502	0	502	8,791	0	8,791
Net interest income, after allowances loss on financial assets	**1,972,404**	**(145,139)**	**1,827,265**	**1,945,781**	**(101,084)**	**1,844,697**
Revenue from contracts with customers for commissions and other services	**978,352**	**0**	**978,352**	**955,517**	**0**	**955,517**
Banking services	608,047	0	608,047	572,476	0	572,476
Credit cards	332,627	0	332,627	321,878	0	321,878
Drafts, checks and checkbooks	22,981	0	22,981	33,191	0	33,191
Office network services	14,697	0	14,697	27,972	0	27,972
Costs and expenses of contracts with customers for commissions and other services	**180,500**	**0**	**180,500**	**174,053**	**0**	**174,053**
Revenue from contracts with customers for commissions and other services, net	**797,852**	**0**	**797,852**	**781,464**	**0**	**781,464**
Net income from trading financial assets or liabilities	**349,924**	**0**	**349,924**	**245,439**	**0**	**245,439**
Gain (Loss) on valuation of derivatives instruments for trading	193,983	0	193,983	(54,031)	0	(54,031)
Gain on valuation of derivative instruments for hedging	154,554	0	154,554	261,782	0	261,782
Gain on valuation of investments for trading	1,387	0	1,387	37,688	0	37,688

(Continued)

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	December 31, 2018			December 31, 2017		
	Bank Operation	Investments in subsidiaries, associates and joint ventures (1)	Total	Bank Operation	Investments in subsidiaries, associates and joint ventures (1)	Total
Other income	**481,765**	**2,022,560**	**2,504,325**	**164,532**	**1,482,191**	**1,646,723**
Equity method on investments	0	2,009,260	2,009,260	0	1,478,590	1,478,590
Others	481,765	13,300	495,065	164,532	3,601	168,133
Other expenses	**2,486,482**	**0**	**2,486,482**	**2,388,420**	**0**	**2,388,420**
Administrative	1,484,285	0	1,484,285	1,454,240	0	1,454,240
Employee benefits	736,893	0	736,893	739,577	0	739,577
Depreciation and amortization	149,019	0	149,019	136,294	0	136,294
Others	116,285	0	116,285	58,309	0	58,309
Net income before income tax	**1,115,463**	**1,877,421**	**2,992,884**	**748,796**	**1,381,107**	**2,129,903**
Income tax expense	168,173	0	168,173	206,004	4	206,008
Net income	$ **947,290**	**1,877,421**	**2,824,711**	**542,792**	**1,381,103**	**1,923,895**

(1) The expenses incurred to operate the Investment in subsidiaries segment are listed together with those of the Banking Operations segment, because they are not available to present results for each segment.

Given the nature of its businesses, and the main countries in which they were originated, the Bank has the following distribution, by geographic area of income obtained from ordinary activities and main non-current assets on which it must report:

		December 31, 2018					
		Colombia	Miami	New York	Panamá	Others (4)	Total
Net income for the period	$	**7,151,804**	**97,056**	**94,593**	**1,234,459**	**3**	**8,577,915**
Income from banking activity (1)		6,358,135	97,056	94,593	5,571	0	6,555,355
Income from dividends		13,287	0	0	13	0	13,300
Income by the equity method (2)		780,382	0	0	1,228,875	3	2,009,260
Non-current assets		**1,990,269**	**931**	**190**	**165**	**0**	**1,991,555**
Property, plant and equipment		695,154	931	17	116	0	696,218
Intangible assets (3)		841,642	0	173	49	0	841,864
Investment properties		74,944	0	0	0	0	74,944
Deferred income tax	$	378,529	0	0	0	0	378,529

		December 31, 2017					
		Colombia	Miami	New York	Panamá	Others (4)	Total
Net income for the period	$	**7,083,787**	**81,869**	**65,935**	**1,177,993**	**2**	**8,409,586**
Income from banking activity (1)		6,774,661	81,869	65,935	4,930	0	6,927,395
Income from dividends		3,590	0	0	11	0	3,601
Income by the equity method (2)		305,536	0	0	1,173,052	2	1,478,590
Non-current assets		**1,685,731**	**1,069**	**194**	**223**	**0**	**1,687,217**
Property, plant and equipment		725,274	1,069	124	132	0	726,599
Intangible assets (3)		784,032	0	70	91	0	784,193
Investment properties		82,083	0	0	0	0	82,083
Deferred income tax	$	94,342	0	0	0	0	94,342

(1) Includes Banking Operations: Income from interest, commissions and other services.
(2) Equity method: for Colombia comes from Corficolombiana, Porvenir, Fidubogota, Almaviva, Casa de Bolsa, Megalinea, Aportes en linea, Pizano, Aval Soluciones Digitales and Others Entities; for Panama comes from Leasing Bogotá S.A. Panama, Banco de Bogotá Panama, Ficentro and Bladex.
(3) Includes Goodwill and Other intangible assets.
(4) Refers to the Bogotá Finance Corporation.

The Bank offers a large portfolio of products and services to meet the financial needs of its customers. These include different types of products with different terms, mainly assets such as loans and commercial leasing, consumer loans, mortgages and microcredit. Similarly, following the strategy of raising funds, it offers products such as savings Accounts, current accounts and time certificates of deposit according to the needs of customers.

In addition, the Bank offers banking services which involve office network, dispersion of funds, credit card, debit card, collections, credit transactions, letters of credit, guarantees, direct orders and collections, internet, servilinea and mobile banking, among others.

During the year 2018, the Bank reported no concentration of income in customers with more than a 10% share of income from ordinary activities. For this purpose, the Banks considers single customers as those, apart from related parties, who are under common control, based on the information available in the Bank.

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	$	2,327,243	2,153,825
Central Bank		908,251	2,077,165
Banks and other financial entities		320	2,192
Clearing house		1,013	19
		3,236,827	**4,233,201**
In foreign currency			
Cash		10,708	7,215
Banks and other financial entities		4,966,093	1,954,630
		4,976,801	**1,961,845**
Total	$	**8,213,628**	**6,195,046**

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

		December 31, 2018	December 31, 2017
Investment grade	$	5,874,664	4,033,987
No rating or not available (1)		2,338,964	2,161,059
Total	$	**8,213,628**	**6,195,046**

(1) Include cash held by the Bank 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 INVESTMENT AND DERIVATIVES

9.1 Investments held-for trading

The balance of financial assets investment in debt securities and equity securities includes the following:

		December 31, 2018	December 31, 2017
Debt securities issued and secured			
In Colombian pesos			
Colombian government	$	104,587	104,252
Other entities of the Colombian government		19,429	29,445
Other financial entities		296,247	244,361
Non-financial sector entities		21,406	17,403
Others		15,402	22,580
		457,071	**418,041**
In foreign currency			
Other entities of the Colombian government		20,473	19,851
Other financial entities		58,564	103,832
		79,037	**123,683**
Total debt securities issued and secured		**536,108**	**541,724**
Equity securities			
In Colombian pesos			
Collective investment funds (1)		333,533	706
In foreign currency			
Shares		0	24,471
		333,533	**25,177**
Impairment of equity securities		0	(9,992)
Total equity instruments		**333,533**	**15,185**
Total investments held-for-trading	$	**869,641**	**556,909**

(1) Investment in "Fondo de capital privado Nexus inmobiliario" for $331,962, product of the mobilization of properties.

Credit rating on investments held-for-trading

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

		December 31, 2018	December 31, 2017
Speculative	$	26,628	65,294
Investment grade		843,013	477,136
No rating or not available		0	14,479
	$	**869,641**	**556,909**

9.2 Investments available-for-sale

The balance of financial assets investment in debt securities and equity securities includes the following:

		December 31, 2018	December 31, 2017
Debt securities issued and secured			
In Colombian pesos			
Colombian government	$	1,942,131	1,949,712
Other entities of the Colombian government		95,948	21,024
Other financial entities		137,055	97,410
Non-financial sector entities		21,333	2,326
		2,196,467	**2,070,472**
In foreign currency			
Colombian government		108,594	210,440
Other entities of the Colombian government		39,565	38,361
Other financial entities		256,594	346,480
Foreign government		8,273	6,206
		413,026	**601,487**
Total debt securities issued and secured		**2,609,493**	**2,671,959**

		December 31, 2018	December 31, 2017
Equity securities			
In Colombian pesos			
Shares		189,154	187,351
		189,154	**187,351**
In Foreign currency			
Shares		130	166
		189,284	**187,517**
Impairment of equity securities		(15,733)	(18,269)
Total equity securities		**173,551**	**169,248**
Total investments available-for-sale	$	**2,783,044**	**2,841,207**

Collateral in repo operations

Following are related to available-for-sale financial assets that are pledged as collateral in repo operations, as collateral in transactions with financial instruments, or pledged to third parties as collateral to secure financial obligations with other banks (See note 20):

		December 31, 2018	December 31, 2017
Pledged in money market operations			
Colombian government	$	17,412	64,580
Pledged as collateral in special entities like CRCC, BR and/ or BVC (1)			
Colombian government		208,905	54,424
	$	**226,317**	**119,004**

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

Credit rating on investments available-for-sale

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

		December 31, 2018	December 31, 2017
Speculative	$	32,057	22,123
Investment grade		2,745,385	2,815,027
No rating or not available		5,602	4,057
	$	**2,783,044**	**2,841,207**

Time bands for investments available-for-sale

The following is a summary of debt securities, by date of maturity:

		December 31, 2018	December 31, 2017
Up to 1 month	$	0	98,716
More than 1 month and not more than 3 months		32,483	0
More than 3 months and not more than 1 year		184,895	304,065
More than 1 year and not more than 5 years		874,912	1,639,715
More than 5 years and not more than 10 years		1,690,754	480,244
More than 10 years		0	149,219
	$	**2,783,044**	**2,671,959**

(Continued)

Reclassification of investments

Pursuant to Section a), Part 4.2 of Chapter I-1 in the Basic Accounting and Financial Circular, which provides for investments available for sale to be reclassified as trading securities, there were no reclassifications at December 31, 2018 and 2017.

9.3 Investment held-to-maturity

The balance of financial assets in investments held-to-maturity includes the following:

		December 31, 2018	December 31, 2017
Debt securities issued or secured			
In Colombian pesos			
Other entities of the Colombian government	$	1,347,804	1,353,890
		1,347,804	**1,353,890**
In foreign currency			
Foreign governments		32,321	26,865
		32,321	**26,865**
Total debt securities	$	**1,380,125**	**1,380,755**

At December 31, 2018 and 2017 the portfolio of investments held-to-maturity at showed no securities furnished as collateral.

Credit rating for investments held-to-maturity

The following is a breakdown of the credit ratings provided by independent risk rating agencies for the main counterparties in the debt securities in which the Bank holds financial assets held-to-maturity:

		December 31, 2018	December 31, 2017
Investment grade	$	1,380,125	1,380,755

Time bands for investments held-to-maturity

The following is a summary of financial assets, by date of maturity:

		December 31, 2018	December 31, 2017
Up to 1 month	$	304,720	347,963
More than 3 months and not more than 1 year		1,075,405	1,032,792
Total	$	**1,380,125**	**1,380,755**

9.4 Impairment in investments in equity securities held-for trading and available-for-sale

Impairment in investments in equity securities held-for trading and available-for-sale:

		December 31, 2018	December 31, 2017
Balance at beginning of the period	$	**28,261**	**19,688**
Allowance charged to expenses		320	8,753
Recovery of allowance		(12,848)	(1,874)
Reclassification		0	1,694
Balance end of period	$	**15,733**	**28,261**

(Continued)

9.5 Financial assets derivatives

9.5.1 Trading derivatives

The fair value of forwards, futures, options and swaps to which the Bank 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	$	5,036,666	216,083	3,266,563	45,148
Foreign currency to sell		(773,260)	5,439	(4,808,165)	79,448
		4,263,406	**221,522**	**(1,541,602)**	**124,596**
Swaps					
Cross currency		380,692	38,049	379,844	19,772
Interest rate		3,989,415	27,983	4,678,219	30,696
		4,370,107	**66,032**	**5,058,063**	**50,468**
Futures contracts (2)					
Currency to buy		5,874,411	0	1,191,392	0
Currency to sell		(118,453)	0	(2,873,592)	0
		5,755,958	**0**	**(1,682,200)**	**0**
Cash transactions		**11,301**	**25**	**0**	**0**
Options contracts					
Currency to buy		928,186	29,507	426,591	5,930
Total assets		**15,328,958**	**317,086**	**2,260,852**	**180,994**
Liabilities					
Forward contracts (1)					
Foreign currency to buy		(611,580)	8,941	(4,131,095)	59,267
Foreign currency to sell		5,269,534	194,159	1,980,544	11,460
		4,657,954	**203,100**	**(2,150,551)**	**70,727**
Swaps					
Cross currency		1,233,354	135,771	745,648	72,788
Interest rate		2,867,484	14,053	3,579,739	17,370
		4,100,838	**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**
Cash transactions		**13,313**	**163**	**(44,760)**	**44**
Negotiation options					
Currency to sale		813,811	16,484	427,329	11,488
Total liabilities	$	**10,900,927**	**369,571**	**(1,137,309)**	**172,417**

(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.

(Continued)

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 Bank 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 Bank has obligations for delivering financial assets in treasury certificates or foreign currency with a fair value of $369,571 and $172,417 and receiving assets in treasury certificates or foreign currency with fair value of $317,086 and $180,994, respectively.

9.5.2 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	$	640,201	19,714	0	0
Foreign currency to sell		(162,488)	1,771	(2,393,168)	50,107
		477,713	**21,485**	**(2,393,168)**	**50,107**
Futures contracts (1)					
Foreign currency to buy		1,091,916	0	29,840	0
Foreign currency to sell		(188,486)	0	(1,602,408)	0
		903,430	**0**	**(1,572,568)**	**0**
Total assets		**1,381,143**	**21,485**	**(3,965,736)**	**50,107**
Liabilities					
Forward contracts					
Foreign currency to buy		(126,740)	1,126	(352,112)	1,948
Foreign currency to sell		3,628,346	179,570	1,104,080	7,963
		3,501,606	**180,696**	**751,968**	**9,911**
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	$	**7,895,268**	**180,696**	**1,517,364**	**9,911**

(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 offset 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.

(Continued)

The following table shows the credit ratings determined by independent rating agencies for the principal counterparties in derivative assets:

		December 31, 2018	December 31, 2017
Investment grade	$	328,225	218,210
Speculative		1,534	503
No rating or rating not available		8,812	12,388
Total	$	**338,571**	**231,101**

9.5.3 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**
Equity securities			
Delivered		192,620	0
Total	$	**192,620**	**0**

9.5.4 Hedge accounting

Banco de Bogotá uses 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 Bank against the exchange risk (dollar / peso) in the structural positions of its subsidiaries and agencies abroad, which are denominated in US dollars.

At maturity, the hedging instruments are renewed successively, so as to comply with the strategy of reducing the rate risk the Bank 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 Bank 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 affiliates 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 Bank has documented the tests of the effectiveness of hedging its net foreign currency investments and the fair value. These are considered effective, since the critical terms and risks of the obligations that serve as hedging instruments are identical to those of the primary hedged position.

a. Effectiveness of hedge forward contracts

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.

b. Effectiveness of hedging with debt instruments in foreign currency

For foreign currency debt designates as hedge instrument, the gain or loss arising from the conversion to debt in Colombian pesos is based on the current US dollar exchange rate for the 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.

Hedging net investments in foreign currency

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

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

		December 31, 2018								
		Millions of US dollars					Millions of Colombian pesos			
					Value of hedging with forward and futures contracts					
Detail of investment		Value of the investment	Notional amount	Value of the hedge in foreign currency obligations	Assets	Liabilities	Adjustment for conversion of the financial statements	Exchange difference in foreign currency obligations	Exchange difference in forward and futures contracts	Net
Leasing Bogota S.A. Panamá	$	3,964	2,868	(2,067)	450	(2,346)	2,821,636	(983,385)	(1,835,521)	2,730
Other subsidiaries and agencies Banco de Bogotá (1)		126	81	0	(26)	(95)	88,366	0	(86,742)	1,624
Total	$	**4,090**	**2,949**	**(2,067)**	**424**	**(2,441)**	**2,910,002**	**(983,385)**	**(1,922,263)**	**4,354**

(Continued)

		December 31, 2017								
		Millions of US dollars					Millions of Colombian pesos			
					Value of hedging with forward and futures contracts					
Detail of investment		Value of the investment	Notional amount	Value of the hedge in foreign currency obligations	Assets	Liabilities	Adjustment for conversion of the financial statements	Exchange difference in foreign currency obligations	Exchange difference in forward and futures contracts	Net
Leasing Bogota S.A. Panamá	$	3,781	2,868	(2,067)	(1,192)	(512)	1,757,536	(434,053)	(1,321,178)	2,305
Other subsidiaries and agencies Banco de Bogotá (1)		114	81	0	(87)	(25)	55,279	0	(53,775)	1,504
Total	$	**3,895**	**2,949**	**(2,067)**	**(1,279)**	**(537)**	**1,812,815**	**(434,053)**	**(1,374,953)**	**3,809**

(1) Includes Banco de Bogotá Panamá, 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. 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. Panama 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. Panama'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. Panama's investment.

