OFFERING MEMORANDUM **CONFIDENTIAL**

U.S.$600,000,000

Banco de Bogotá S.A.

(Incorporated in the Republic of Colombia)

6.250% Subordinated Notes due 2026

We are offering U.S.$600,000,000 aggregate principal amount of our 6.250% subordinated notes due 2026. The notes will mature on May 12, 2026. The notes will accrue interest at a rate of 6.250% per year, payable semi-annually in arrears on May 12 and November 12 of each year, commencing on November 12, 2016.

The notes will be our subordinated unsecured obligations, and will rank pari passu in right of payment with all of our existing and future subordinated unsecured indebtedness (other than certain liabilities preferred by statute or by operation of law). The notes will not be guaranteed by our subsidiaries and will not be entitled to any sinking fund.

Application will be made to list the notes on the official list of the Luxembourg Stock Exchange for trading on the Euro MTF market. Currently, there is no market for the notes.

Investing in the notes involves risks. See "Risk Factors" beginning on page 18 for a discussion of certain risks that you should consider in connection with an investment in the notes.

Issue price: 98.183% plus accrued interest, if any, from May 12, 2016.

The notes have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended, or the "Securities Act," or the securities laws of any other jurisdiction. The notes are being offered or sold only to (1) qualified institutional buyers, as defined in Rule 144A under the Securities Act and (2) outside the United States to non-U.S. persons in compliance with Regulation S under the Securities Act.

The notes have been automatically registered with the Colombian National Registry of Securities and Issuers (*Registro Nacional de Valores y Emisores*). Registration does not constitute an opinion of the Colombian Superintendency of Finance (*Superintendencia Financiera de Colombia*) as to approval of the quality of the notes or our solvency. The notes may not be publicly offered or sold in the Republic of Colombia, or "Colombia."

The delivery of the notes is expected to be made to investors in book-entry form through the facilities of The Depository Trust Company, or "DTC," for the accounts of its direct and indirect participants, including Euroclear Bank S.A./N.V., or "Euroclear," and Clearstream Banking, *société anonyme*, Luxembourg, or "Clearstream," on or about May 12, 2016.

Joint Book-Running Managers

Credit Suisse **HSBC** **J.P. Morgan**

The date of this offering memorandum is May 9, 2016.

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We have not, and Credit Suisse Securities (USA) LLC, HSBC Securities (USA) Inc. and J.P. Morgan Securities LLC (together, the "initial purchasers") have not, authorized any other person to provide you with information other than that contained in this offering memorandum. Neither Banco de Bogotá (as defined below) nor the initial purchasers are making an offer to sell or soliciting an offer to buy the notes in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this offering memorandum is accurate as of the date on the front cover of this offering memorandum only. Our business, properties, results of operations or financial condition may have changed since that date. Neither the delivery of this offering memorandum nor any sale made hereunder will under any circumstances imply that the information herein is correct as of any date subsequent to the date on the cover of this offering memorandum.

This offering memorandum has been prepared by us solely for use in connection with the proposed offering of the notes described in this offering memorandum. This offering memorandum is personal to each offeree and does not constitute an offer to any other person or the public generally to subscribe for or otherwise acquire notes. Distribution of this offering memorandum to any person other than the prospective investor and any person retained to advise such prospective investor with respect to its purchase is unauthorized, and any disclosure of any of its contents, without our prior written consent, is prohibited. Each prospective investor, by accepting delivery of this offering memorandum, agrees to the foregoing.

By its acceptance hereof, each recipient agrees that neither it nor its agents, representatives, directors or employees will copy, reproduce or distribute to others this offering memorandum, in whole or in part, at any time without the prior written consent of Banco de Bogotá, and that it will keep permanently confidential all information contained herein or otherwise obtained from Banco de Bogotá, and will use this offering memorandum for the sole purpose of evaluating a possible acquisition of the notes and no other purpose.

None of the U.S. Securities and Exchange Commission, or the "SEC," any U.S. state securities commission or any other regulatory authority has approved or disapproved the notes or passed upon or endorsed the merits of this offering or the accuracy or adequacy of this offering memorandum. Any representation to the contrary is a criminal offense in the United States.

The notes are subject to restrictions on transfer and resale and may not be transferred or resold except as permitted under the Securities Act and applicable state securities laws pursuant to registration or exemption therefrom. As a prospective purchaser, you should be aware that you may be required to bear the financial risks of this investment for an indefinite period of time. See "Transfer Restrictions."

Prospective investors are not to construe the contents of this offering memorandum, or any prior or subsequent communications from Banco de Bogotá or other professionals associated with the offering, as legal, tax or business advice. Each prospective investor should consult its own attorney and business advisor as to the legal, business, tax and related matters concerning this investment. Banco de Bogotá and the initial purchasers are not acting as your advisors or agents. Prior to entering into any transaction, you should determine, without reliance upon the initial purchasers or their affiliates, the economic risks and merits, as well as the legal, tax and accounting characterizations and consequences of the transaction, and independently determine that you are able to assume these risks. In this regard, by acceptance of these materials, you acknowledge that you have been advised that (1) the initial purchasers are not in the business of providing legal, tax or accounting advice, (2) you understand that there may be legal, tax or accounting risks associated with the transaction, (3) you should receive legal, tax and accounting advice from advisors with appropriate expertise to assess relevant risks, and (4) you should apprise senior management in your organization as to the legal, tax and accounting advice (and, if applicable, risks) associated with this transaction and the initial purchasers' disclaimers as to these matters.

This offering memorandum contains summaries of the notes and of certain documents, agreements and opinions relating to this offering. Reference is hereby made to the actual documents for complete information concerning the rights and obligations of the parties thereto.

Available information

Banco de Bogotá is a corporation (*sociedad anónima*) organized under the laws of Colombia. Our principal executive offices are located at Calle 36 No. 7-47, Bogotá, Colombia, and our telephone number at that address is +57 1 332 0032. Our website is http://www.bancodebogota.com.

Banco de Bogotá is a Colombian issuer of securities registered with the National Registry of Shares and Issuers (*Registro Nacional de Valores y Emisores*) and is subject to oversight by the Superintendency of Finance (as defined below). Our common shares are traded on the Colombian Stock Exchange (*Bolsa de Valores de Colombia*) under the symbol "BBO." Accordingly, we are currently required to file quarterly and annual reports in Spanish and issue notices of material events (*información relevante*) to the Superintendency of Finance and the Colombian Stock Exchange. All such reports and notices are available at http://www.superfinanciera.gov.co and http://www.bvc.com.co. These reports and notices and any information contained in, or accessible through, such websites are not incorporated by reference herein and do not contribute a part of, this offering memorandum.

Our parent, Grupo Aval (as defined below), is subject to the information requirements of the U.S. Securities Exchange Act of 1934, as amended, or the "Exchange Act," applicable to foreign private issuers, and accordingly, files or furnishes reports, including annual reports on Form 20-F, reports on Form 6-K, and other information with the SEC, which may include information pertaining to us. That information is not incorporated by reference herein. You may read and copy any documents filed by Grupo Aval at the SEC's public reference room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. Grupo Aval's filings with the SEC are also available to the public through the SEC's website at http://www.sec.gov.

These reports and notices and any information contained in, or accessible through, our website or any other website referred to in this offering memorandum are not incorporated by reference in, and do not constitute a part of, this offering memorandum.

For as long as any notes are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, we will, during any period in which we are neither subject to Section 13 or Section 15(d) of the Exchange Act nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, provide to any holder or beneficial owner of such restricted securities or to any prospective purchaser or subscriber of such restricted securities designated by such holder or beneficial owner upon the request of such holder, beneficial owner or prospective purchaser or subscriber, the information required to be delivered to such persons pursuant to Rule 144(d)(4) under the Securities Act (or any successor provision thereto).

Certain definitions

In this offering memorandum, unless otherwise indicated or the context otherwise requires, the terms:

- "Banco de Bogotá," the "bank," "we," "us," "our" and "our company" mean Banco de Bogotá S.A. and its consolidated subsidiaries;
- "Grupo Aval" means Grupo Aval Acciones y Valores S.A. and its consolidated subsidiaries;
- "BAC Credomatic" or "BAC" means BAC Credomatic Inc. and its consolidated subsidiary;
- "Corficolombiana" means Corporación Financiera Colombiana S.A. and its consolidated subsidiaries;
- "Porvenir" means Sociedad Administradora de Fondos de Pensiones y Cesantías Porvenir S.A. and its consolidated subsidiary; and
- "Superintendency of Finance" means the Colombian Superintendency of Finance, a supervisory authority ascribed to the Colombian Ministry of Finance and Public Credit (*Ministerio de Hacienda y Crédito Público*), or the "Ministry of Finance," holding the inspection, supervision and control authority over persons or entities involved in financial activities, securities markets, insurance and any other operations related to the management, use or investment of resources collected from the public.