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

NOTE 10 - LOANS PORTFOLIO AND FINANCIAL LEASES TRANSACTIONS, NET

The statement of financial position listing financial assets account from the loan portfolio is classified according to commercial, consumer, mortgages and microcredit. This is the same classification adopted by the Superintendencia Financiera de Colombia. Nevertheless, for disclosure purposes and considering how important financial leases are to the Bank, this portfolio is listed separately, in all the tables in this note and according to the following reclassification:

		December 31, 2018		
		Loan portfolio	Financial leases	Balance
Commercial	$	41,026,216	2,673,838	43,700,054
Consumer		11,517,111	17,047	11,534,158
Mortgage		3,054,531	421,766	3,476,297
Microcredit		398,314	0	398,314
Total	$	**55,996,172**	**3,112,651**	**59,108,823**

		December 31, 2017		
		Loan portfolio	Financial leases	Balance
Commercial	$	39,095,874	2,617,023	41,712,897
Consumer		10,709,966	20,780	10,730,746
Mortgage		2,602,981	335,438	2,938,419
Microcredit		384,474	0	384,474
Total	$	**52,793,295**	**2,973,241**	**55,766,536**

The following table shows the loan portfolio, by type:

		December 31, 2018						
		Suitable collateral			Other collateral			Total
		Principal	Interest	Others	Principal	Interest	Others	
Commercial	$	16,339,208	151,643	4,470,172	22,447,493	272,115	19,423	43,700,054
Consumer		1,057,787	7,098	749	10,286,931	137,724	43,869	11,534,158
Mortgage		3,450,437	21,692	4,168	0	0	0	3,476,297
Microcredit		134,436	663	7	251,830	7,892	3,486	398,314
Total gross portfolio		**20,981,868**	**181,096**	**4,475,096**	**32,986,254**	**417,731**	**66,778**	**59,108,823**
Allowance		(930,539)	(24,832)	(5,410)	(2,175,757)	(97,840)	(31,061)	(3,265,439)
Total net portfolio	$	**20,051,329**	**156,264**	**4,469,686**	**30,810,497**	**319,891**	**35,717**	**55,843,384**

		December 31, 2017						
		Suitable Collateral			Other Collateral			Total
		Principal	Interest	Others	Principal	Interest	Others	
Commercial	$	15,552,772	158,454	5,594	24,215,153	241,530	1,539,394	41,712,897
Consumer		1,020,905	7,970	584	9,534,779	129,620	36,888	10,730,746
Mortgage		2,916,310	19,046	3,063	0	0	0	2,938,419
Microcredit		130,241	446	3	243,128	7,600	3,056	384,474
Total gross portfolio		**19,620,228**	**185,916**	**9,244**	**33,993,060**	**378,750**	**1,579,338**	**55,766,536**
Allowance		(654,474)	(24,846)	(4,271)	(1,801,046)	(72,881)	(25,979)	(2,583,497)
Total net portfolio	$	**18,965,754**	**161,070**	**4,973**	**32,192,014**	**305,869**	**1,553,359**	**53,183,039**

The following table shows the portfolio, according to the different credit lines:

		December 31, 2018	December 31, 2017
Ordinary loans	$	46,253,199	44,101,650
Credit cards		3,013,719	2,845,498
Home mortgage loans		2,961,507	2,529,487
Financial leases out immovable property		1,816,798	1,351,791
Loans with resources from other institutions		1,760,474	1,461,105
Financial leases out movable assets		1,290,163	1,621,450
Loans to builders		934,294	883,884
Microcredits		398,314	384,474
Loans to micro-businesses and SMEs		276,277	293,580
Credit cards - covered		136,767	78,240
Bank overdrafts in checking accounts		104,795	103,016
Employee loans		98,691	79,232
Non-recourse factoring		49,773	20,811
Other		14,052	12,318
		59,108,823	**55,766,536**
Allowance		(3,265,439)	(2,583,497)
Total	$	**55,843,384**	**53,183,039**

The following table shows the classification of the loan portfolio, according to the type of risk.

	Suitable collateral					
	December 31, 2018					
				Allowance		
	Principal	Interest	Others	Principal	Interest	Others
Commercial						
A – Normal	$ 11,733,013	106,189	4,464,567	142,853	1,275	4
B – Acceptable	507,399	7,532	83	19,136	331	7
C – Appreciable	1,034,707	3,874	49	183,082	355	7
D – Significant	374,628	1,609	13	193,452	1,609	13
E – Uncollectible	53,297	0	225	53,297	0	225
	13,703,044	**119,204**	**4,464,937**	**591,820**	**3,570**	**256**
Consumer						
A – Normal	947,831	6,694	186	16,237	112	9
B – Acceptable	16,505	227	52	844	9	2
C – Appreciable	17,834	31	2	2,845	4	0
D – Significant	55,270	28	4	31,903	26	3
E – Uncollectible	3,919	1	3	3,919	1	3
	1,041,359	**6,981**	**247**	**55,748**	**152**	**17**
Mortgage						
A – Normal	2,939,769	18,846	2,603	29,625	312	133
B – Acceptable	29,298	201	101	993	196	101
C – Appreciable	26,987	211	238	2,842	211	238
D – Significant	13,273	97	168	3,329	97	168
E – Uncollectible	21,941	295	503	7,649	290	503
	3,031,268	**19,650**	**3,613**	**44,438**	**1,106**	**1,143**
Microcredit						
A – Normal	113,798	663	7	1,138	7	0
B – Acceptable	4,113	0	0	132	0	0
C – Appreciable	2,715	0	0	543	0	0
D – Significant	2,853	0	0	1,427	0	0
E – Uncollectible	10,957	0	0	10,957	0	0
	134,436	**663**	**7**	**14,197**	**7**	**0**
Commercial financial leases						
A – Normal	2,202,526	11,563	1,680	27,460	165	251
B – Acceptable	117,812	754	132	3,237	42	42
C – Appreciable	87,623	1,377	487	7,881	886	327
D – Significant	186,537	16,695	2,230	103,356	16,695	2,230
E – Uncollectible	41,666	2,050	706	41,620	2,050	706
	2,636,164	**32,439**	**5,235**	**183,554**	**19,838**	**3,556**
Consumer financial leases						
A – Normal	14,442	87	254	229	2	67
B – Acceptable	217	2	4	6	1	2
C – Appreciable	316	0	33	46	0	11
D – Significant	970	18	119	606	18	119
E – Uncollectible	483	10	92	483	10	92
	16,428	**117**	**502**	**1,370**	**31**	**291**
Mortgage financial leases						
A – Normal	410,800	1,958	431	4,164	44	23
B – Acceptable	3,974	27	39	127	27	39
C – Appreciable	1,993	25	32	224	25	32
D – Significant	1,721	28	32	1,119	28	32
E – Uncollectible	681	4	21	204	4	21
	419,169	**2,042**	**555**	**5,838**	**128**	**147**
General Allowance	**0**	**0**	**0**	**33,574**	**0**	**0**
Total	$ **20,981,868**	**181,096**	**4,475,096**	**930,539**	**24,832**	**5,410**

BANCO DE BOGOTÁ S.A.
Notes to the Separate Financial Statements
At December 31, 2018

	Other Collateral					
	December 31, 2018					
				Allowance		
	Principal	Interest	Others	Principal	Interest	Others
Commercial						
A – Normal	$ 20,598,709	194,196	5,927	281,956	3,049	1,086
B – Acceptable	291,678	6,565	685	16,108	444	176
C – Appreciable	442,901	20,040	988	58,035	15,708	784
D – Significant	357,890	37,301	7,943	213,052	37,291	7,943
E – Uncollectible	756,315	14,013	3,880	756,314	12,704	3,880
	22,447,493	**272,115**	**19,423**	**1,325,465**	**69,196**	**13,869**
Consumer						
A – Normal	9,380,048	109,361	35,403	293,975	3,988	6,239
B – Acceptable	198,461	5,572	701	23,211	1,022	503
C – Appreciable	163,041	4,021	751	30,544	2,884	751
D – Significant	392,439	12,511	4,524	318,106	12,511	4,524
E – Uncollectible	152,942	6,259	2,490	152,942	6,259	2,490
	10,286,931	**137,724**	**43,869**	**818,778**	**26,664**	**14,507**
Microcredit						
A – Normal	215,338	6,177	977	2,153	274	179
B – Acceptable	5,551	264	115	178	262	114
C – Appreciable	4,083	190	98	817	183	96
D – Significant	4,710	181	155	2,355	181	155
E – Uncollectible	22,148	1,080	2,141	22,148	1,080	2,141
	251,830	**7,892**	**3,486**	**27,651**	**1,980**	**2,685**
General Allowance	**0**	**0**	**0**	**3,863**	**0**	**0**
Total	$ **32,986,254**	**417,731**	**66,778**	**2,175,757**	**97,840**	**31,061**

	Suitable collateral					
	December 31, 2017					
				Allowance		
	Principal	Interest	Others	Principal	Interest	Others
Commercial						
A – Normal	$ 11,040,060	106,880	109	142,708	1,381	6
B – Acceptable	549,509	5,283	63	16,738	213	5
C – Appreciable	1,174,956	11,474	113	130,133	2,110	11
D – Significant	180,972	121	5	93,459	121	5
E – Uncollectible	30,252	0	0	30,252	0	0
	12,975,749	**123,758**	**290**	**413,290**	**3,825**	**27**
Consumer						
A – Normal	921,725	7,544	182	15,882	125	7
B – Acceptable	15,049	217	34	828	9	1
C – Appreciable	13,227	27	2	2,139	5	1
D – Significant	47,825	19	4	27,341	19	4
E – Uncollectible	2,809	13	2	2,809	13	2
	1,000,635	**7,820**	**224**	**48,999**	**171**	**15**
Mortgage						
A – Normal	2,518,661	16,665	2,200	25,186	242	89
B – Acceptable	25,274	199	79	1,266	194	79
C – Appreciable	18,356	154	116	1,866	155	129
D – Significant	8,053	67	78	2,369	67	90
E – Uncollectible	12,652	196	231	5,082	196	241
	2,582,996	**17,281**	**2,704**	**35,769**	**854**	**628**
Microcredit						
A – Normal	111,143	445	3	1,111	4	0
B – Acceptable	4,255	1	0	136	1	0
C – Appreciable	2,386	0	0	477	0	0
D – Significant	2,447	0	0	1,224	0	0
E – Uncollectible	10,010	0	0	10,010	0	0
	130,241	**446**	**3**	**12,958**	**5**	**0**

BANCO DE BOGOTÁ S.A.
Notes to the Separate Financial Statements
At December 31, 2018

	Suitable collateral					
	December 31, 2017					
				Allowance		
	Principal	Interest	Others	Principal	Interest	Others
Commercial financial leases						
A – Normal	2,158,221	13,394	1,373	27,895	186	65
B – Acceptable	135,261	1,051	386	4,254	198	124
C – Appreciable	204,233	15,961	516	24,525	15,212	187
D – Significant	76,824	4,050	2,648	50,688	4,050	2,648
E – Uncollectible	2,484	240	381	2,484	240	381
	2,577,023	**34,696**	**5,304**	**109,846**	**19,886**	**3,405**
Consumer financial leases						
A – Normal	18,351	121	191	290	3	9
B – Acceptable	362	6	15	18	0	1
C – Appreciable	172	3	61	26	1	31
D – Significant	1,094	13	52	527	13	52
E – Uncollectible	291	7	41	291	7	41
	20,270	**150**	**360**	**1,152**	**24**	**134**
Mortgage financial leases						
A – Normal	325,890	1,711	308	3,259	27	11
B – Acceptable	2,908	16	9	93	16	9
C – Appreciable	3,322	38	20	332	38	20
D – Significant	976	0	19	283	0	19
E – Uncollectible	218	0	3	65	0	3
	333,314	**1,765**	**359**	**4,032**	**81**	**62**
General Allowance	**0**	**0**	**0**	**28,428**	**0**	**0**
Total	$ **19,620,228**	**185,916**	**9,244**	**654,474**	**24,846**	**4,271**

	Other Collateral					
	December 31, 2017					
				Allowance		
	Principal	Interest	Others	Principal	Interest	Others
Commercial						
A – Normal	$ 22,522,720	191,709	1,530,747	317,881	2,968	361
B – Acceptable	362,735	5,538	290	17,112	426	172
C – Appreciable	427,252	12,278	411	61,657	11,884	411
D – Significant	664,264	22,908	0	442,843	22,419	8,093
E – Uncollectible	238,182	9,097	7,946	235,345	9,097	2,550
	24,215,153	**241,530**	**1,539,394**	**1,074,838**	**46,794**	**11,587**
Consumer						
A – Normal	8,727,418	103,439	30,743	286,270	4,002	2,138
B – Acceptable	215,922	5,932	800	27,448	1,113	557
C – Appreciable	171,753	4,637	644	34,669	3,792	644
D – Significant	323,884	11,639	1,778	254,624	11,643	6,161
E – Uncollectible	95,802	3,973	2,923	95,463	3,972	2,433
	9,534,779	**129,620**	**36,888**	**698,474**	**24,522**	**11,933**
Microcredit						
A – Normal	210,266	6,263	1,157	2,103	228	203
B – Acceptable	6,490	272	137	208	272	152
C – Appreciable	3,494	166	131	699	166	106
D – Significant	3,776	120	219	1,888	120	147
E – Uncollectible	19,102	779	1,412	19,102	779	1,851
	243,128	**7,600**	**3,056**	**24,000**	**1,565**	**2,459**
General Allowance	**0**	**0**	**0**	**3,734**	**0**	**0**
Total	$ **33,993,060**	**378,750**	**1,579,338**	**1,801,046**	**72,881**	**25,979**

(Continued)

The loan portfolio, by economic sector, breakdown as follows:

		December 31, 2018						
		Commercial	Consumer	Mortgages	Microcredit	Financial leases	Total	Share %
Agriculture, livestock, forestry and fishing	$	1,158,940	202,775	34,180	35,764	78,547	1,510,206	2.55%
Mining and quarrying		622,204	9,637	3,824	247	54,397	690,309	1.17%
Manufacturing industries		7,574,089	171,188	45,185	47,419	507,942	8,345,823	14.12%
Supply of electricity, gas, steam and air conditioning		2,805,539	577	85	143	4,089	2,810,433	4.75%
Water distribution; waste water evacuation and treatment, waste management and environmental sanitation activities		130,931	6,103	1,045	1,435	45,143	184,657	0.31%
Construction		4,690,016	112,889	31,559	4,040	136,736	4,975,240	8.42%
Wholesale and Retail; Automobile and motorcycle repair		6,163,463	792,479	190,867	196,917	472,849	7,816,575	13.22%
Transport, storage		2,810,394	346,701	90,584	13,559	608,748	3,869,986	6.55%
Accommodation and food services		665,425	29,192	7,775	3,181	17,477	723,050	1.22%
Information and communications		315,002	84,487	23,769	22,527	30,798	476,583	0.81%
Financial and insurance activities		3,226,036	14,045	4,593	225	17,444	3,262,343	5.52%
Real estate activities		1,058,498	42,194	9,385	655	208,117	1,318,849	2.23%
Professional, scientific and technical activities		1,522,101	718,845	318,892	17,889	144,180	2,721,907	4.60%
Administrative services and support activities		463,967	56,311	11,260	6,701	62,226	600,465	1.02%
Public administration and defense; social security plans with mandatory affiliation		1,247,346	0	0	0	4,066	1,251,412	2.12%
Education		473,633	26,711	11,462	806	58,496	571,108	0.97%
Human health care and social assistance activities		843,196	115,606	41,083	1,286	259,399	1,260,570	2.13%
Artistic, entertainment and recreational activities		69,174	239,445	4,985	1,448	6,824	321,876	0.54%
Other service activities		4,779,265	44,735	10,342	11,897	14,617	4,860,856	8.22%
Activities of individual households as employers		37	583	24	11	0	655	0.00%
Activities of extraterritorial organizations entities		37,962	205	93	0	87	38,347	0.06%
Salaried employee		282,473	8,179,721	2,132,897	26,880	343,363	10,965,334	18.55%
Capital investors		86,525	322,682	80,642	5,284	37,106	532,239	0.90%
Total	$	**41,026,216**	**11,517,111**	**3,054,531**	**398,314**	**3,112,651**	**59,108,823**	**100%**

		December 31, 2017						
		Commercial	Consumer	Mortgages	Microcredit	Financial leases	Total	Share %
Agriculture, livestock, forestry and fishing	$	1,063,375	191,336	29,128	34,878	86,238	1,404,955	2.52%
Mining and quarrying		1,507,865	10,072	2,583	302	57,285	1,578,107	2.83%
Manufacturing industries		8,128,095	173,542	42,382	45,082	552,134	8,941,235	16.03%
Supply of electricity, gas, steam and air conditioning		2,490,905	523	90	143	5,178	2,496,839	4.48%
Water distribution; waste water evacuation and treatment, waste management and environmental sanitation activities		146,852	5,321	948	1,354	26,303	180,778	0.32%
Construction		4,212,445	113,641	28,342	4,326	140,229	4,498,983	8.07%
Wholesale and Retail; Automobile and motorcycle repair		7,309,704	787,574	173,158	187,029	406,822	8,864,287	15.90%
Transport, storage		3,217,031	359,839	81,531	12,144	605,720	4,276,265	7.67%
Accommodation and food services		271,355	86,526	20,873	21,595	31,677	432,026	0.77%
Information and communications		684,059	28,412	7,442	3,071	14,768	737,752	1.32%
Financial and insurance activities		3,847,444	12,526	4,081	287	16,517	3,880,855	6.96%
Real estate activities		1,111,372	39,003	8,755	685	196,450	1,356,265	2.43%
Professional, scientific and technical activities		1,208,759	702,869	275,487	19,495	126,739	2,333,349	4.18%

(Continued)

	December 31, 2017						
	Commercial	Consumer	Mortgages	Microcredit	Financial leases	Total	Share %
Administrative services and support activities	656,870	49,704	8,547	5,440	63,088	783,649	1.41%
Public administration and defense; social security plans with mandatory affiliation	1,186,818	0	0	5	333	1,187,156	2.13%
Education	379,515	25,640	8,470	706	54,887	469,218	0.84%
Human health care and social assistance activities	850,265	98,339	35,460	1,189	260,317	1,245,570	2.23%
Artistic, entertainment and recreational activities	66,800	221,198	3,674	1,377	6,694	299,743	0.54%
Other service activities	371,957	39,486	8,253	10,770	15,043	445,509	0.80%
Activities of individual households as employers	8	419	25	9	0	461	0.00%
Activities of extraterritorial organizations entities	3,085	228	98	0	121	3,532	0.01%
Salaried employee	283,607	7,451,856	1,791,288	31,001	274,689	9,832,441	17.63%
Capital investors	97,688	311,912	72,366	3,586	32,009	517,561	1%
Total	**$ 39,095,874**	**10,709,966**	**2,602,981**	**384,474**	**2,973,241**	**55,766,536**	**100%**

The loan portfolio, by geographic area, breakdown as follows:

	Suitable collateral					
	December 31, 2018					
				Allowance		
	Principal	Interest	Others	Principal	Interest	Others
Commercial						
Amazon Region	$ 13,863	52	4	958	2	0
Andean Region	11,711,803	103,203	4,464,887	530,467	3,308	250
Caribbean Region	1,592,523	13,121	42	49,851	213	6
Island Region	10,074	39	0	187	1	0
Orinoco Region	346,849	2,395	4	9,408	42	0
Pacific Region	27,932	394	0	949	4	0
	13,703,044	**119,204**	**4,464,937**	**591,820**	**3,570**	**256**
Consumer						
Amazon Region	3,201	29	1	227	1	0
Andean Region	910,653	5,876	199	45,743	128	14
Caribbean Region	113,533	955	44	8,931	19	3
Island Region	348	3	0	6	0	0
Orinoco Region	12,028	108	3	736	4	0
Pacific Region	1,596	10	0	105	0	0
	1,041,359	**6,981**	**247**	**55,748**	**152**	**17**
Mortgages						
Amazon Region	5,948	35	5	120	0	0
Andean Region	2,561,857	17,068	2,925	30,632	850	840
Caribbean Region	375,728	2,034	518	10,802	184	204
Island Region	2,558	11	2	60	0	1
Orinoco Region	80,184	473	158	2,720	71	97
Pacific Region	4,993	29	5	104	1	1
	3,031,268	**19,650**	**3,613**	**44,438**	**1,106**	**1,143**
Microcredit						
Amazon Region	2,432	28	0	250	0	0
Andean Region	97,291	428	6	10,091	5	0
Caribbean Region	21,165	87	1	2,207	1	0
Island Region	194	0	0	7	0	0
Orinoco Region	10,943	103	0	1,387	1	0
Pacific Region	2,411	17	0	255	0	0
	134,436	**663**	**7**	**14,197**	**7**	**0**
Commercial financial leases						
Amazon Region	2,147	20	33	251	9	29
Andean Region	2,357,122	29,547	4,509	144,593	18,232	3,062

BANCO DE BOGOTÁ S.A.
Notes to the Separate Financial Statements
At December 31, 2018

	Suitable collateral					
	December 31, 2018					
				Allowance		
	Principal	Interest	Others	Principal	Interest	Others
Caribbean Region	241,870	2,564	445	36,687	1,518	326
Island Region	473	3	4	17	0	1
Orinoco Region	29,124	279	221	1,862	78	135
Pacific Region	5,428	26	23	144	1	3
	2,636,164	**32,439**	**5,235**	**183,554**	**19,838**	**3,556**
Commercial financial leases						
Amazon Region	12	0	0	5	0	0
Andean Region	15,412	101	473	1,212	20	267
Caribbean Region	913	15	29	148	11	24
Island Region	91	1	0	5	0	0
	16,428	**117**	**502**	**1,370**	**31**	**291**
Mortgage financial leases						
Amazon Region	150	1	0	2	0	0
Andean Region	360,928	1,778	479	5,021	105	124
Caribbean Region	53,806	238	72	770	23	22
Island Region	3,910	23	4	41	0	1
Orinoco Region	375	2	0	4	0	0
	419,169	**2,042**	**555**	**5,838**	**128**	**147**
General Allowances	**0**	**0**	**0**	**33,574**	**0**	**0**
Total	$ **20,981,868**	**181,096**	**4,475,096**	**930,539**	**24,832**	**5,410**

	Other Collateral					
	December 31, 2018					
				Allowance		
	Principal	Interest	Others	Principal	Interest	Others
Commercial						
Amazon Region	$ 13,207	564	299	1,386	216	174
Andean Region	16,231,787	198,244	13,836	816,617	52,617	9,957
Caribbean Region	2,471,393	35,856	3,570	446,611	13,902	2,515
Island Region	6,835	68	61	507	26	52
Orinoco Region	93,553	3,642	1,492	14,088	1,833	1,047
Pacific Region	23,251	461	165	2,300	199	124
Miami	1,412,876	11,694	0	17,409	143	0
New York	2,098,519	20,011	0	25,382	241	0
Panama	96,072	1,575	0	1,165	19	0
	22,447,493	**272,115**	**19,423**	**1,325,465**	**69,196**	**13,869**
Consumer						
Amazon Region	73,696	1,117	316	7,176	274	112
Andean Region	8,804,130	115,562	35,606	668,536	21,238	11,425
Caribbean Region	960,177	14,448	5,862	96,385	3,530	2,215
Island Region	22,360	314	77	1,380	37	18
Orinoco Region	339,342	5,081	1,635	37,107	1,335	614
Pacific Region	87,226	1,202	373	8,194	250	123
	10,286,931	**137,724**	**43,869**	**818,778**	**26,664**	**14,507**
Mortgage						
Amazon Region	1,667	85	32	347	37	25
Andean Region	205,030	6,340	2,643	20,242	1,488	1,986
Caribbean Region	32,713	985	542	4,576	257	447
Island Region	257	8	5	25	1	4
Orinoco Region	9,192	382	212	2,044	172	182
Pacific Region	2,971	92	52	417	25	41
	251,830	**7,892**	**3,486**	**27,651**	**1,980**	**2,685**
General Allowances	**0**	**0**	**0**	**3,863**	**0**	**0**
Total	$ **32,986,254**	**417,731**	**66,778**	**2,175,757**	**97,840**	**31,061**

(Continued)

BANCO DE BOGOTÁ S.A.
Notes to the Separate Financial Statements
At December 31, 2018

	Suitable collateral					
	December 31, 2017					
				Allowance		
	Principal	Interest	Others	Principal	Interest	Others
Commercial						
Amazon Region	$ 14,935	92	1	834	10	0
Andean Region	11,299,437	100,887	182	370,537	3,146	20
Caribbean Region	1,299,743	19,804	98	33,051	612	7
Island Region	5,302	28	0	245	1	0
Orinoco Region	320,251	2,785	8	7,869	53	0
Pacific Region	36,081	162	1	754	3	0
	12,975,749	**123,758**	**290**	**413,290**	**3,825**	**27**
Consumer						
Amazon Region	2,415	19	0	187	0	0
Andean Region	902,794	7,009	191	41,661	155	14
Caribbean Region	88,316	725	32	6,703	15	1
Island Region	204	9	0	5	0	0
Orinoco Region	5,764	48	1	366	1	0
Pacific Region	1,142	10	0	77	0	0
	1,000,635	**7,820**	**224**	**48,999**	**171**	**15**
Mortgage						
Amazon Region	5,247	32	5	84	2	2
Andean Region	2,194,814	15,034	2,255	29,851	657	481
Caribbean Region	304,182	1,741	346	4,328	140	104
Island Region	2,545	12	1	25	0	0
Orinoco Region	71,906	437	94	1,438	55	41
Pacific Region	4,302	25	3	43	0	0
	2,582,996	**17,281**	**2,704**	**35,769**	**854**	**628**
Microcredit						
Amazon Region	2,190	15	0	204	0	0
Andean Region	95,979	294	2	9,289	3	0
Caribbean Region	19,616	61	1	2,303	1	0
Island Region	165	0	0	13	0	0
Orinoco Region	9,883	63	0	965	1	0
Pacific Region	2,408	13	0	184	0	0
	130,241	**446**	**3**	**12,958**	**5**	**0**
Commercial financial leases						
Amazon Region	2,070	12	24	163	4	11
Andean Region	2,308,140	31,808	4,781	79,421	18,258	3,154
Caribbean Region	230,314	2,553	366	28,351	1,562	162
Island Region	590	8	4	22	0	0
Orinoco Region	31,878	287	119	1,708	57	76
Pacific Region	4,031	28	10	181	5	2
	2,577,023	**34,696**	**5,304**	**109,846**	**19,886**	**3,405**
Consumer financial leases						
Amazon Region	16	0	0	2	0	0
Andean Region	19,049	140	348	1,088	23	129
Caribbean Region	1,038	9	11	51	1	5
Island Region	0	0	0	0	0	0
Orinoco Region	167	1	1	11	0	0
	20,270	**150**	**360**	**1,152**	**24**	**134**
Mortgage financial leases						
Andean Region	290,031	1,532	308	3,537	72	57
Caribbean Region	39,740	212	48	459	9	5
Orinoco Region	2,972	19	2	30	0	0
Pacific Region	571	2	1	6	0	0
	333,314	**1,765**	**359**	**4,032**	**81**	**62**
General Allowances	**0**	**0**	**0**	**28,428**	**0**	**0**
Total	**$ 19,620,228**	**185,916**	**9,244**	**654,474**	**24,846**	**4,271**

(Continued)

	Other Collateral					
	December 31, 2017					
				Allowance		
	Principal	Interest	Others	Principal	Interest	Others
Commercial						
Amazon Region	$ 12,174	529	240	1,037	189	122
Andean Region	17,412,297	192,761	1,534,900	682,283	39,590	8,594
Caribbean Region	2,336,332	20,288	2,901	326,203	5,023	2,019
Island Region	11,482	100	35	363	29	24
Orinoco Region	101,221	3,429	1,170	10,239	1,541	722
Pacific Region	14,667	343	148	1,590	129	106
Miami	1,932,684	11,345	0	23,785	138	0
New York	2,307,685	12,258	0	27,796	148	0
Panamá	86,611	477	0	1,542	7	0
	24,215,153	**241,530**	**1,539,394**	**1,074,838**	**46,794**	**11,587**
Consumer						
Amazon Region	61,445	936	251	6,084	242	94
Andean Region	8,207,139	109,275	30,239	574,734	19,815	9,453
Caribbean Region	859,590	13,174	4,632	78,811	3,050	1,745
Island Region	18,737	264	71	1,281	37	20
Orinoco Region	305,669	4,763	1,377	30,852	1,173	519
Pacific Region	82,199	1,208	318	6,712	205	102
	9,534,779	**129,620**	**36,888**	**698,474**	**24,522**	**11,933**
Microcredit						
Amazon Region	2,054	101	31	308	33	20
Andean Region	198,152	6,063	2,214	18,088	1,181	1,791
Caribbean Region	29,223	910	558	3,534	206	451
Island Region	180	9	5	22	1	3
Orinoco Region	11,247	437	201	1,810	125	161
Pacific Region	2,272	80	47	238	19	33
	243,128	**7,600**	**3,056**	**24,000**	**1,565**	**2,459**
General Allowances	**0**	**0**	**0**	**3,734**	**0**	**0**
Total	**$ 33,993,060**	**378,750**	**1,579,338**	**1,801,046**	**72,881**	**25,979**

The following are the details of the loan portfolio, by type of currency:

	December 31, 2018				December 31, 2017			
	Colombian pesos	Foreign currency	UVR (1)	Total	Colombian pesos	Foreign currency	UVR (1)	Total
Commercial	$ 35,283,127	5,743,089	0	41,026,216	33,049,291	6,046,583	0	39,095,874
Consumer	11,517,111	0	0	11,517,111	10,709,966	0	0	10,709,966
Mortgage	3,050,723	0	3,808	3,054,531	2,598,050	0	4,931	2,602,981
Microcredit	398,314	0	0	398,314	384,474	0	0	384,474
Commercial leases	2,640,708	33,130	0	2,673,838	2,586,027	30,996	0	2,617,023
Consumer leases	17,047	0	0	17,047	20,780	0	0	20,780
Mortgage leases	421,766	0	0	421,766	335,438	0	0	335,438
Total	**$ 53,328,796**	**5,776,219**	**3,808**	**59,108,823**	**49,684,026**	**6,077,579**	**4,931**	**55,766,536**

(1) Real value unit.

The following are the details of the loan portfolio, by maturity:

	December 31, 2018					
	0 to 1 year	1 to 3 year	3 to 5 year	5 to 10 year	More than 10 years	Total
Commercial	$ 21,681,566	10,200,739	5,122,374	3,616,872	404,665	41,026,216
Consumer	4,066,458	4,329,283	2,092,682	1,025,910	2,778	11,517,111
Mortgage	180,961	334,544	361,326	985,762	1,191,938	3,054,531
Microcredit	204,998	177,464	12,557	3,295	0	398,314
Commercial leases	548,485	741,814	554,470	806,807	22,262	2,673,838
Consumer leases	8,161	7,721	1,162	3	0	17,047
Mortgage leases	17,838	34,016	39,227	119,442	211,243	421,766
Total	**$ 26,708,467**	**15,825,581**	**8,183,798**	**6,558,091**	**1,832,886**	**59,108,823**

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	December 31, 2017					
	0 to 1 year	1 to 3 year	3 to 5 year	5 to 10 year	More than 10 years	Total
Commercial	$ 18,622,117	11,014,980	5,349,540	3,689,867	419,370	39,095,874
Consumer	3,781,264	4,078,114	1,944,347	904,189	2,052	10,709,966
Mortgage	151,475	284,214	307,923	836,069	1,023,300	2,602,981
Microcredit	190,691	172,030	17,274	4,479	0	384,474
Commercial leases	509,019	723,347	514,563	840,546	29,548	2,617,023
Consumer leases	7,571	11,028	2,110	71	0	20,780
Mortgage leases	13,930	26,739	31,148	93,830	169,791	335,438
Total	**$ 23,276,067**	**16,310,452**	**8,166,905**	**6,369,051**	**1,644,061**	**55,766,536**

The following is a breakdown of the restructured loan portfolio:

	December 31, 2018					
				Allowance		
	Principal	Interest	Others	Principal	Interest	Others
Commercial						
Law 1116	$ 442,947	4,118	422	286,335	3,281	421
Law 550	5,125	117	0	3,877	117	0
Law 617	253	1	0	1	0	0
Ordinary	361,522	9,412	2,178	81,804	7,272	2,135
Universal processes pending of creditors	513,706	21,134	1,453	203,200	21,108	1,451
Other types of restructuring	100,177	4,295	517	92,043	2,931	517
	1,423,730	**39,077**	**4,570**	**667,260**	**34,709**	**4,524**
Consumer						
Law 1116	1,063	11	14	856	11	14
Ordinary	406,569	8,086	3,059	230,012	6,441	2,761
Universal processes pending of creditors	8,738	416	248	8,105	416	248
Other types of restructuring	1,602	37	40	1,491	37	40
	417,972	**8,550**	**3,361**	**240,464**	**6,905**	**3,063**
Mortgage						
Law 1116	421	0	6	4	0	6
Ordinary	8,130	16	42	767	12	42
Universal processes pending of creditors	2,114	33	33	594	33	33
Other types of restructuring	855	18	16	208	18	16
	11,520	**67**	**97**	**1,573**	**63**	**97**
Microcredit						
Ordinary	15,243	123	655	9,074	114	651
Universal processes pending of creditors	28	1	4	28	1	4
Other types of restructuring	51	5	1	51	5	1
	15,322	**129**	**660**	**9,153**	**120**	**656**
Commercial financial leases						
Law 1116	12,212	258	45	8,880	257	45
Ordinary	6,853	214	94	3,246	214	94
Universal processes pending of creditors	79,514	2,464	469	37,679	2,338	393
Other types of restructuring	5,719	219	225	5,702	219	225
	104,298	**3,155**	**833**	**55,507**	**3,028**	**757**
Consumer financial leases						
Ordinary	82	0	11	57	0	11
Universal processes pending of creditors	102	11	30	70	11	30
	184	**11**	**41**	**127**	**11**	**41**
Mortgage financial leases						
Ordinary	256	0	1	35	0	1
Universal processes pending of creditors	789	21	15	779	21	15
	1,045	**21**	**16**	**814**	**21**	**16**
Totals						
Law 1116	456,643	4,387	487	296,075	3,549	486
Law 550	5,125	117	0	3,877	117	0
Law 617	253	1	0	1	0	0
Ordinary	798,655	17,851	6,040	324,995	14,053	5,695
Universal processes pending of creditors	604,991	24,080	2,252	250,455	23,928	2,174
Other types of restructuring	108,404	4,574	799	99,495	3,210	799
Total	**$ 1,974,071**	**51,010**	**9,578**	**974,898**	**44,857**	**9,154**

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		December 31, 2017					
					Allowance		
		Principal	Interest	Others	Principal	Interest	Others
Commercial							
Law 1116	$	365,087	2,829	202	173,207	2,079	200
Law 550		5,498	117	1	3,960	117	1
Law 617		8,776	136	0	49	0	0
Ordinary		437,930	8,236	2,260	76,773	5,055	2,220
Universal processes pending of creditors		404,720	13,513	1,119	149,112	13,501	1,118
Other types of restructuring		92,556	3,896	537	69,846	3,896	537
		1,314,567	**28,727**	**4,119**	**472,947**	**24,648**	**4,076**
Consumer							
Law 1116		730	5	10	556	5	10
Ordinary		401,238	6,866	2,659	149,991	3,917	2,322
Universal processes pending of creditors		7,081	276	149	6,504	276	149
Other types of restructuring		1,070	17	16	881	17	16
		410,119	**7,164**	**2,834**	**157,932**	**4,215**	**2,497**
Mortgage							
Law 1116		2,183	0	0	22	0	0
Ordinary		7,430	16	25	901	8	23
Universal processes pending of creditors		1,433	25	20	428	25	20
Other types of restructuring		1,103	20	12	210	20	12
		12,149	**61**	**57**	**1,561**	**53**	**55**
Microcredit							
Law 1116		50	5	1	25	5	1
Ordinary		18,885	40	679	8,345	35	678
Universal processes pending of creditors		26	1	3	26	1	3
Other types of restructuring		1	0	0	1	0	0
		18,962	**46**	**683**	**8,397**	**41**	**682**
Commercial financial leases							
Law 1116		1,178	83	6	210	38	4
Ordinary		3,358	260	140	835	30	33
Universal processes pending of creditors		68,870	2,742	1,271	33,311	2,529	1,256
Other types of restructuring		330	14	39	245	14	39
		73,736	**3,099**	**1,456**	**34,601**	**2,611**	**1,332**
Consumer financial leases							
Ordinary		157	1	5	48	0	5
		157	**1**	**5**	**48**	**0**	**5**
Mortgage financial leases							
Ordinary loans		261	0	1	19	0	1
		261	**0**	**1**	**19**	**0**	**1**
Totals							
Law 1116		369,228	2,922	219	174,020	2,127	215
Law 550		5,498	117	1	3,960	117	1
Law 617		8,776	136	0	49	0	0
Ordinary		869,259	15,419	5,769	236,912	9,045	5,282
Universal processes pending of creditors		482,130	16,557	2,562	189,381	16,332	2,546
Other types of restructuring		95,060	3,947	604	71,183	3,947	604
Total	$	**1,829,951**	**39,098**	**9,155**	**675,505**	**31,568**	**8,648**