In this offering memorandum, references to beneficial ownership are calculated pursuant to the SEC's definition of beneficial ownership contained in Form 20-F for foreign private issuers. Form 20-F defines the term "beneficial owner" of securities as any person who, even if not the record owner of the securities, has or shares the underlying benefits of ownership, including the power to direct the voting or the disposition of the securities or to receive the economic benefit of ownership of the securities. A person is also considered to be the "beneficial owner" of securities when such person has the right to acquire within 60 days pursuant to an option or other agreement. Beneficial owners include persons who hold their securities through one or more trustees, brokers, agents, legal representatives or other intermediaries, or through companies in which they have a "controlling interest," which means the direct or indirect power to direct the management and policies of the entity.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

All references herein to "peso," "pesos" or "Ps" refer to the lawful currency of Colombia. All references to "U.S. dollars," "dollars" or " U.S.$" are to United States dollars. See "Exchange Rates and Foreign Exchange Controls" for information regarding exchange rates for the Colombian currency. Our financial currency is the Colombian peso.

This offering memorandum translates certain Colombian peso amounts into U.S. dollars at specified rates solely for the convenience of the reader. The conversion of amounts expressed in Colombian pesos as of a specified date at the then prevailing exchange rate may result in the presentation of U.S. dollar amounts that differ from U.S. dollar amounts that would have been obtained by converting Colombian pesos as of another specified date. Unless otherwise noted in this offering memorandum, all such peso amounts have been translated at the rate of Ps 3,149.47 per U.S.$1.00, which was the representative market rate calculated on December 31, 2015. The representative market rate is computed and certified by the Superintendency of Finance on a daily basis and represents the weighted average of the buy/sell foreign exchange rates negotiated on the previous day by certain financial institutions authorized to engage in foreign exchange transactions. Such conversion should not be construed as a representation that the peso amounts presented herein correspond to, or have been or could be converted into, U.S. dollars at that rate or any other rate. On April 27, 2016, the representative market rate was Ps 2,943.23 per U.S.$1.00.

Financial statements

Banco de Bogotá and its Colombian financial subsidiaries, including Porvenir and Corficolombiana, are entities under the direct comprehensive supervision of, and subject to inspection and surveillance as financial institutions by, the Superintendency of Finance. Banco de Bogotá is required to comply with capital adequacy regulations, and each of its subsidiaries is separately required to comply with capital adequacy regulations applicable to banks and other financial institutions. In addition, Banco de Bogotá is an issuer in Colombia of securities registered with the National Registry of Shares and Issuers, and in this capacity, it is subject to oversight by the Superintendency of Finance. Banco de Bogotá is required to comply with corporate governance and periodic reporting requirements to which all Colombian issuers of securities are subject.

Our consolidated financial statements as of December 31, 2015 and 2014 and as of January 1, 2014 and for each of the years ended December 31, 2015 and 2014 have been audited, as stated in the report appearing therein, by KPMG Ltda., and are included in this offering memorandum and referred to as our "audited consolidated financial statements." Our historical results are not necessarily indicative of results to be expected for future periods. We have prepared the audited consolidated financial statements included herein in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, or "IFRS". These are our first financial statements prepared under IFRS, and therefore the opening statement of financial position was prepared as of January 1, 2014, the date of our transition to IFRS, as required by IFRS 1—"First Time Adoption of International Financial Reporting Standards." The comparative figures at and for the year ended December 31, 2014 reflect adjustments and reclassifications made as a result of our adoption of IFRS.

Previously, our audited consolidated financial statements were prepared in accordance with the regulations of the Superintendency of Finance applicable to financial institutions (Resolution 3600 of 1988 and External Circular 100 of 1995) and, on issues not addressed by these regulations, generally accepted accounting principles prescribed by the Superintendency of Finance for banks operating in Colombia, consistently applied, together with such regulations, on the issue date, which we refer to in this offering memorandum, collectively, as "Colombian Banking GAAP". We have included certain information prepared under Colombian Banking GAAP at and for the years ended December 31, 2013, 2012 and 2011 in Appendix A — "Selected 2013, 2012 and 2011 Financial and Statistical Data Prepared under Colombian Banking GAAP" to provide information for prior years. Colombian Banking GAAP is not comparable to IFRS. See note 35 to our audited consolidated financial statements included in this offering memorandum for a discussion of the main differences between IFRS and Colombian Banking GAAP. We are also required to prepare consolidated financial statements for publication in Colombia under International Financial Reporting Standards as adopted by the Superintendency of Finance in accordance with Decree 1851 of 2013 and 3023 of 2013 as modified by Decree 2420 of 2015, which we refer to as "Colombian IFRS".

Since Colombian IFRS is based on IFRS as of December 31, 2013, certain rules subsequently issued by the International Accounting Standards Board, or "IASB," are not applicable under Colombian IFRS. Therefore our financial statements for local purposes differ from our financial statements under IFRS in the following principal aspects:

- Under Colombian regulations, the wealth tax, created by the Colombian Congress in 2014 and to be paid by companies during 2015, 2016 and 2017, calculated based on the tax equity method, can be recorded against equity reserves. However, under IFRS, according to IFRIC 21, wealth tax liabilities must be recorded against the statement of income.

- Under Colombian IFRS, allowances for loan losses are calculated based on specific rules of the Financial and Accounting Basic Circular (*Circular Básica Contable y Financiera*) issued by the Superintendency of Finance for the separate financial statements; and according to the criteria set forth in IAS 39 for consolidated financial statements. Under Colombian IFRS, the difference between both methodologies in the consolidated financial statements is recorded in other comprehensive income, whereas under IFRS, allowances for loan losses are calculated according to the criteria set forth in IAS 39 and recorded in profit or loss of each period.

- Consolidated financial statements prepared under Colombian IFRS classify debt securities into one of two categories: fair value through profit or loss or amortized cost. Entities with non-controlling or non-significant influence in equity securities must elect to record fair value changes in other comprehensive income, in accordance with the guidance set out in IFRS 9.

Non-IFRS financial measures

We have included in this offering memorandum non-IFRS measures such as return on average assets, or "ROAA," and return on average equity, or "ROAE". These measures should not be construed as an alternative to IFRS measures and should also not be compared to similarly titled measures reported by other companies, which may evaluate such measures differently from how we do. For Non-IFRS measures to IFRS measures, see "Selected Financial and Operating Data—Non-IFRS measures."

Market share and other information

We obtained the market and competitive position data, including market forecasts, presented throughout this offering memorandum from market research, publicly available information and industry publications. We have presented this data on the basis of information from third-party sources that we believe are reliable, including, among others, the International Monetary Fund, or "IMF," the Superintendency of Finance, the Colombian Stock Exchange, the Colombian National Bureau of Statistics (*Departamento Administrativo Nacional de Estadística*), or "DANE," and the World Bank. Industry and government publications, including those referenced herein, generally state that the information presented has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. Unless otherwise indicated, gross domestic product, or "GDP," figures with respect to Colombia in this offering memorandum are based on the 2005 base year data series published by DANE. Although we have no reason to believe that any of this information or these reports is inaccurate in any material respect, we have not independently verified the competitive position, market share, market size, market growth or other data provided by third parties or by industry or other publications. Neither we nor the initial purchasers make any representation or warranty as to the accuracy of such information.

Our statement of financial position and statement of income for periods commencing on January 1, 2014, reflect IFRS information, while comparative disclosures of our financial and operating performance against that of our competitors are based on unconsolidated information prepared on the basis of Colombian IFRS reported to the Superintendency of Finance. Except where otherwise indicated, financial and market share data pertaining to BAC Credomatic has been prepared in accordance with IFRS. All information that is marked unconsolidated basis under Colombian IFRS for the Bank and its subsidiaries has been prepared under Colombian IFRS to make it comparable to the publicly available information related to our competitors filed with the Superintendency of Finance. This unconsolidated information does not account for our businesses or those of our competitors that are operated through subsidiaries, including our Central American operations.

Banks, financing companies and finance corporations are deemed credit institutions by the Superintendency of Finance and are the principal institutions authorized to accept deposits and make loans in Colombia. Banks undertake traditional deposit-taking and lending activities. Financing companies place funds in circulation by means of active credit operations, with the purpose of fostering the sale of goods and services, including the development of leasing operations. Finance corporations invest directly in the economy and thus are the only credit institutions that may invest in non-financial sectors. Banks are permitted to invest in finance corporations. We are a bank and we operate one financial corporation (Corficolombiana). Our market share is determined by comparing the bank to other banks that report their results to the Superintendency of Finance. However, if financing companies and finance corporations are included in the calculation of market share data, our market shares would generally be lower than in a bank-only comparison, and the gaps between our market shares and those of our competitors would be smaller, but our market leadership in most market categories would be unaffected.