The restructured loan portfolio, by credit rating, breakdown as follows:

	Suitable collateral							
	December 31, 2018							
						Allowances		
	No. Loans		Principal	Interest	Others	Principal	Interest	Others
Commercial								
A – Normal	2	$	519	4	0	13	0	0
B – Acceptable	197		116,469	278	0	4,803	10	0
C – Appreciable	331		183,507	1,207	1	19,840	114	0
D – Significant	730		219,443	224	3	119,722	224	3
E – Uncollectible	86		40,037	0	0	40,037	0	0
	1,346		**559,975**	**1,713**	**4**	**184,415**	**348**	**3**

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	Suitable collateral							
	December 31, 2018							
					Allowances			
	No. Loans		Principal	Interest	Others	Principal	Interest	Others
Consumer								
A – Normal	200		4,169	7	0	134	0	0
B – Acceptable	50		1,058	4	1	86	1	0
C – Appreciable	162		3,039	3	0	470	0	0
D – Significant	523		11,684	12	1	6,754	12	1
E – Uncollectible	45		1,061	1	0	1,061	1	0
	980		**21,011**	**27**	**2**	**8,505**	**14**	**1**
Mortgage								
A – Normal	60		4,482	5	11	44	1	11
B – Acceptable	20		1,629	4	3	77	4	3
C – Appreciable	4		498	7	4	50	7	4
D – Significant	29		2,037	10	20	498	10	20
E – Uncollectible	18		2,874	41	59	904	41	59
	131		**11,520**	**67**	**97**	**1,573**	**63**	**97**
Microcredit								
A – Normal	132		879	1	0	9	0	0
B – Acceptable	51		359	0	0	11	0	0
C – Appreciable	60		426	0	0	85	0	0
D – Significant	176		1,194	0	0	597	0	0
E – Uncollectible	294		2,283	0	0	2,283	0	0
	713		**5,141**	**1**	**0**	**2,985**	**0**	**0**
Commercial financial leases								
C – Appreciable	157		45,025	816	247	4,032	689	171
D – Significant	143		21,121	619	276	13,369	619	276
E – Uncollectible	79		38,152	1,720	310	38,106	1,720	310
	379		**104,298**	**3,155**	**833**	**55,507**	**3,028**	**757**
Consumer financial leases								
D – Significant	4		184	11	41	127	11	41
	4		**184**	**11**	**41**	**127**	**11**	**41**
Mortgage financial leases								
A – Normal	1		86	0	0	1	0	0
C – Appreciable	3		959	21	16	813	21	16
	4		**1,045**	**21**	**16**	**814**	**21**	**16**
Total restructured	**3,557**	$	**703,174**	**4,995**	**993**	**253,926**	**3,485**	**915**

	Other Collateral							
	December 31, 2018							
					Allowance			
	No. Loans		Principal	Interest	Others	Principal	Interest	Others
Commercial								
A – Normal	7	$	9,562	181	0	141	2	0
B – Acceptable	367		12,083	189	48	1,047	16	38
C – Appreciable	1,011		313,855	12,006	278	39,589	10,719	243
D – Significant	3,258		208,267	16,406	2,421	122,080	16,406	2,421
E – Uncollectible	1,971		319,988	8,582	1,819	319,988	7,218	1,819
	6,614		**863,755**	**37,364**	**4,566**	**482,845**	**34,361**	**4,521**
Consumer								
A – Normal	8,953		57,894	679	198	4,132	78	74
B – Acceptable	6,718		32,227	671	192	5,208	175	90
C – Appreciable	9,170		57,632	792	170	11,540	257	99
D – Significant	33,051		193,790	4,690	1,840	155,661	4,690	1,840
E – Uncollectible	5,805		55,418	1,691	959	55,418	1,691	959
	63,697		**396,961**	**8,523**	**3,359**	**231,959**	**6,891**	**3,062**

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	Other Collateral							
	December 31, 2018							
					Allowance			
	No. Loans		Principal	Interest	Others	Principal	Interest	Others
Microcredit								
A – Normal	370		1,684	1	17	18	0	16
B – Acceptable	122		630	4	12	20	4	11
C – Appreciable	152		866	16	12	173	9	10
D – Significant	371		2,088	36	61	1,044	36	61
E – Uncollectible	1,051		4,913	71	558	4,913	71	558
	2,066		**10,181**	**128**	**660**	**6,168**	**120**	**656**
Total restructured	**72,377**	$	**1,270,897**	**46,015**	**8,585**	**720,972**	**41,372**	**8,239**

	Suitable collateral							
	December 31, 2017							
					Allowance			
	No. Loans		Principal	Interest	Others	Principal	Interest	Others
Commercial								
A – Normal	12	$	6,845	94	0	55	0	0
B – Acceptable	293		119,987	458	0	5,483	26	0
C – Appreciable	479		297,261	701	1	43,386	55	0
D – Significant	679		131,662	110	1	70,220	110	2
E – Uncollectible	47		16,759	0	0	16,759	0	0
	1,510		**572,514**	**1,363**	**2**	**135,903**	**191**	**2**
Consumer								
A – Normal	357		8,043	12	0	298	0	0
B – Acceptable	90		1,946	7	0	157	1	0
C – Appreciable	204		3,438	3	0	615	0	0
D – Significant	517		11,741	0	0	6,697	0	0
E – Uncollectible	35		1,021	0	0	1,021	0	0
	1,203		**26,189**	**22**	**0**	**8,788**	**1**	**0**
Mortgage								
A – Normal	71		7,212	12	6	72	4	4
B – Acceptable	18		1,227	2	3	302	2	3
D – Significant	22		1,587	7	12	433	7	12
E – Uncollectible	12		2,123	40	36	754	40	36
	123		**12,149**	**61**	**57**	**1,561**	**53**	**55**
Microcredit								
A – Normal	349		2,288	0	0	23	0	0
B – Acceptable	108		751	0	0	24	0	0
C – Appreciable	23		170	0	0	34	0	0
D – Significant	124		937	0	0	468	0	0
E – Uncollectible	281		2,462	0	0	2,462	0	0
	885		**6,608**	**0**	**0**	**3,011**	**0**	**0**
Commercial financial leases								
B – Acceptable	1		65	1	2	2	0	0
C – Appreciable	92		33,729	857	175	3,749	370	53
D – Significant	95		39,051	2,196	1,214	29,959	2,196	1,214
E – Uncollectible	42		891	45	65	891	45	65
	230		**73,736**	**3,099**	**1,456**	**34,601**	**2,611**	**1,332**
Consumer financial leases								
A – Normal	1		53	1	1	1	0	0
D – Significant	2		104	0	4	47	0	5
	3		**157**	**1**	**5**	**48**	**0**	**5**
Mortgage financial leases								
A – Normal	1		172	0	1	1	0	1
D – Significant	1		89	0	0	18	0	0
	2		**261**	**0**	**1**	**19**	**0**	**1**
Total restructured	**3,956**	$	**691,614**	**4,546**	**1,521**	**183,931**	**2,856**	**1,395**

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	Other Collateral							
	December 31, 2017							
					Allowance			
	No. Loans		Principal	Interest	Others	Principal	Interest	Others
Commercial								
A – Normal	80	$	9,345	136	6	228	2	4
B – Acceptable	627		58,206	296	67	3,006	42	59
C – Appreciable	1,362		338,897	9,997	314	49,996	6,989	281
D – Significant	3,020		147,141	10,711	2,580	97,885	11,200	2,580
E – Uncollectible	1,441		188,464	6,224	1,150	185,929	6,224	1,150
	6,530		**742,053**	**27,364**	**4,117**	**337,044**	**24,457**	**4,074**
Consumer								
A – Normal	18,818		133,338	1,769	322	10,105	206	138
B – Acceptable	9,875		50,596	958	222	8,637	280	134
C – Appreciable	11,080		66,928	1,134	228	15,527	447	163
D – Significant	16,807		105,715	2,489	1,455	87,833	2,489	1,455
E – Uncollectible	3,462		27,353	792	607	27,042	792	607
	60,042		**383,930**	**7,142**	**2,834**	**149,144**	**4,214**	**2,497**
Microcredit								
A – Normal	953		4,701	8	55	47	3	55
B – Acceptable	249		1,360	2	35	44	2	34
C – Appreciable	49		270	1	6	54	1	6
D – Significant	288		1,563	8	52	781	8	52
E – Uncollectible	799		4,460	27	535	4,460	27	535
	2,338		**12,354**	**46**	**683**	**5,386**	**41**	**682**
Total restructured	**68,910**	$	**1,138,337**	**34,552**	**7,634**	**491,574**	**28,712**	**7,253**

The restructured loan portfolio by economic sector, breakdown as follows:

		December 31, 2018						
		Commercial	Consumer	Mortgages	Microcredit	Financial leases	Total	Share %
Agriculture, livestock, forestry and fishing	$	26,158	10,703	45	1,182	1,305	39,393	1.94%
Mining and quarrying		111,553	662	0	3	32,154	144,372	7.10%
Manufacturing industries		418,317	10,947	1,419	2,130	38,026	470,839	23.14%
Supply of electricity, gas, steam and air conditioning		5,830	15	0	8	0	5,853	0.29%
Water distribution; waste water evacuation and treatment, waste management and environmental sanitation activities		1,430	253	0	27	125	1,835	0.09%
Construction		245,945	8,513	497	157	5,747	260,859	12.82%
Wholesale and retail, automobile and motorcycle repair		213,251	40,434	1,656	7,537	16,450	279,328	13.73%
Transport, storage		180,723	20,041	133	507	7,405	208,809	10.26%
Accommodation and food services		19,953	5,251	436	1,211	872	27,723	1.36%
Information and communications		18,959	1,616	0	73	163	20,811	1.02%
Financial and insurance activities		21,356	554	94	3	0	22,007	1.08%
Real estate activities		43,492	1,177	251	5	19	44,944	2.21%
Professional, scientific and technical activities		81,374	43,385	1,123	843	636	127,361	6.26%
Administrative services and support activities		27,922	3,246	0	232	5,179	36,579	1.80%
Public administration and defense; social security plans with mandatory affiliation		13,225	0	0	0	0	13,225	0.65%
Education		5,381	1,265	0	20	2	6,668	0.33%
Human health care and social assistance activities		11,167	3,801	0	81	38	15,087	0.74%
Artistic, entertainment and recreational activities		486	1,303	0	68	270	2,127	0.10%
Other service activities		1,787	2,502	298	469	275	5,331	0.26%
Activities of individual households as employers		0	31	0	0	0	31	0.00%

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At December 31, 2018

	December 31, 2018						
	Commercial	Consumer	Mortgages	Microcredit	Financial leases	Total	Share %
Activities of extraterritorial organizations and entities	0	55	0	0	0	55	0.00%
Salaried employee	11,279	262,377	5,460	1,465	938	281,519	13.84%
Capital investors	7,789	11,752	272	90	0	19,903	0.98%
Total	$ **1,467,377**	**429,883**	**11,684**	**16,111**	**109,604**	**2,034,659**	**100%**

	December 31, 2017						
	Commercial	Consumer	Mortgages	Microcredit	Financial leases	Total	Share %
Agriculture, livestock, forestry and fishing	$ 50,437	10,420	0	1,253	361	62,471	3.33%
Mining and quarrying	113,979	674	0	23	29,581	144,257	7.68%
Manufacturing industries	457,206	11,355	1,422	2,368	23,408	495,759	26.40%
Supply of electricity, gas, steam and air conditioning	5,858	10	0	0	0	5,868	0.31%
Water distribution; waste water evacuation and treatment, waste management and environmental sanitation activities	1,733	256	0	46	214	2,249	0.12%
Construction	233,487	8,923	421	232	3,249	246,312	13.11%
Wholesale and retail, automobile and motorcycle repair	193,086	40,569	1,606	8,954	9,640	253,855	13.53%
Transport, storage	77,514	19,325	144	695	1,561	99,239	5.28%
Accommodation and food services	13,839	5,525	259	1,538	925	22,086	1.18%
Information and communications	7,230	2,000	0	160	162	9,552	0.51%
Financial and insurance activities	1,740	697	98	4	0	2,539	0.14%
Real estate activities	32,173	962	136	7	0	33,278	1.77%
Professional, scientific and technical activities	67,209	44,384	2,660	1,275	6,080	121,608	6.47%
Administrative services and support activities	28,783	2,991	43	180	2,752	34,749	1.85%
Public administration and defense; social security plans with mandatory affiliation	22,219	0	0	0	0	22,219	1.18%
Education	6,063	1,507	0	21	0	7,591	0.40%
Human health care and social assistance activities	12,548	4,190	0	62	0	16,800	0.89%
Artistic, entertainment and recreational activities	752	1,166	0	64	0	1,982	0.11%
Other service activities	2,246	2,734	185	566	253	5,984	0.32%
Activities of individual households as employers	0	21	0	0	0	21	0.00%
Activities of extraterritorial organizations and entities	0	48	0	0	0	48	0.00%
Salaried employee	13,336	250,481	5,021	2,082	530	271,450	14.45%
Capital investors	5,975	11,879	272	161	0	18,287	0.97%
Total	$ **1,347,413**	**420,117**	**12,267**	**19,691**	**78,716**	**1,878,204**	**100 %**

The restructured loan portfolio, by geographic area, breakdown as follows:

	Suitable collateral					
	December 31, 2018					
				Allowance		
	Principal	Interest	Others	Principal	Interest	Others
Commercial						
Amazon Region	$ 155	0	0	37	0	0
Andean Region	501,114	1,676	1	168,857	326	1
Caribbean Region	50,484	33	3	13,307	22	2
Island Region	83	0	0	7	0	0
Orinoco Region	7,692	4	0	2,043	0	0
Pacific Region	447	0	0	164	0	0
	559,975	**1,713**	**4**	**184,415**	**348**	**3**

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At December 31, 2018

	Suitable collateral December 31, 2018			Allowance		
	Principal	Interest	Others	Principal	Interest	Others
Consumer						
Amazon Region	160	0	0	34	0	0
Andean Region	16,920	23	2	6,584	11	1
Caribbean Region	3,314	2	0	1,577	1	0
Orinoco Region	550	2	0	262	2	0
Pacific Region	67	0	0	48	0	0
	21,011	**27**	**2**	**8,505**	**14**	**1**
Mortgage						
Andean Region	7,610	38	66	973	35	66
Caribbean Region	3,347	28	28	470	28	28
Orinoco Region	563	1	3	130	0	3
	11,520	**67**	**97**	**1,573**	**63**	**97**
Microcredit						
Amazon Region	54	0	0	25	0	0
Andean Region	3,722	1	0	2,053	0	0
Caribbean Region	860	0	0	577	0	0
Island Region	2	0	0	0	0	0
Orinoco Region	396	0	0	264	0	0
Pacific Region	107	0	0	66	0	0
	5,141	**1**	**0**	**2,985**	**0**	**0**
Commercial financial leases						
Amazon Region	115	0	13	93	0	13
Andean Region	71,934	1,791	761	24,436	1,664	686
Caribbean Region	30,692	1,357	23	30,375	1,357	22
Orinoco Region	1,557	7	36	603	7	36
	104,298	**3,155**	**833**	**55,507**	**3,028**	**757**
Consumer financial leases						
Andean Region	94	0	33	62	0	33
Caribbean Region	90	11	8	65	11	8
	184	**11**	**41**	**127**	**11**	**41**
Mortgage financial leases						
Andean Region	1,045	21	16	814	21	16
	1,045	**21**	**16**	**814**	**21**	**16**
Total	$ **703,174**	**4,995**	**993**	**253,926**	**3,485**	**915**

	Other Collateral December 31, 2018			Allowance		
	Principal	Interest	Others	Principal	Interest	Others
Commercial						
Amazon Region	$ 89	2	7	52	2	7
Andean Region	803,543	30,502	3,419	439,512	27,755	3,381
Caribbean Region	51,453	6,087	792	37,704	6,070	788
Island Region	338	4	29	193	4	29
Orinoco Region	6,102	658	256	4,078	432	253
Pacific Region	2,230	111	63	1,306	98	63
	863,755	**37,364**	**4,566**	**482,845**	**34,361**	**4,521**
Consumer						
Amazon Region	2,983	71	18	1,728	57	16
Andean Region	311,294	6,503	2,587	180,101	5,229	2,347
Caribbean Region	56,765	1,350	561	34,886	1,116	522
Island Region	713	12	5	442	10	4
Orinoco Region	20,186	484	152	12,041	397	140
Pacific Region	5,020	103	36	2,761	82	33
	396,961	**8,523**	**3,359**	**231,959**	**6,891**	**3,062**
Microcredit						
Amazon Region	83	1	1	43	1	1
Andean Region	7,778	96	467	4,513	89	463
Caribbean Region	1,428	17	128	997	17	128
Island Region	2	0	0	0	0	0

(Continued)

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At December 31, 2018

		Other Collateral				
		December 31, 2018				
					Allowance	
	Principal	Interest	Others	Principal	Interest	Others
Microcredit						
Orinoco Region	728	12	50	489	11	50
Pacific Region	162	2	14	126	2	14
	10,181	**128**	**660**	**6,168**	**120**	**656**
Total	$ **1,270,897**	**46,015**	**8,585**	**720,972**	**41,372**	**8,239**