We consider our principal competitors in Colombia to be Bancolombia S.A., or "Bancolombia," Banco Davivienda S.A., or "Davivienda," and Banco Bilbao Vizcaya Argentaria Colombia S.A., or "BBVA Colombia," which are the three leading banking groups in Colombia after Grupo Aval.

We also compete, to a lesser extent, with Grupo Aval's other bank subsidiaries: Banco de Occidente S.A. or "Banco de Occidente," Banco Popular S.A., or "Banco Popular," and Banco Comercial AV Villas S.A., or "Banco AV Villas." The principal competitors of Porvenir, our pension and severance fund administrator, are Administradora de Fondos de Pensiones y Cesantías Protección S.A., or "Protección," Colfondos S.A. Pensiones y Cesantías, or "Colfondos," and Skandia Administradora de Fondos de Pensiones y Cesantías S.A., or "Skandia." We have included in this offering memorandum competitive market position data for Porvenir as compared to its principal competitors. Corficolombiana, our merchant bank, is a financial corporation, and its competitors include Banca de Inversión Bancolombia S.A., J.P. Morgan Corporación Financiera S.A., BNP Paribas Colombia Corporación Financiera S.A. and Itaú BBA Colombia S.A. Corporación Financiera.

Our principal competitors in Costa Rica, El Salvador, Guatemala, Nicaragua and Panama include Banco Industrial, Scotiabank, G&T Continental, and Bancolombia.

We include certain ratios in this offering memorandum which we believe provide investors with important information regarding our operations, such as return on average equity, or "ROAE," return on average assets, or "ROAA," net interest margin, and operational efficiency and asset quality indicators, among others. Some of these ratios are also used in this offering memorandum to compare us to our principal competitors.

Other conventions

Certain figures included in this offering memorandum have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic summation of the figures that precede them.

References to "billions" in this offering memorandum are to 1,000,000,000s and to "trillions" are to 1,000,000,000,000s.

"Non-controlling interest" refer to the participation of minority shareholders in Banco de Bogotá S.A. and our subsidiaries, as applicable.

FORWARD-LOOKING STATEMENTS

This offering memorandum contains estimates and forward-looking statements, principally in "Risk Factors," "Business" and "Management's Discussion and Analysis of Financial Condition and Results of Operations." Some of the matters discussed concerning our operations and financial performance include estimates and forward-looking statements within the meaning of the Securities Act and the Exchange Act.

Our estimates and forward-looking statements are mainly based on our current expectations and estimates on projections of future events and trends, which affect or may affect our businesses and results of operations. Although we believe that these estimates and forward-looking statements are based upon reasonable assumptions, they are subject to several risks and uncertainties and are made in light of information currently available to us. Our estimates and forward-looking statements may be influenced by the following factors, among others:

- changes in Colombian, Central American, regional and international business and economic, political or other conditions;
- developments affecting Colombian, Central American and international capital and financial markets;
- government regulation and tax matters and developments affecting our company and industry;
- declines in the petroleum and affiliated services sector in the Colombian and global economies;
- movements in exchange rates
- increases in defaults by our customers;
- increases in goodwill impairment losses;
- decreases in deposits, customer loss or revenue loss;
- increases in provisions for contingent liabilities;
- our ability to sustain or improve our financial performance;
- increases in inflation rates, particularly in Colombia and in jurisdictions in which we operate in Central America;
- the level of penetration of financial products and credit in Colombia and Central America;
- changes in interest rates which may, among other effects, adversely affect margins and the valuation of our treasury portfolio;
- decreases in the spread between investment yields and implied interest rates in annuities;
- competition in the banking and financial services, credit card services, insurance, asset management, pension fund administration and related industries;
- adequacy of risk management procedures and credit, market and other risks of lending and investment activities;
- decreases in our level of capitalization;
- changes in market values of Colombian and Central American securities, particularly Colombian government securities;
- adverse legal or regulatory disputes or proceedings;
- successful integration and future performance of acquired businesses or assets;

- natural disasters and internal security issues affecting countries where we operate;
- loss of any key member of our senior management or the senior management of Grupo Aval; and
- other risk factors as set forth under "Risk Factors."

The words "believe," "may," "will," "estimate," "continue," "anticipate," "intend," "expect" and similar words are intended to identify estimates and forward-looking statements. Estimates and forward-looking statements speak only at the date they were made, and we undertake no obligation to update or to review any estimate and/or forward-looking statement because of new information, future events or other factors. Estimates and forward-looking statements involve risks and uncertainties and are not guarantees of future performance. Our future results may differ materially from those expressed in these estimates and forward-looking statements. In light of the risks and uncertainties described above, the estimates and forward-looking statements discussed in this offering memorandum might not occur and our future results and our performance may differ materially from those expressed in these forward-looking statements due to the factors mentioned above, among others. Because of these uncertainties, you should not make any investment decision based on these estimates and forward-looking statements.