		Suitable collateral				
		December 31, 2017				
					Allowance	
	Principal	Interest	Others	Principal	Interest	Others
Commercial						
Amazon Region	$ 395	6	0	114	6	0
Andean Region	530,726	1,337	2	126,823	176	2
Caribbean Region	32,921	15	0	6,942	7	0
Island Region	343	0	0	88	0	0
Orinoco Region	7,763	5	0	1,859	2	0
Pacific Region	366	0	0	77	0	0
	572,514	**1,363**	**2**	**135,903**	**191**	**2**
Consumer						
Amazon Region	129	1	0	44	0	0
Andean Region	22,234	19	0	7,513	1	0
Caribbean Region	3,263	2	0	1,057	0	0
Island Region	17	0	0	1	0	0
Orinoco Region	480	0	0	138	0	0
Pacific Region	66	0	0	35	0	0
	26,189	**22**	**0**	**8,788**	**1**	**0**
Mortgage						
Andean Region	9,471	40	40	1,039	33	38
Caribbean Region	2,255	21	16	335	20	16
Orinoco Region	423	0	1	187	0	1
	12,149	**61**	**57**	**1,561**	**53**	**55**
Microcredit						
Amazon Region	52	0	0	10	0	0
Andean Region	4,718	0	0	2,067	0	0
Caribbean Region	1,217	0	0	661	0	0
Island Region	2	0	0	0	0	0
Orinoco Region	491	0	0	234	0	0
Pacific Region	128	0	0	39	0	0
	6,608	**0**	**0**	**3,011**	**0**	**0**
Commercial financial leases						
Amazon Region	115	0	5	52	0	5
Andean Region	43,936	1,873	1,428	11,858	1,388	1,305
Caribbean Region	28,128	1,219	12	22,088	1,216	11
Orinoco Region	1,557	7	11	603	7	11
	73,736	**3,099**	**1,456**	**34,601**	**2,611**	**1,332**
Consumer financial leases						
Andean Region	157	1	5	48	0	5
	157	**1**	**5**	**48**	**0**	**5**
Mortgage financial leases						
Andean Region	261	0	1	19	0	1
	261	**0**	**1**	**19**	**0**	**1**
Total	$ **691,614**	**4,546**	**1,521**	**183,931**	**2,856**	**1,395**

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BANCO DE BOGOTÁ S.A.
Notes to the Separate Financial Statements
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		Other Collateral					
		December 31, 2017					
					Allowance		
		Principal	Interest	Others	Principal	Interest	Others
Commercial							
Amazon Region	$	142	5	13	69	2	12
Andean Region		683,330	24,741	3,107	302,596	22,075	3,079
Caribbean Region		50,991	2,113	677	30,044	1,931	667
Island Region		369	4	16	104	4	16
Orinoco Region		5,492	420	229	3,267	365	226
Pacific Region		1,729	81	75	964	80	74
		742,053	**27,364**	**4,117**	**337,044**	**24,457**	**4,074**
Consumer							
Amazon Region		3,003	56	17	1,326	38	15
Andean Region		301,896	5,495	2,266	115,256	3,199	1,997
Caribbean Region		52,365	1,060	397	21,741	663	352
Island Region		733	12	4	284	9	4
Orinoco Region		20,482	416	120	8,191	242	102
Pacific Region		5,451	103	30	2,346	63	27
		383,930	**7,142**	**2,834**	**149,144**	**4,214**	**2,497**
Microcredit							
Amazon Region		96	0	2	28	0	2
Andean Region		9,587	37	489	4,050	32	488
Caribbean Region		1,664	8	142	898	8	142
Island Region		2	0	0	0	0	0
Orinoco Region		838	0	39	358	0	39
Pacific Region		167	1	11	52	1	11
		12,354	**46**	**683**	**5,386**	**41**	**682**
Total	$	**1,138,337**	**34,552**	**7,634**	**491,574**	**28,712**	**7,253**

The loan portfolio write-offs break down as follows:

		December 31, 2018			
		Principal	Interest	Others	Total
Commercial	$	629,956	25,264	22,883	678,103
Consumer		62,609	4,761	4,496	71,866
Mortgage		3,340	31	70	3,441
Microcredit		25,217	1,112	2,496	28,825
Commercial leases		233	4	140	377
Consumer leases		1,334	59	202	1,595
Mortgage leases		423	0	5	428
Total	$	**723,112**	**31,231**	**30,292**	**784,635**

		December 31, 2017			
		Principal	Interest	Others	Total
Commercial	$	66,744	4,076	4,846	75,666
Consumer		512,628	22,431	17,423	552,482
Mortgage		1,580	13	24	1,617
Microcredit		26,979	966	2,458	30,403
Commercial leases		2,247	292	302	2,841
Consumer leases		119	4	19	142
Mortgage leases		297	4	4	305
Total	$	**610,594**	**27,786**	**25,076**	**663,456**

The following is a breakdown of the recovery of write-offs and loan portfolio allowances:

		December 31, 2018		December 31, 2017	
		Recovery of loans written off	Recovery of allowance	Recovery of loans written off	Recovery of allowance
Commercial	$	107,029	287,077	10,650	372,533
Consumer		8,916	409,294	89,852	244,290
Mortgage		795	9,495	313	5,885
Microcredit		6,086	15,074	2,278	15,938
Commercial leases		107	369	937	22,608
Consumer leases		596	37,900	68	288
Mortgage leases		401	1,336	3	649
Total	$	**123,930**	**760,545**	**104,101**	**662,191**

The following are the details of the loan portfolio allowance and financial leases:

		December 31, 2018	December 31, 2017
Balance at beginning of the period	$	**2,583,497**	**1,844,715**
Allowance charged to expenses		2,253,260	2,078,846
Write-offs and forgiveness		(813,295)	(677,714)
Recovery of allowance		(760,545)	(662,191)
Exchange difference		2,522	(159)
Balance at end of the period	$	**3,265,439**	**2,583,497**

- The following is the reconciliation between the gross investment in financial leases and the present value of the minimum lease payments receivable:

		December 31, 2018	December 31, 2017
Total gross rent receivable in the future	$	5,794,148	5,907,873
Less unrealized financial income		(2,681,497)	(2,934,632)
Net investment in financial leases agreements	$	**3,112,651**	**2,973,241**

- The following is a breakdown of the maturity of gross and net investments in financial leases:

		December 31, 2018			
		0-1 year	1-5 years	More than 5 years	Total
Gross investment in financial leases	$	135,853	1,044,175	4,614,120	5,794,148
Financial income not earned from financial leases - interest		(1,754)	(136,483)	(2,543,260)	(2,681,497)
Total minimum financial leases receivable (present value)	$	**134,099**	**907,692**	**2,070,860**	**3,112,651**

		December 31, 2017			
		0-1 year	1-5 years	More than 5 years	Total
Gross investment in financial leases	$	120,322	1,280,398	4,507,153	5,907,873
Financial income not earned from financial leases - interest		(774)	(213,017)	(2,720,841)	(2,934,632)
Total minimum financial leases receivable (present value)	$	**119,548**	**1,067,381**	**1,786,312**	**2,973,241**

The Bank grants loans in the form of financial leases for machinery and equipment, computer equipment, movable goods, furniture and fixtures, vehicles, trains and airplanes. The amount of financing generally fluctuates between a maximum of 100% of the value of the asset, in the case of new assets, and 70% for used assets. The installments for these loans are between 120 months maximum and 24 months minimum for borrowers who have a tax benefit. In most cases, the option to buy is a maximum of 20% of the value of the asset and a minimum of 1% in the specific case of furniture and fixtures.

(Continued)

NOTE 11 - OTHER ACCOUNTS RECEIVABLE, NET

The following are the details of other accounts receivable:

		December 31, 2018	December 31, 2017
Electronic transfers in process	$	325,904	165,928
Collateral deposits and others(1)		257,766	38,330
Abandoned account transfers to “Instituto Colombiano de Credito Educativo y Estudios Tecnicos en el Exterior (ICETEX)”		129,705	120,059
Prepayments to contractors and suppliers		149,681	94,641
Transfers to the National Treasury - inactive accounts		36,519	34,967
Electronic deposits Offset - Credibanco		43,165	22,536
Commissions and fees		27,973	28,066
Other		18,849	28,413
Dividends		19,081	15,554
Buy-sell agreements		13,343	7,055
Insufficiency in savings accounts		6,864	6,074
Shortages in pending balance		1,660	3,702
Forward compliance		418	1,093
		1,030,928	**566,418**
Allowance of other accounts receivable		(41,993)	(36,060)
Total	$	**988,935**	**530,358**

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

The following are the details of activity in the allowance:

		December 31, 2018	December 31, 2017
Balance at beginning of the period	$	**36,060**	**34,199**
Changes in accounting policies (see note 2.21)		1,074	0
Balance at beginning of the period	$	**37,134**	**34,199**
Allowance charged to expenses		5,058	6,004
Recoveries		(199)	(4,143)
Balance at end of the period	$	**41,993**	**36,060**

NOTE 12 - NON-CURRENT ASSETS HELD FOR SALE

Non-current assets held for sale are primarily assets received through foreclosure on assets pledged as loan collateral. Accordingly, the Bank's intention is to sell them immediately, and it has processes and special sales programs to so do foreclose assets are either sold for cash or financing for their sale is provided to potential buyers under normal market conditions. Consequently, they are expected to be sold within a period of 12 months subsequent to their classification as assets held for sale. In fact, purchase commitment agreements already exist for some of these assets.

Note 6 on credit risk contain information on assets received through foreclosure and sold during the period. During the years ended at December 31, 2018 and 2017, there were no changes in plans for the disposal of non-current assets held for sale.

At December 31, 2018 exist 32 assets classified as available for sale: 8 real properties (land plots, warehouses, apartments), 6 movables properties (machinery and equipment, shares and fiduciary rights), and 18 restituted assets (vehicles, machinery and equipment, land plots, warehouses).

The following is a breakdown:

		December 31, 2018				December 31, 2017			
		Cost	Allowance	% A	Total	Cost	Allowance	% A	Total
Foreclosed assets									
Movables	$	74,308	(12,559)	17%	61,749	1,205	(542)	45%	663
Residential real estate		1,280	(747)	58%	533	2,169	(676)	31%	1,493
Non-mortgaged real estate		5,800	(3,977)	69%	1,823	17,001	(9,024)	53%	7,977
		81,388	**(17,283)**	**21%**	**64,105**	**20,375**	**(10,242)**	**50%**	**10,133**
Assets returned from leasing agreements									
Machinery and equipment		34	(31)	91%	3	193	(172)	89%	21
Vehicles		661	(632)	96%	29	808	(767)	95%	41
Property		23,742	(10,761)	45%	12,981	1,749	(729)	42%	1,020
Real estate leasing		1,318	(489)	37%	829	215	(25)	12%	190
		25,755	**(11,913)**	**46%**	**13,842**	**2,965**	**(1,693)**	**57%**	**1,272**
Other									
Other		3,553	(3,553)	100%	0	0	0	0%	0
		3,553	**(3,553)**	**100%**	**0**	**0**	**0**	**0%**	**0**
Total	$	**110,696**	**(32,749)**	**30%**	**77,947**	**23,340**	**(11,935)**	**51%**	**11,405**

The following table shows the activity of cost:

		December 31, 2018	December 31, 2017
Balance at beginning of the period	$	**23,340**	**136,260**
Additions		112,419	25,905
Reclassifications (1)		(20,658)	(125,366)
Assets sold		(4,368)	(3,112)
Changes in fair value		(37)	(11,224)
Exchange difference		0	877
Balance end of the period	$	**110,696**	**23,340**

(1) At December 31, 2018 transfers were made to investment properties for $20,213 and other assets for $445. At December 31, 2017 assets were transferred to: investment properties for $101,764, other assets for $235, and investments for trading for $23,367.

The following table shows the activity in the allowance:

		Foreclose assets	Assets returned from leasing agreements	Others	Total
Balance at December 31, 2016	$	**31,405**	**9,206**	**0**	**40,611**
Allowance charged to expenses		10,266	1,702	0	11,968
Allowance used in sales		(163)	(11)	0	(174)
Recoveries		(54)	(382)	0	(436)
Reclassifications (1)		(31,212)	(8,822)	0	(40,034)
Balance at December 31, 2017	$	**10,242**	**1,693**	**0**	**11,935**
Allowance charged to expenses		17,053	12,023	3,552	32,628
Recoveries		(479)	(646)	0	(1,125)
Reclassifications (2)		(9,532)	(1,157)	0	(10,689)
Balance at December 31, 2018	$	**17,284**	**11,913**	**3,552**	**32,749**

(1) Corresponds to transfers from assets held for sale to: property investments for $37,923, other assets for $174 and investments for $1,937.
(2) Corresponds to transfers from assets held for sale to: property investments for $10,274 and other assets for $415.

The liabilities associated with the groups of assets held for sale at December 31, 2018 and 2017, came to $5,450 and $9,238, respectively.

Marketing plan

The Bank takes the 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 steps taken to obtain an urban standard applicable to real estate in order to verify its highest and best potential for development, and takes part in committees to attend to and monitor the various ongoing negotiations.

- Real estate properties are visited regularly to keep the sales force and management familiar with the properties the Bank has for sale. This approach makes it possible to identify the strengths of each property, its marketing potential and state of conservation, so as to allow for effective sales management.

- Sales are promoted through advertisements in major national newspapers and in the Bank's real estate magazine. The results, in this respect, have been satisfactory. Information is sent directly to potential customers and a list of properties is published on the Banks website (www.bancodebogota.com.co).

NOTE 13 - INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Following is a breakdown of subsidiaries, associates and joint ventures:

		December 31, 2018	December 31, 2017
Subsidiaries	$	14,445,212	12,688,532
Associates		4,159,524	3,419,661
Joint ventures		1,047	1,597
Total	$	**18,605,783**	**16,109,790**

Investments in subsidiaries

The following is a breakdown of the investments in subsidiaries:

Name of the company	Headquarters		Investment book value	% Voting rights		Book value at: December 31, 2018 Assets	Liabilities	Net income
Leasing Bogota S.A. Panamá	Panamá	$	12,882,174	100.00%	$	78,656,541	65,773,425	1,192,902
Banco de Bogotá Panamá S.A.	Panamá		344,163	100.00%		7,171,739	6,827,575	35,974
Bogotá Finance Corporation	Islas Caimán		285	100.00%		285	0	3
Almaviva S.A.	Bogotá		69,082	95.81%		98,601	25,828	(1,089)
Fiduciaria Bogotá S.A.	Bogotá		311,975	94.99%		416,744	84,135	63,817
Megalinea S.A.	Bogotá		4,301	94.90%		22,743	18,211	501
Corporación Financiera Centroamericana S.A. (Ficentro) (2)	Panamá		0	49.78%		0	1	0
AFP - Porvenir S.A.(2)	Bogotá		828,608	46.39%		3,094,360	1,071,767	360,129
Aval soluciones digitales K7 (1)	Bogotá		3,537	38.90%		9,623	531	(908)
Aportes en Línea S.A.(2)	Bogotá		1,087	2.04%	$	61,594	8,278	15,247
Total		$	**14,445,212**					

(1) Entity constituted by public document No. 6041 of December 7, 2017

(Continued)

Name of the company	Headquarters	Investment book value	% Voting rights	Book value at: December 31, 2018 Assets	Liabilities	Net income
Leasing Bogota S.A. Panamá	Panamá	$ 11,283,922	100.00%	$ 70,172,887	58,887,280	1,128,407
Banco de Bogotá Panamá S.A.	Panamá	278,809	100.00%	7,940,121	7,661,311	41,275
Bogotá Finance Corporation	Islas Caimán	259	100.00%	259	0	2
Almaviva S.A.	Bogotá	73,276	95.80%	105,340	28,145	14,124
Fiduciaria Bogotá S.A.	Bogotá	290,460	94.99%	394,060	84,354	62,497
Megalinea S.A.	Bogotá	3,981	94.90%	23,138	18,943	146
Corporación Financiera Centroamericana S.A. (Ficentro) (2)	Panamá	0	49.78%	0	1	0
AFP - Porvenir S.A.(2)	Bogotá	756,746	46.39%	2,792,006	966,246	421,978
Aportes en Línea S.A.(2)	Bogotá	1,079	2.04%	$ 63,020	10,106	14,850
Total		$ **12,688,532**				

(2) Entities where the Bank has less than 50% of shares but carries out control activities in accordance with IFRS 10, which is why these entities are consolidated in the Bank's Financial Statements.

Investments in subsidiaries at December 31, 2018 compared to December 31, 2017, show an increase of $1,756,680, mainly concentrated in Leasing Bogota Panamá for $1,598,252, as a result of exchange difference and as a result of the calculation of the equity method.

The following is the corporate purpose of the subsidiaries:

	Subsidiaries	Corporate purpose
1	Leasing Bogota S.A. Panamá	Financial transactions and investment activities
2	Banco de Bogotá Panamá S.A.	Licensed internationally for banking outside the country
3	Bogotá Finance Corporation	Financial transactions and investment activities
4	Almaviva S.A.	General storage deposit, customs agent and comprehensive logistics operator
5	Fiduciaria Bogotá S.A.	Enters into commercial trust agreements and fiduciary mandates, as provided for by law
6	Megalínea S.A.	A technical and administrative services company
7	Corporación Financiera Centroamericana S.A. (Ficentro)	Loan recovery
8	AFP - Porvenir S.A.	Pension and severance fund manager
9	Aval soluciones digitales K7	A specialized company in deposits and electronic payments
10	Aportes en Línea S.A.	Information operator

The following table shows the movement in impairment of investments in subsidiaries:

		December 31, 2018	December 31, 2017
Balance at the beginning of the period	$	**1,156**	**1,163**
Impairment		182	38
Recovery		(79)	(45)
Balance end of the period	$	**1,259**	**1,156**

Investments in associates

The following is a breakdown of the investments in associates:

		December 31, 2018				December 31, 2017			
	Head-quarter	% Voting rights	Assets	Liabilities	Net income	% Voting rights	Assets	Liabilities	Net income
Corporación Financiera Colombiana S.A.	Bogotá	32.93%	$ 11,958,020	6,022,781	1,609,578	38.54%	$ 9,072,846	5,954,998	161,191
Casa de Bolsa S.A.	Bogotá	22.80%	33,440	3,909	(1,159)	22.80%	45,081	15,172	71
A Toda Hora S.A.	Bogotá	19.99%	10,262	802	1,184	19.99%	9,317	1,041	692
Pizano S.A (1)	Bogotá	18.47%	$ 0	0	0	18.47%	$ 203,226	157,299	(84,024)

(1) 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.

The following is the movement in investments in associates:

		December 31, 2018	December 31, 2017
Balance at beginning of the period	$	**3,419,661**	**3,347,614**
Changes in accounting policies (see note 2.21)		124,030	0
Balance at January 1, 2018 adjusted		**3,543,691**	**3,347,614**
Share in income for the period		568,746	47,211
Share in other comprehensive income		(67,840)	24,836
Waiver of shares subscription Corficolombiana		122,568	0
		4,167,165	**3,419,661**
Impairment (1)		(7,641)	0
Balance at end of the period	$	**4,159,524**	**3,419,661**

(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 $739,863, 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 27).

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

The following is the corporate purpose of the associates:

	Associates	**Corporate purpose**
1	Corporación Financiera Colombiana S.A.	Specializes in a wide range of products for private banking, investment banking, treasury operations and equity income investments
2	Casa de Bolsa S.A	Brokerage house (securities brokerage and securities fund management)
3	A Toda Hora S.A.	Financial transactions services
4	Pizano S.A	Manufactures laminated wood products.

Investments in joint ventures

The following is a breakdown of the investments in joint ventures:

	Headquarter	% Voting rights		December 31, 2018 Assets	Liabilities	Net income	December 31, 2017 Assets	Liabilities	Net income
A Toda Hora S.A.	Bogotá	25.0%	$	41,249	37,062	(2,201)	47,986	41,598	8,700

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**

The following is the corporate purpose of the joint ventures:

	Joint ventures	Corporate purpose
1	A Toda Hora S.A.	Financial transactions services

NOTE 14 - PROPERTY, PLANT AND EQUIPMENT

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

December 31, 2018		Cost	Accumulated depreciation	Net
Land	$	156,603	0	156,603
Buildings and constructions		502,317	(166,411)	335,906
Machinery		87	(60)	27
Vehicles		3,381	(2,216)	1,165
Office furniture, fixtures and equipment		234,674	(170,459)	64,215
Computer hardware		487,840	(376,444)	111,396
Leasehold improvements		52,457	(37,309)	15,148
Construction in progress		11,758	0	11,758
Total	$	**1,449,117**	**(752,899)**	**696,218**

December 31, 2017		Cost	Accumulated depreciation	Net
Land	$	155,094	0	155,094
Buildings and constructions		495,455	(147,079)	348,376
Machinery		87	(56)	31
Vehicles		3,381	(1,930)	1,451
Office furniture, fixtures and equipment		231,814	(159,678)	72,136
Computer hardware		429,612	(340,858)	88,754
Leasehold improvements		50,986	(30,992)	19,994
Construction in progress		40,763	0	40,763
Total	$	**1,407,192**	**(680,593)**	**726,599**

(Continued)

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

		Balance at December 31, 2016	Exchange difference	Additions	Disposals/ Sales	Reclassi-fications (1)	Balance at December 31, 2017
Land	$	155,291	0	0	(197)	0	155,094
Buildings and constructions		495,521	0	101	(1,159)	992	495,455
Machinery		0	0	27	0	60	87
Vehicles		2,264	0	1,117	0	0	3,381
Office furniture, fixtures and equipment		225,335	(7)	9,468	(2,652)	(330)	231,814
Computer hardware		406,596	(10)	27,436	(4,680)	270	429,612
Leasehold improvements		50,170	0	1,812	(996)	0	50,986
Construction in progress		4,350	0	13,998	0	22,415	40,763
Total	$	**1,339,527**	**(17)**	**53,959**	**(9,684)**	**23,407**	**1,407,192**

		Balance at December 31, 2017	Exchange difference	Additions	Disposals/ Sales	Reclassi-fications (2)	Balance at December 31, 2018
Land	$	155,094	0	992	(1,132)	1,649	156,603
Buildings and constructions		495,455	0	6,813	(35,252)	35,301	502,317
Machinery		87	0	0	0	0	87
Vehicles		3,381	0	0	0	0	3,381
Office furniture, fixtures and equipment		231,814	132	6,653	(3,992)	67	234,674
Computer hardware		429,612	133	57,850	(47)	292	487,840
Leasehold improvements		50,986	43	2,354	(2,087)	1,161	52,457
Construction in progress		40,763	0	18,336	(9,857)	(37,484)	11,758
Total	$	**1,407,192**	**308**	**92,998**	**(52,367)**	**986**	**1,449,117**

(1) Corresponds to transfers of investment properties.
(2) Corresponds to transfers to intangibles for $461 and from investment properties for $1,370.

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

		Buildings and constructions	Machinery	Vehicles	Furniture and fixtures	Computer hardware	Leasehold improvements	Total
Balance at December 31, 2016	$	**111,419**	**0**	**1,679**	**147,039**	**304,528**	**22,020**	**586,685**
Depreciation		35,838	2	251	15,092	40,341	9,955	101,479
Disposals/ Sales		(178)	0	0	(2,373)	(3,998)	(983)	(7,532)
Reclassifications		0	54	0	(59)	5	0	0
Exchange difference		0	0	0	(21)	(18)	0	(39)
Balance at December 31, 2017	$	**147,079**	**56**	**1,930**	**159,678**	**340,858**	**30,992**	**680,593**
Depreciation		36,518	4	286	14,523	35,925	8,390	95,646
Disposals/ Sales		(17,186)	0	0	(3,833)	(38)	(2,087)	(23,144)
Reclassifications		0	0	0	0	(384)	0	(384)
Exchange difference		0	0	0	91	83	14	188
Balance at December 31, 2018	$	**166,411**	**60**	**2,216**	**170,459**	**376,444**	**37,309**	**752,899**

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 27)		**312,316**
Notarial expenses		(1,062)
Registration and annotation tax		(5,840)
Net income	$	**305,414**

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

The Bank conducted a qualitative analysis of impairment taking into account internal and external sources of information. In light of that analysis, it was determined that certain assets might have some impairment and their recoverable value was identified based on their fair value, which was determined through an independent technical appraisal.

NOTE 15 - INVESTMENT PROPERTIES

The following is a breakdown of investment properties:

		December 31, 2018			December 31, 2017		
		Land	Buildings	Total	Land	Buildings	Total
Cost	$	226,735	26,097	252,832	198,730	27,947	226,677
Impairment		(169,866)	(8,022)	(177,888)	(135,982)	(8,612)	(144,594)
Total	$	**56,869**	**18,075**	**74,944**	**62,748**	**19,335**	**82,083**

The following table shows the activity in the cost of investment properties:

		Land	Buildings	Total
Balance at December 31, 2016	$	**121,277**	**20,308**	**141,585**
Additions		6,000	0	6,000
Changes in fair value		(204)	5,587	5,383
Reclassifications (1)		73,813	4,140	77,953
Disposals / Sales		(2,156)	(2,088)	(4,244)
Balance at December 31, 2017	$	**198,730**	**27,947**	**226,677**
Changes in fair value		25,283	1,524	26,807
Reclassifications (2)		18,931	(88)	18,843
Disposals / Sales		(16,209)	(3,286)	(19,495)
Balance at December 31, 2017	$	**226,735**	**26,097**	**252,832**

(1) Corresponds to transfers to investment properties from non-current assets held for sale for $101,764 and from other assets for $135. Transfers from investment properties to property, plant and equipment for $23,407 and reclassifications between investment properties accounts for $539.

(2) Corresponds to transfers from Non-current assets held for sale for $20,213 and to property, plant and equipment for $1,370.

The following is the activity of investment properties impairment:

		Land	Buildings	Total
Balance at December 31, 2016	$	**94,826**	**6,669**	**101,495**
Impairment charged to expenses		21,582	2,165	23,747
Reclassifications (1)		28,335	9,184	37,519
Recovery		(8,660)	(9,279)	(17,939)
Disposals / Sales		(101)	(127)	(228)
Balance at December 31, 2017	$	**135,982**	**8,612**	**144,594**
Impairment charged to expenses		46,533	912	47,445

(Continued)

		Land	Buildings	Total
Reclassifications (2)		9,797	462	10,259
Recovery		(22,446)	(1,964)	(24,410)
Balance at December 31, 2018	$	**169,866**	**8,022**	**177,888**

(1) Corresponds to transfers to investment properties from non-current assets held for sale for $37,923 and other assets for $135 and reclassification between investment properties accounts for $539.
(2) Corresponds to transfers from non-current assets held for sale for $10,259.

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

		December 31, 2018	December 31, 2017
Rental income from investment properties	$	299	986
Direct operating expenses arising from investment properties generating rental income		(72)	(184)
Direct operating expenses arising from investment properties generating that do not rental income		0	(375)
Total	$	**227**	**427**

There were no contractual obligations to acquire investment properties during the periods in question.

There are no restrictions on the sale of investment properties.

NOTE 16 - GOODWILL

Assessment of impairment of the cash-generating units to which goodwill is allocated

The Bank's management evaluates impairment of the goodwill listed on its financial statements, doing so annually and considering that the useful life of goodwill is indefinite, this assessment is based on respective studies done by independent experts who were engaged for that purpose, as per IAS 36 - Impairment of Assets.

These studies are based on valuations of the cash-generating units to which goodwill is assigned when acquired, in this case, valuation is done by the discounted cash flow method and takes into account a number of factors: such as the economic situation in the country and in the sector where the acquired entity 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 by the required risk premiums, given the circumstances of each company.

The methodologies and assumptions used to evaluate the various cash-generating units to which goodwill is assigned were reviewed by management and, based on that review, it was concluded there is no need to record impairment at December 31, 2018, taking into account as the recoverable amounts are significantly higher than the carrying amounts.

The value of goodwill registered in the Bank´s financial statements it has be made after the following acquisitions:

Company		December 31, 2018	December 31, 2017
Megabanco	$	465,905	465,905

The following are the details of the goodwill allocated to the group of cash-generating units. These units represent the lowest level within the Bank that is monitored by management and are not larger than the operating segments.

		December 31, 2018			
Group of cash-generating units		Book value of goodwill	Book value of CGU	Fair value of CGU	Excess
CGU in Banco de Bogotá (Megabanco)	$	465,905	7,403,179	9,865,076	2,461,897
TOTAL	$	**465,905**			

		December 31, 2017			
Group of cash-generating units		Book value of goodwill	Book value of CGU	Fair value of CGU	Excess
CGU in Banco de Bogotá (Megabanco)	$	465,905	7,353,562	9,483,254	2,129,692
TOTAL	$	**465,905**			

Details of Goodwill, by acquired Company:

- **Banco de Crédito y Desarrollo Social - Megabanco S.A.**

Goodwill was generated with the acquisition of ninety-four point ninety-nine percent (94.99%) of the shares of stock in Banco de Crédito y Desarrollo Social - MEGABANCO S.A. This operation was authorized by the Superintendencia Financiera de Colombia as per Resolution No. 917 dated 2 June 2006.

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

The latest valuation update for the business lines of cash-generating units groups to which this goodwill was allocated was done by the expert Deloitte Asesores y Consultores Ltda. This valuation is included in its January 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.

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 Bank expectations of the company and independent specialists (The Economist Intelligence Unit "EIU").

- The borrowing rates were projected based on the Bank 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.

NOTE 17 – OTHER INTANGIBLE ASSETS

17.1 Activity in intangible assets

The activity of intangible assets other than goodwill is shown below:

		Cost	Amortization	Total
Balance at December 31, 2016	$	**310,866**	**(38,564)**	**272,302**
Additions		80,801	0	80,801
Amortization charged to expenses		0	(34,815)	(34,815)
Exchange difference		(1)	1	0
Balance at December 31, 2017	$	**391,666**	**(73,378)**	**318,288**
Additions		111,045	0	111,045
Amortization charged to expenses		0	(53,373)	(53,373)
Exchange difference		(94)	110	16
Reclassifications		471	(488)	(17)
Balance at December 31, 2018	$	**503,088**	**(127,129)**	**375,959**

17.2 Intangible assets with internal development

The following table shows the activity in intangible assets developed internally:

		Licenses		Computer applications		Total intangible assets with internal development		
		Cost	Amorti-zation	Cost	Amorti-zation	Cost	Amorti-zation	Total
Balance at December 31, 2016	$	**663**	**132**	**250,311**	**26,849**	**250,974**	**26,981**	**223,993**
Additions		161	0	58,590	0	58,751	0	58,751
Amortization charged to expenses		0	161	0	22,673	0	22,834	(22,834)
Exchange difference		4	1	0	0	4	1	3
Reclassifications		0	33	0	(33)	0	0	0
		Licenses		Computer applications		Total intangible assets with internal development		
		Cost	Amorti-zation	Cost	Amorti-zation	Cost	Amorti-zation	Total
Balance at December 31, 2017	$	**828**	**327**	**308,901**	**49,489**	**309,729**	**49,816**	**259,913**
Additions		0	0	64,204	0	64,204	0	64,204
Amortization charged to expenses		0	105	0	28,731	0	28,836	(28,836)
Exchange difference		0	0	0	(126)	0	(126)	126
Reclassifications		(165)	(62)	739	0	574	(62)	636
Balance at December 31, 2018	$	**663**	**370**	**373,844**	**78,094**	**374,507**	**78,464**	**296,043**

17.3 Intangible assets not developed internally

The following is the activity in intangible assets that are not developed internally.

		Licenses		Computer applications		Total intangible assets not developed internally		
		Cost	Amorti-zation	Cost	Amorti-zation	Cost	Amorti-zation	Total
Balance at December 31, 2016	$	**37,648**	**6,045**	**22,244**	**5,538**	**59,892**	**11,583**	**48,309**
Additions		22,050	0	0	0	22,050	0	22,050
Amortization charged to expenses		0	9,770	0	2,211	0	11,981	(11,981)
Exchange difference		(5)	(2)	0	0	(5)	(2)	(3)
Balance at December 31, 2017	$	**59,693**	**15,813**	**22,244**	**7,749**	**81,937**	**23,562**	**58,375**
Additions		46,809	0	32	0	46,841	0	46,841
Amortization charged to expenses		0	20,413	0	4,124	0	24,537	(24,537)
Exchange difference		(148)	19	54	(3)	(94)	16	(110)
Reclassifications		50	53	(153)	497	(103)	550	(653)
Balance at December 31, 2018	$	**106,404**	**36,298**	**22,177**	**12,367**	**128,581**	**48,665**	**79,916**

The Bank 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: 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 18 - INCOME TAX

18.1 Components of the income tax expense

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

(Continued)

		December 31, 2018	December 31, 2017
Income tax of the current period (1)	$	471,023	136,706
Income tax surcharge		10,657	24,119
Recovery of current tax of previous periods		0	(95,366)
Current tax		**481,680**	**65,459**
Net deferred taxes of the period (1)		(309,074)	150,593
Adjustment deferred tax of previous period		(4,792)	(10,987)
Deferred taxes		**(313,866)**	**139,606**
Provision for uncertain tax positions		359	943
Total income tax	$	**168,173**	**206,008**

(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.

Current and deferred taxes are recognized as income or expense in net income, except to the extent if they derive from a transaction or event recognized outside net income, in other comprehensive income (OCI), in the equity. Therefore, during the years ended at December 31, 2018 and 2017, income for current tax for $372,715 and expense for $12,657 respectively were recognized in other comprehensive income in the equity.

Furthermore, an expense of deferred tax of $41,693 and $ 37,561 was recognized at December 31, 2018 and 2017, respectively, mainly relating to instruments hedging the exchange difference in investments in subsidiaries abroad, which for accounting purposes were registered in the OCI account and for tax purposes, the same form part of taxable income (see item 18.5).

As from January 1, 2017 the remittances included in tax regulations will refer to new technical accounting regulatory frameworks in Colombia (Financial Information Accounting Regulations accepted in Colombia), pursuant to Law 1819/2016.

18.2 Reconciliation of the nominal tax rate and effective rate

The basic parameters in force for income tax in Colombia are as follows:

- 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 offset with ordinary liquid income to be received during the 12 following periods.
- The occasional income is taxed at a rate of 10%.

The following is a breakdown of the reconciliation between the Bank's income tax expense, calculated at current tax rates, and the income tax expense actually recorded in the income statement:

		December 31, 2018	December 31, 2017
Profit before income tax	$	**2,992,884**	**2,129,903**
Theoretical tax expense at a rate of 37% (2018) and 40% (2017)		1,107,367	851,961
Plus (minus) taxes that increase (decrease) the theoretical tax:			
Non-deductible expenses		49,074	39,911
Dividends received non taxable		(3,293)	(1,467)
Nontaxable equity method income		(743,426)	(591,436)
Interests and other not-taxable income (1)		(153,950)	(10,474)
Exempt income		(13,849)	(7,489)
Occasional income with different tax rates		10,396	87
Effect on deferred tax due to tax rates different tan 37% (2018) and 40% (2017)		(59,071)	(10,975)
Recovery of current tax for previous periods		0	(95,366)
Provisions for tax positions		359	943
Adjustment of deferred taxes (2)		(25,160)	30,637
Other items		(274)	(324)
Total tax expense of the period	$	**168,173**	**206,008**

(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 13 and 27.

(2) Corresponds to (i) previous periods expenses $4,792 and (ii) deferred tax recalculation of tax credits and derivatives in OCI accounts for $20,368.

18.3 Deferred taxes regarding subsidiaries, associates and joint ventures

The Bank did not record liability taxes deferred relating to temporary differences of investments in subsidiaries and associates. The foregoing due to: i) The Bank has control over the subsidiaries and of the decision of selling its investments in associates, thus, it may decide regarding the reversion of such temporary differences; and ii) The Bank has not foreseen its realization in a foreseeable future.

Temporary differences on which not deferred tax liabilities were recognized at December 31, 2018 and 2017, reached $9,977,932 and $7,424,062, respectively.

18.4 Deferred income taxes, by type of temporary difference:

Differences between the carrying amounts of assets and liabilities for purposes of NCRF and their tax base can result in temporary differences. These generated deferred taxes, which were calculated and recorded for the years ended at December 31, 2018 and 2017, based on the enacted tax rates for the years in which those temporary differences will be reversed.

(Continued)

BANCO DE BOGOTÁ S.A.
Notes to the Separate Financial Statements
At December 31, 2018

		Balance at December 31, 2017	Changes in accounting policies	Balance at January 01, 2018	Income (expense) in statement of income	Unrealized income (expense) in OCI	Reclassi-fications	Balance at December 31, 2018
Deferred tax assets								
Valuation of debt securities investments	$	3,181	0	3,181	445	4,033	0	7,659
Unrealized loss in derivatives		0	0	0	(76,807)	208,971	46,773	85,391
Loan portfolio		12,470	0	12,470	(4,996)	0	17	7,491
Deferred charges and expenses paid in advance		569	0	569	(476)	0	0	93
Tax credits to be amortized		287,770	0	287,770	369,201	(402,042)	0	254,929
Other expenses provisions		18,055	(11,038)	7,017	757	0	0	7,774
Employee benefits		38,545	5,052	43,597	1,000	(2,154)	0	42,443
Exchange difference on bonds in foreign currency		0	0	0	0	165,403	(11,063)	154,340
Exchange difference on branches abroad		935	0	935	0	0	(935)	0
Subtotal		**361,525**	**(5,986)**	**355,539**	**289,124**	**(25,789)**	**(58,754)**	**560,120**
Deferred tax liabilities								
Valuation of equity securities investments		50,636	0	50,636	(34,409)	(101)	0	16,126
Unrealized profit in derivatives		46,773	0	46,773	0	0	(46,773)	0
Investment properties		8,196	0	8,196	2,537	0	(107)	10,626
Cost of property, plant and equipment		58,499	0	58,499	(4,465)	0	0	54,034
Cost intangible assets - deferred charges		29,988	0	29,988	(5,174)	0	0	24,814
Goodwill and trademarks		59,734	0	59,734	22,699	0	0	82,433
Exchange difference on bonds in foreign currency		11,063	0	11,063	0	0	(11,063)	0
Exchange difference on branches abroad		0	0	0	0	16,005	(935)	15,070
Other items		9,056	0	9,056	(5,930)	0	124	3,250
Subtotal		**273,945**	**0**	**273,945**	**(24,742)**	**15,904**	**(58,754)**	**206,353**
Total	$	**87,580**	**(5,986)**	**81,594**	**313,866**	**(41,693)**	**0**	**353,767**

		Balance at December 31, 2016	Income (expense) in statement of income	Unrealized income (expense) in OCI	Reclassi-fications	Balance at December 31, 2017
Deferred tax assets						
Valuation of debt securities investments	$	28,096	(1,517)	(23,398)	0	3,181
Unrealized loss on derivatives						
Loan portfolio		14,217	(1,747)	0	0	12,470
Deferred charges and expenses paid in advance		27,558	(9,673)	0	(17,316)	569
Tax credits to be amortized		359,167	(71,397)	0	0	287,770
Other expenses provisions		27,643	(9,588)	0	0	18,055
Employee benefits		30,483	5,453	2,609	0	38,545
Exchange difference on branches abroad		0	0	935	0	935
Subtotal		**487,164**	**(88,469)**	**(19,854)**	**(17,316)**	**361,525**
Deferred tax liabilities						
Valuation of equity securities instruments		52,414	(2,868)	1,090	0	50,636
Unrealized profit in derivatives		3,284	37,935	5,554	0	46,773
Investment properties		6,954	1,242	0	0	8,196
Cost of property plant and equipment		66,858	(8,359)	0	0	58,499
Cost of intangibles – deferred charges		35,562	(5,574)	0	0	29,988
Goodwill and trademarks		30,711	29,023	0	0	59,734
Exchange difference on bonds in foreign currency		0	0	11,063	0	11,063
Other items		26,634	(262)	0	(17,316)	9,056
Subtotal		**222,417**	**51,137**	**17,707**	**(17,316)**	**273,945**
Total	$	**264,747**	**(139,606)**	**(37,561)**	**0**	**87,580**

(Continued)

The Bank offset deferred tax assets and liabilities pursuant to paragraph 74 of IAS 12, taking into account tax regulations in force in Colombia regarding the legal right to offset assets and liabilities for current taxes:

		December 31, 2018		
		Gross amounts deferred tax	Offset reclassifications	Balance in Financial Position Statement
Deferred tax asset	$	560,120	(181,591)	378,529
Deferred tax liability		206,353	(181,591)	24,762
Net	$	**353,767**	**0**	**353,767**

		December 31, 2017		
		Gross amounts deferred tax	Offset reclassifications	Balance in Financial Position Statement
Deferred tax asset	$	361,525	267,183	94,342
Deferred tax liability		(273,945)	(267,183)	(6,762)
Net	$	**87,580**	**0**	**87,580**

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

The effect of current and deferred taxes in each component of other comprehensive results is as follows:

		December 31, 2018				December 31, 2017			
		Amount before tax	(Expense) income of Current tax	(Expense) income of Deferred tax	Net	Amount before tax	(Expense) income of Current tax	(Expense) income of Deferred tax	Net
Items that may be reclassified to profit or loss									
Exchange difference on derivatives in foreign currency	$	(547,310)	372,715	(193,071)	(367,666)	16,832	0	(5,554)	11,278
Exchange difference on bonds in foreign currency		(549,332)	0	165,403	(383,929)	34,864	0	(11,063)	23,801
Exchange difference on foreign subsidiaries		1,097,187	0	0	1,097,187	(51,494)	0	0	(51,494)
Unrealized profit from measurement of available for sale investments with changes in OCI		(4,262)	0	4,134	(128)	78,174	0	(24,488)	53,686
Interest in other comprehensive income of subsidiaries and associates		(738,505)	0	0	(738,505)	(84,603)	0	0	(84,603)
Adjustment for exchange difference in foreign branches		63,196	0	(16,005)	47,191	(2,859)	(12,657)	935	(14,581)
		(679,026)	**372,715**	**(39,539)**	**(345,850)**	**(9,086)**	**(12,657)**	**(40,170)**	**(61,913)**
Items that will not to be reclassified to profit or loss									
Actuarial gains from defined benefit plans		5,129	0	(2,154)	2,975	(7,900)	0	2,609	(5,291)
		5,129	**0**	**(2,154)**	**2,975**	**(7,900)**	**0**	**2,609**	**(5,291)**
Total other comprehensive income for the period	$	**(673,897)**	**372,715**	**(41,693)**	**(342,875)**	**(16,986)**	**(12,657)**	**(37,561)**	**(67,204)**

(Continued)

18.6 Provision for tax positions

At December 31, 2018 and 2017 the provisions for tax positions reached $5,894 and $5,534 respectively. The charge to results during the years ended on December 31, 2018 and 2017 reached to $359 and $943 respectively.

No additional taxes are anticipated as a result of possible visits by tax authorities or uncertainties related to tax positions applied by the Bank.

Balances at December 31, 2018 are expected to be utilized in whole or released upon expiration of the inspection rights of tax authorities.

18.7 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 Bank.

The estimate of future tax 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.

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.

18.8 Transfer prices

Pursuant to the provisions of Laws 788/2002, 863/2003, 1607/2002 and 1819/2016, regulated by Decree 2120/2017, the Bank 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 Bank.

While the study of 2018 transfer prices is being prepared, no significant changes are anticipated with regard to the previous years.

NOTE 19 – CUSTOMER DEPOSITS

19.1 Customer deposits - Interest rates

Effective annual interest rates on customer deposits are shown below:

	December 31, 2018				December 31, 2017			
	Colombian pesos		Foreign currency		Colombian pesos		Foreign currency	
	Rate		Rate		Rate		Rate	
	Min %	Max %	Min %	Max %	Min %	Max %	Min %	Max %
Current accounts	0.00%	4.76%	0.20%	2.40%	0.00%	5.77%	0.00%	1.50%
Savings accounts	0.00%	6.00%	0.20%	1.62%	0.10%	5.71%	0.10%	1.45%
Time certificates of deposit	0.10%	9.05%	2.05%	3.50%	1.01%	9.18%	1.00%	3.50%

19.2 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	$	8,894,876	16%	8,839,264	17%
Colombian municipalities and departments		1,795,501	3%	2,224,111	4%
Foreign governments		50,651	0%	66,742	0%
Manufacturing		6,848,429	13%	7,298,549	14%
Real estate		4,961,932	10%	5,025,516	10%
Commerce		7,728,178	14%	7,476,773	14%
Agriculture and livestock		1,631,476	3%	1,847,401	4%
Individuals		5,553,243	10%	4,778,469	9%
Services		1,090,280	2%	1,315,299	3%
Others		15,576,732	29%	13,101,103	25%
Total	$	**54,131,298**	**100%**	**51,973,227**	**100%**

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

		December 31, 2018	December 31, 2017
2018	$	0	11,884,097
2019		14,763,838	1,771,211
2020		2,972,734	1,385,791
2021		323,952	240,321
After 2021		1,755,329	1,675,363
Total	$	**19,815,853**	**16,956,783**

NOTE 20 - FINANCIAL OBLIGATIONS

20.1 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 arising from simultaneous short-term operations		134,574	0	0.00% - 4.16%
		155,871	**65,803**	
In Foreign currency				
Interbank funds purchased		559,123	453,677	2.45% - 3.25%
		559,123	**453,677**	
Total	$	**714,994**	**519,480**	

20.2 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				
Acceptances	$	200	4,499	0.00%
		200	**4,499**	
In Foreign currency				
Credits		3,586,309	1,905,582	LIBOR 3 + (0.45% a 4.14%)
Acceptances		633,658	616,557	0.00%
Corporación Andina de Fomento		384,758	598,642	2.96% a 3.59%

(Continued)

		December 31, 2018	December 31, 2017	Interest rate
Letter of credit with a deferred payment		351,732	194,623	0.00%
Financial leases contracts (leasing)		2,915	0	0.12%
		4,959,372	**3,315,404**	
Total	$	**4,959,572**	**3,319,903**	

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

		December 31, 2018	December 31, 2017
2018	$	0	3,319,903
2019		4,956,657	0
2023		2,915	0
Total	$	**4,959,572**	**3,319,903**

20.3 Borrowings from development entities

The following table shows the detail of item:

		December 31, 2018	December 31, 2017	Interest rate
Colombian pesos				
Fondo para el financiamiento del sector Agropecuario - FINAGRO	$	189,291	220,433	DTF + (- 3.5% a 7%)
Financiera de Desarrollo Territorial S.A – FINDETER		1,138,415	966,410	DTF + (-4% a 4.8%) IBR + (-2.8% a 3.9%) CPI + (-1% a 5%)
Banco de Comercio Exterior – BANCOLDEX		320,564	219,568	DTF + (-2% a 5.45%) IBR + (0.5% a 1.36%)
		1,648,270	**1,406,411**	
Foreign currency				
Financiera de Desarrollo Territorial S.A – FINDETER		116,887	136,597	LIBOR 3 + (5.20% a 5.30%) LIBOR 6 + 5.29%
Banco de Comercio Exterior – BANCOLDEX		154,479	102,729	LIBOR 6 + (2.87% a 6.09%)
		271,366	**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	211,070
After 2021		1,405,762	1,056,121
Total	$	**1,919,636**	**1,645,737**

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)”.

20.4 Bonds issued

	Date			December 31, 2018	December 31, 2017	Interest rate
	Issue	Expiration				
Colombian pesos						
Subordinated bonds	Feb-2010	Feb-2020	$	134,737	132,989	CPI + 5.45% AV UVR + 5.45% AV
				134,737	**132,989**	
Foreign currency						
Subordinated bonds	Feb-2013	Feb-2023		1,652,586	1,516,764	5.38% SV
Subordinated bonds	May-2016	May-2026		1,929,805	1,768,239	6.25% SV
Subordinated bonds	Nov-2016	May-2026		1,641,013	1,507,102	6.25% SV
Ordinary bonds	Aug-2017	Aug-2027		1,950,149	1,787,520	4.38% SV
				7,173,553	**6,579,625**	
Total			$	**7,308,290**	**6,712,614**	

The following is the detail of the maturities of the outstanding securities:

		December 31, 2018	December 31, 2017
2018	$	0	8,288
2020		170,413	124,701
2023		1,647,747	1,516,764
2026		3,579,668	3,275,341
2027		1,910,462	1,787,520
Total	$	**7,308,290**	**6,712,614**

NOTE 21 - EMPLOYEE BENEFITS

Under Colombian labor law and pursuant to the labor agreements and collective bargaining pacts signed by the Bank, its employees are entitled to a series of short- and long-term benefits such as retirement bonuses, retirement pensions Law 100/1993 and severance pay in the case of employees who are still subject to the labor laws that were in effect prior to Law 50/1990.

The Bank is exposed to a number of risks (interest rate and operational risks) inherent in its employee benefit plans. It tries to minimize them by implementing policies and procedures for risk management.

The following is a breakdown of the allowances for employee benefits:

		December 31, 2018	December 31, 2017
Short-term benefits	$	88,761	86,955
Post-employment benefits		114,060	119,512
Long-term benefits		112,792	109,267
	$	**315,613**	**315,734**

21.1 Short–term benefits

Short-term benefits for employees include salaries, paid vacation time, vacation bonuses, mandatory and discretionary bonuses, various types of assistance, payroll taxes, severance pay and interest on severance pay, according to the labor legislation in force.

21.2 Post-employment Benefits

In Colombia, pensions for employees who retire after reaching a certain age and completing a specific period of service are assumed by public or private pension funds, based on defined contribution plans in which the company and the employee pay monthly amounts determined by law, so the employee will have a pension upon retirement. However, in the case of some employees who were hired before 1968 and have met the requirements with respect to time of service and age, their pensions are assumed directly by the Bank.

The Bank 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 Bank has a group of employees with severance pay benefits that were recognized by law prior to the enactment of Law 50/ 1990. In this case, the benefit is cumulative and is paid based on the last salary earned by the employee, multiplied by the number of years of service, less any advances the employee might have received against the new benefit.

The following table shows the activity in post-employment and other long-term employee benefits:

		Retirement benefits (2)		Other benefits (1)	
		December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Balance at December 31, 2017	$	**122,590**	**120,722**	**109,098**	**88,021**
Changes in accounting policies (3) (see note 2.21)		12,487	0	0	0
Balance at January 1, 2018		**135,077**	**120,722**	**109,098**	**88,021**
Interest cost		8,314	10,684	6,599	6,357
Costs incurred during the period		1,519	992	7,932	6,994
Costs of past service		(1,954)	(214)	3,199	(3,961)
		7,879	**11,462**	**17,730**	**9,390**
Changes in interest rates, inflation rates and salary adjustments		(8,939)	6,170	399	22,958
Effect changes in experience		3,847	1,730	1,662	0
		(5,092)	**7,900**	**2,061**	**22,958**
Payments to employees		(15,800)	(17,495)	(16,221)	(11,271)
Direct arrangements with employees		(8,004)	0	0	0
Employee benefits of foreign agencies		0	0	124	0
Balance at December 31, 2018	$	**114,060**	**122,589**	**112,792**	**109,098**

(1) These pertain to seniority bonuses that are not mandatory by law.
(2) At December 31, 2017, includes $308, corresponding to the projected employee payments against the actual.
(3) Includes adjustment for severance payments for $2,603 corresponding to December 31, 2017.

In accordance with decree 1625/ 2016, for purposes of disclosure, the pension liability was updated, which resulted in a pension liability of $96,028 at December 31, 2017. When comparing the result to IAS 19 the difference corresponds to $12,487, 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%.

21.3 Actuarial assumptions

The variables used to calculate the projected liability for retirement and other long-term benefits are listed below:

	December 31, 2018	December 31, 2017	
		Other Benefits	Pensions (1)
Discount rate	7.37%	6.75%	10.82%
Inflation rate	3.00%	3.50%	5.74%
Wage increase rate	4.00%	3.50%	5.74%
Employee turnover rate	4.00%	3.98%	
Pension increase rate	3.00%		5.74%

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

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

Employee life expectancy is calculated according to the mortality tables published by the Superintendencia Financiera de Colombia. These are constructed on the basis of mortality experiences provided by several insurance companies that operate in Colombia.

The discount rate is assigned according to the duration of the plan. Those with a longer horizon have a higher rate than short-term plans. Accordingly, for plans with longer horizons, the higher rate will be the TES curve.

21.4 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	Change in the variable	Increase in the variable	Decrease in the variable
		+50 points	-50 points
Discount rate	0.50%	(3.34)% decrease	3.57% increase
Wage increase rate	0.50%	4.53% increase	(4.31)% decrease
Pension growth rate	0.50%	4.14% increase	(3.90)% decrease

Long-term Benefits	Change in the variable	Increase in the variable	Decrease in the variable
		+50 points	-50 points
Discount rate	0.50%	(2.82)% decrease	2.76% increase
Wage increase rate	0.50%	3.32% increase	(3.37)% decrease

21.5 Expected payments for future benefits

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

		Retirement benefits	Other benefits
2019		15,188	16,537
2020		13,482	15,430
2021		13,740	12,434
2022		12,950	12,739
2023		12,675	16,505
Years 2024–2028	$	58,516	75,516

21.6 Other long-term benefits

The Bank 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 described in note 31 - Related Parties.

NOTE 22 - PROVISIONS

The following is the activity in provisions:

		Lawsuits, fines, penalties and damages provisions	Other provisions	Total
Balance at December 31, 2016	$	**7,429**	**31,781**	**39,210**
New provisions		2,824	84,153	86,977
Increase in existing provisions		(843)	204	(639)
Provisions used		(836)	(80,257)	(81,093)
Reverted unused provisions		(204)	(1,184)	(1,388)
Increase for net exchange differences		0	(7)	(7)
Balance at December 31, 2017	$	**8,370**	**34,690**	**43,060**
Changes in accounting policies (see note 2.21)		0	21,100	21,100
Balance at January 1, 2018		**8,370**	**55,790**	**64,160**
New provisions		3,200	48,478	51,678
Increase in existing provisions		878	0	878
Provisions used		(3,068)	(58,124)	(61,192)
Reverted unused provisions		(1,803)	(26,114)	(27,917)
Decrease for net exchange differences		0	126	126
Balance at December 31, 2018	$	**7,577**	**20,156**	**27,733**

Legal provisions, fines, penalties and compensation

Corresponds mainly to labor, civil and administrative processes filed by third parties against the Bank on which provisions were recognized as of December 31, 2018 and 2017 in the amount of $7,037 and $7,820 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.

Other provisions

At December 31, 2018 and 2017 the bank reported $16,950 and $18,051 in respective estimated provisions 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. 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.

NOTE 23 - ACCOUNTS PAYABLE AND OTHER LIABILITIES

The following is a breakdown of accounts payable and other liabilities:

		December 31, 2018	December 31, 2017
Liabilities payable for services – collections (1)	$	1,255,442	377,892
Electronic transactions in processes		627,013	486,767
Payable dividends and surpluses		284,365	271,141
Payments to suppliers and payments for services		281,716	144,274
Cash surpluses - clearing		133,448	4,267
Withholdings and other labor contributions		74,930	76,084
Visa smart card payments - Visa Electrón		41,093	24,942
Certificates of time deposit - matured		39,441	33,294
Security and peace bonds		35,997	36,266
Other taxes		34,815	37,095
Contributions and memberships		26,827	20,784
Anticipated income		22,065	54,494
Accounts payable of canceled portfolio		19,435	18,507

(Continued)

		December 31, 2018	December 31, 2017
Lien orders		16,024	12,236
Cancelled accounts		15,732	15,704
Electronic purse for coffee growers		14,610	10,975
Sales tax payable		13,672	19,524
Checks drawn but not cashed		13,602	12,464
Interest from restructuring processes		6,910	7,327
Balances in favor of subscribing to customers		5,743	7,796
Promising buyers		5,622	9,487
Commissions and fees		4,154	3,095
Other accounts payable		166,903	143,900
	$	**3,139,559**	**1,828,315**

(1) Variation occurred due to the collection made at the end of the period for Tax Withholding for $884,300.

NOTE 24- EQUITY

24.1 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

The Bank has not issued preferred shares.

24.2 Reserves

Following shows the composition of reserves:

		December 31, 2018	December 31, 2017
Legal			
Appropriation of net profits	$	9,024,885	8,443,926
Statutory and occasional			
Charity and donations		100,500	69,000
Tax provisions		723	4,589
To maintain stability of the dividend		359,291	117,358
		460,514	**190,947**
Total	$	**9,485,399**	**8,634,873**

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 Bank 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.

(Continued)

Statutory and discretionary reserves

Statutory and discretionary reserves are stated at shareholder meetings.

24.3 Dividends decreed

Dividends are decreed 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 decreed and paid to shareholders based on the amount of unconsolidated net profits in the previous year. The dividends decreed were the following:

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

24.4 Net earnings per share

The following table summarizes net earnings per share:

		December 31, 2018	December 31, 2017
Net income for the period	$	2,824,711	1,923,895
Common outstanding shares		331,280,555	331,280,555
Basic and diluted net earnings per share	$	**8,527**	**5,807**

There are no rights or privileges over ordinary bonds outstanding.

The Bank had no share with diluted effects.

See adequate capital management policies in note 30.

Adjustments for first-time adoption of IFRS

As instructed by the Superintendencia Financiera de Colombia in Circular 36/2014, the net positive differences that are generated when supervised institutions adopt IFRS for the first time may not be distributed to cover losses, nor may they be capitalized, distributed as profits/ dividends, or recognized as reserves. They may be used only when effectively realized with third parties, other than related parties, and in accordance with IFRS principles.

Net positive differences generated when adopting IFRS for the first time may not be used to comply with prudent requirements on regulatory capital, which is the minimum amount required to operate, depending on the nature of each institution supervised by the Superintendencia Financiera de Colombia. If the first-time adoption of IFRS generates net negative differences, they will be deducted from regulatory capital.

NOTE 25 - OTHER COMPREHENSIVE INCOME

The following is a breakdown of the balances and activity in “other comprehensive income” included under equity:

		Balance at December 31, 2017	Changes in accounting policies (1)	Adjusted Balance at January 1, 2018	First-time adoption mobilized properties	Movement during the period	Balance at December 31, 2018
Exchange difference for foreign subsidiaries	$	1,812,814	0	1,812,814	0	1,097,187	2,910,001
Hedged financial obligations foreign currency		(434,054)	0	(434,054)	0	(549,332)	(983,386)
Derivative hedging		(1,374,953)	0	(1,374,953)	0	(547,310)	(1,922,263)
Unrealized gain on investments in debt securities		(17,159)	0	(17,159)	0	(8,653)	(25,812)
Unrealized gain on investments in equity securities		33,091	0	33,091	0	4,391	37,482
Application of the equity method to subsidiaries and associates		(430,425)	0	(430,425)	0	(738,505)	(1,168,930)
Adjustment for exchange difference for foreign subsidiaries		113,967	0	113,967	0	63,196	177,163
Employee benefits		(14,691)	(15,090)	(29,781)	0	5,129	(24,652)
Income tax		659,443	5,052	664,495	0	331,022	995,517
First-time adoption		22,569	11,638	34,207	(7,143)	0	27,064
Total	$	**370,602**	**1,600**	**372,202**	**(7,143)**	**(342,875)**	**22,184**

(1) See note 2.21.

		Balance at December 31, 2016	Movements of the period	Balance at December 31, 2017
Exchange difference for foreign subsidiaries	$	1,864,308	(51,494)	1,812,814
Hedged financial obligations foreign currency		(468,918)	34,864	(434,054)
Derivative hedging		(1,391,785)	16,832	(1,374,953)
Unrealized gain on investments in debt securities		(85,893)	68,734	(17,159)
Unrealized gain on investments in equity securities		23,651	9,440	33,091
Application of the equity method to subsidiaries and associates		(345,822)	(84,603)	(430,425)
Adjustment for exchange difference for foreign subsidiaries		116,826	(2,859)	113,967
Employee benefits		(6,791)	(7,900)	(14,691)
Income tax		709,661	(50,218)	659,443
First-time adoption		22,569	0	22,569
Total	$	**437,806**	**(67,204)**	**370,602**

NOTE 26 – COSTS AND EXPENSES OF CONTRACTS WITH CUSTOMERS FOR COMMISSIONS AND OTHER SERVICES

The following is a breakdown of expenses for commissions and other services:

		December 31, 2018	December 31, 2017
Banking services	$	106,555	104,663
Services of the network of offices		16,569	30,067
Information processing service		17,634	13,590
Others		39,742	25,733
Total	$	**180,500**	**174,053**

(Continued)

NOTE 27- OTHER INCOME

The following is a breakdown of other income:

		December 31, 2018	December 31, 2017
Share in investments using the equity participation method (1)	$	2,009,260	1,478,590
Profit for sale of property, plant and equipment (2)		314,583	1,467
Waiver of shares subscription Corficolombiana (See note 13)		123,409	0
Recovery fees legal and pre - legal collection		59,280	46,756
Changes in fair value investment properties		26,180	5,383
Net profit on sale of investments		17,417	28,617
Dividends and participations		13,300	3,601
Compensations for claims		10,260	9,270
Prescriptions of liabilities declared in abandonment		4,378	12,950
Real estate leases		2,614	1,865
Sale of non-current assets held for sale		129	642
Cash transport service		0	7,348
Difference exchange net		(161,180)	(4,501)
Others		84,695	54,735
Total	$	**2,504,325**	**1,646,723**

(1) Includes profit by assets mobilized to “Fondo De Capital Privado Nexus Inmobiliario” for $312,316.
(2) The following is a breakdown of income received, by subsidiary, associates and joint ventures for the equity method:

		December 31, 2018	December 31, 2017
Leasing Bogota S.A. Panamá	$	1,192,902	1,131,635
Corporación Financiera Colombiana S.A.		569,138	62,131
Porvenir S.A.		131,482	154,064
Fiduciaria Bogotá S.A.		81,303	88,228
Banco de Bogotá Panamá S.A.		35,974	41,417
Megalinea S.A.		476	138
Aportes en Línea S.A.		311	303
Bogotá Finance Corporation		3	2
Casa de Bolsa S.A.		(264)	16
A Toda Hora S.A.		(314)	2,323
Soluciones Digitales Aval S.A.		(353)	0
Pizano S.A.		(364)	(15,074)
Almaviva S.A.		(1,034)	13,407
Total	$	**2,009,260**	**1,478,590**

NOTE 28 - OTHERS EXPENSES - ADMINISTRATIVE

The following is a breakdown of administrative expenses:

		December 31, 2018	December 31, 2017
Taxes and rates	$	238,956	263,127
Fees		203,086	167,369
Outsourcing and specialized services		164,499	150,566
Insurance		131,527	125,144
Leases		116,409	98,378
Contributions affiliations and transfers		105,392	91,680
Maintenance and repairs		73,992	66,636
Advertising services		74,054	79,991
Transport services		52,367	52,389
Public services		50,456	54,140
Toilet and surveillance services		25,432	25,604
Software development services		21,206	23,378
Incentives payroll		22,315	21,669
Building administration fee		18,138	17,477
Temporary services		16,498	18,502
Electronic data processing		18,613	14,277

(Continued)

		December 31, 2018	December 31, 2017
Business collaboration		17,538	29,318
Supplies and stationery		16,804	18,088
Database and queries		16,217	13,988
Travel expenses		10,340	10,646
Adaptation and installation		7,608	13,374
Changes in fair value of investments properties		16,260	13,690
Credivesa payments		1,432	12,738
ATH S.A. – Joint accounts		16,200	11,994
Changes in fair value held for sale		40	11,224
Others		48,906	48,853
Total	$	**1,484,285**	**1,454,240**

NOTE 29 - COMMITMENTS AND CONTINGENCIES

29.1 Credit commitments

The Bank grants 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 Bank 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 Bank monitors the maturities on its lines of credit, since long-term commitments imply more credit risk than short-term commitments.

Commitments in unused lines of credit

Following is a breakdown of guarantees, letters of credit and loan commitments in unused lines of credit:

		December 31, 2018		December 31, 2017	
		Notional amount	Fair value	Notional amount	Fair value
Unused credit card limits	$	3,773,472	0	3,582,931	0
Opened lines of credit		2,147,038	0	2,181,417	0
Collateral		1,505,573	16,181	1,697,522	17,786
Loans approved but not disbursed		1,143,488	0	837,924	0
Unused letters of credit		74,783	1,751	128,205	2,202
Overdraft limits		93,783	0	65,514	0
Others		99,499	0	114,065	0
Total	$	**8,837,636**	**17,932**	**8,607,578**	**19,988**

The outstanding balances of unused credit lines and guarantees do not necessarily represent future cash requirements, because the amount of credit available can expire and might not be used all or in part.

(Continued)

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

		December 31, 2018	December 31, 2017
Colombian pesos	$	8,042,337	7,797,906
US dollars		778,821	792,162
Euros		10,176	15,125
Others		6,302	2,385
Total	$	**8,837,636**	**8,607,578**

29.2 Commitments to disburse funds for capital disbursements

The Bank incurred $1,771 and $1,957 in disbursements of capital expenses December 31, 2018 and 2017, respectively. These correspond to contracts for purchases of property, plant and equipment (real estate). There are respective commitments for $6,385 and $4,482 in disbursements on these contracts, effective during the year 2019.

29.3 Operational lease commitments

In developing their operations, the Bank 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 (1)	December 31, 2017
Not more than one year	$	98,966	75,771
More than one year and less than five		288,966	156,244
More than five years		436,491	70,597
Total	$	**824,423**	**302,612**

(1) At December 31, 2018, there was a variation of $521,811 compared to December 31, 2017 due to the mobilization of 14 Bank office buildings (bank branches and administrative offices) to the “Fondo de Capital Privado NEXUS”.

The Bank 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 Bank to assume all execution costs, such as maintenance and insurance. The rental fees are adjusted as agreed in the lease and / or as required by law.

The minimum rental payments on operational leases are recognized according to the straight-line method, during the term of the lease. The rental expense recognized in profits and losses at December 31, 2018 and 2017 amounts to $116,409 y $98,378, respectively.

29.4 Legal contingencies

The administrative and judicial claims pending against the Bank at December 31, 2018 amounted $184,140. These are valued based on the analysis and opinions of the lawyers in charge. Due to their nature, the contingencies have not been recognized as liabilities, because they are possible obligations that do not imply an outflow of resources.

Following is a breakdown of the contingencies against the Bank for over $5,000:

Civil suit brought by Pedro Ramón Kerguelen and Luz Amparo Gaviria

This is a an indemnity proceeding wherein it is requested the Bank be held responsible for compensating the product of a development loan against a previous debt on the part of the plaintiffs, which prevented the “Fondo para el Financiamiento Del Sector Agropecuario (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 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 Bank of Bogotá. Given the untouchable nature of the accounts on which the precautionary measure fell and the absence of a rule that would make it possible to impose a solidary sentence on a banking establishment for the alleged breach of an attachment order, we believe that the decision should be revoked.

The Bank does not expect to obtain any type of reimbursement. Therefore, it has not recognized assets for this purpose.

NOTE 30 - CAPITAL MANAGEMENT

The Bank'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 Bank to generate value for its shareholders.

The capital adequacy ratio, which is defined as the ratio of the Bank’s regulatory capital to its risk-weighted assets, may be no less than nine point zero percent (9.0%); while its 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, amended by Decree 1771/2012, and Decree 1648/2014 and Decree 2392/2015.

(Continued)

Individual compliance is verified monthly. Consolidated compliance is verified quarterly with the Bank'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 ordinary shares of 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 the Bank's shareholders, management keeps a close eye on the level of returns for each line of business and on capital requirements in line with the growth expectations for each line. Managing economic capital also involves analyzing how it can be affected by the credit risk, market and liquidity risks and the operational risks to which the Bank is exposed in the course of its operations.

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

		December 31, 2018	December 31, 2017
Regulatory capital	$	16,058,480	15,675,772
Total risk-weighted assets	$	77,575,743	73,841,984
Total solvency risk rate > 9%		20.70%	21.23%
Basic solvency risk rate > 4.5%		13.25%	13.83%

On August 6, 2018, the Ministry of Finance and Public Credit issued Decree 1477 which amends Decree 2555/2010 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 31 - RELATED PARTIES

Related party is a person or entity that is related to the entity that prepares its financial statements, which could exercise control or joint control over the reporting entity, significant influence, or could be considered a key member of management or of a parent. The definition of related parties includes people and/or family members related to the entity, entities that belong to the same group (parent and subsidiary), associates or business combinations of the entity or of the entities in Grupo Aval, or post-employment plans benefitting the employees of the reporting entity or a related entity.

The relevant related parties are defined 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 the transfer of resources, services or obligations, regardless of whether or not a price is charged.

Transactions between economic associates are understood, by the Bank, as any economic event carried out with the Grupo Aval shareholders or entities thereof.

(Continued)

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 Bank 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 Bank and its related parties for 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 Law 100/1993 (General Social and Comprehensive Security System), the Bank entered into an agreement with Sociedad Administradora de Fondos de Pensiones y Cesantías Porvenir S.A., whereby Porvenir uses the Bank's offices as a support network to provide services related to the severance and mandatory pension funds it manages.

During the years ended at December 31, 2018 and 2017, $884 and $782 in fees were paid, respectively, to members of the Board of Directors.

All transactions and disbursements were made at market prices. Credit card operations and overdrafts were conducted 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	Subsidiaries
Assets							
Cash and cash equivalents	$	0	0	0	331	0	9,582
Investments in subsidiaries, associates and joint ventures		0	0	0	0	4,160,570	14,446,470
Investment provisions		0	0	0	0	0	1,258
Loan portfolio and financial leases transactions		2,179,342	524,690	16,165	925	369,993	8
Other accounts receivable		0	0	0	137	0	19,446
Trading derivatives		1,919	0	0	0	0	0
Other assets		2,109	0	0	0	0	0
Liabilities							
Trading derivatives		1,332	0	0	0	0	0
Financial liabilities, at amortized cost		971,708	446,844	22,584	2,093	460,438	3,180,700
Accounts payable and other liabilities		1,066	184,451	50	1,588	2,253	309
Income							
Interest		118,888	35,261	1,364	1,859	21,281	0
Commissions and other services		0	257	0	1,178	4,333	4,520
Other income		1,892	86	0	2,452	0	492
Expenses							
Interest		33,216	10,805	947	13	15,245	69,386
Commissions and other services		0	0	0	854	0	4,546
Other expenses	$	1,571	112,127	881	22,292	21,097	138,480

		December 31, 2017					
					Related entities		
		Economically related parties	Grupo Aval S.A.	Key management personnel	Non-subsidiaries	Associates and joint ventures	Subsidiaries
Assets							
Cash and cash equivalents	$	0	0	0	127	0	13,363
Investments in subsidiaries, associates and joint ventures		0	0	0	0	3,421,258	12,689,688
Investment provisions		0	0	0	0	0	1,156
Loan portfolio and financial leases transactions		1,535,130	525,732	16,020	1	207,096	7
Other accounts receivable		0	0	0	222	0	15,914
Other assets		1,127	0	0	0	0	0
Liabilities							
Financial liabilities, at amortized cost		1,137,812	159,184	21,720	890	645,904	3,063,635
Accounts payable and other liabilities		60	177,614	62	3,641	5,081	2,779
Income							
Interest		116,869	54,232	1,481	2,146	16,159	2
Commissions and other services		50	261	0	2,012	441	4,668
Other income		1,117	82	0	751	1,026	499

(Continued)

		December 31, 2017					
					Related entities		
		Economically related parties	Grupo Aval S.A.	Key management personnel	Non-subsidiaries	Associates and joint ventures	Subsidiaries
Expenses							
Interest		41,073	8,418	1,531	12	41,669	39,011
Commissions and other services		0	0	0	1,352	0	3,279
Other expenses	$	1,563	89,973	778	8,470	20,429	141,093

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	$	23,091	22,113
Compensation for key management personnel and other long-term employee benefits		1,425	609
	$	**24,516**	**22,722**

NOTE 32 - 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 reserve ratio (see note 6, paragraph 6.4, Section c, Liquidity Risk), the proprietary position (see note 6, paragraph 6.4, Individual Risk Analysis), the capital adequacy ratio (see note 30), and the mandatory investments to be made in securities issued by “Fondo para el Financiamiento Del Sector Agropecuario (FINAGRO)”. The Bank complied with all these requirements during the six months ended at December 31, 2018 and 2017.

NOTE 33 - SUBSEQUENT EVENTS

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

NOTE 34 - APPROVAL FOR THE PRESENTATION OF FINANCIAL STATEMENTS

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