These cautionary statements should be considered in connection with any written or oral forward-looking statements that we may issue in the future.

ENFORCEMENT OF JUDGMENTS

Banco de Bogotá S.A. is incorporated under the laws of Colombia. All of our directors and officers reside outside the United States. Substantially all of our assets are located outside the United States, primarily in Colombia and, to a lesser extent, Central America. As a result, it may not be possible, or it may be difficult, for you to effect service of process upon us or these other persons within the United States or to obtain recognition and enforcement of judgments obtained in U.S. courts against us or them, including those predicated upon the civil liability provisions of the U.S. federal securities laws or otherwise.

The Colombian Supreme Court will determine whether to recognize a U.S. judgment predicated on the U.S. securities laws through a proceeding known under Colombian law as "exequatur." Enforcement of U.S. judgments requires a separate court procedure in Colombia. After the exequatur has been granted, if the judicial decision imposes an obligation to pay a sum of money or to comply with certain obligations, an executive judicial proceeding (*proceso ejecutivo*) before a local court is available. Such a proceeding would follow the same rules applicable for the enforcement of local judicial decisions.

The Colombian Supreme Court will recognize a foreign judgment, without reconsideration of the merits, only if the judgment satisfies the requirements of Articles 605, 606 and 607 of Law 1564 of 2012 (*Código General del Proceso*), provided that the parties affected by the judgment were summoned in the exequatur proceedings in accordance with applicable rules. Law 1564 of 2012 provides that the foreign judgment will be recognized if:

- a treaty or convention exists between Colombia and the country where the judgment was granted relating to the recognition and enforcement of foreign judgments or, in the absence of such treaty or convention, there is reciprocity in the recognition of foreign judgments between the courts of the relevant jurisdiction and the courts of Colombia;
- the foreign judgment does not refer to "in rem" rights vested in assets that were located within Colombian territory at the time of the commencement of the proceedings in the foreign court which issued the judgment;
- the foreign judgment does not contravene or conflict with Colombian public order rules, other than procedural rules;
- the foreign judgment is final and not subject to appeal in accordance with the laws of the country in which it was obtained. The copy of the judgment provided to the Colombian Supreme Court must be legalized and translated into Spanish by an authorized translator, duly registered at the Ministry of Foreign Affairs;
- the foreign judgment does not refer to any matter upon which Colombian courts have exclusive jurisdiction;
- no proceedings are pending in Colombia with respect to the same matter, and no final judgment has been awarded in any proceeding in Colombia on the same matter;
- in the proceedings commenced in the foreign court that issued the judgment, the defendant was served properly in accordance with the applicable laws in such jurisdiction, and was given a reasonable opportunity to defend itself against the action; and
- the Colombian Supreme Court has granted *exequatur* upon the foreign judgment.

The United States and Colombia do not have a bilateral treaty providing for automatic reciprocal recognition and enforcement of judgments in civil and commercial matters. The Colombian Supreme Court, which is the only Colombian court that can recognize foreign judgments, has generally accepted that reciprocity exists when it has been proven that either a U.S. court has recognized a Colombian judgment or that a U.S. court would recognize a foreign judgment, including a judgment issued by a Colombian court. However, the Colombian legal system is not based on precedents and *exequatur* decisions are made on a case-by-case basis.

Notwithstanding the foregoing, we cannot assure you that a Colombian court would enforce a judgment issued by a state or federal court in the United States with respect to the notes based on U.S. securities laws. We have been advised by our Colombian counsel that there is no legal basis for a Colombian court to exert jurisdiction over original actions to be brought against us or our directors and executive officers predicated solely upon the provisions of U.S. securities laws. In addition, certain remedies available under U.S. securities laws may not be admitted or enforced by Colombian courts.

SUMMARY

This summary highlights selected information about us and the notes that we are offering. It may not contain all of the information that may be important to you. Before investing in our notes, you should read this entire offering memorandum carefully for a more complete understanding of our business and this offering, including our audited consolidated financial statements and the related notes and the information under "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in this offering memorandum.

Our company

Banco de Bogotá is Colombia's oldest financial institution, with more than 140 years of operating experience. As of December 31, 2015, Banco de Bogotá was the most efficient bank in the Colombian banking system on an unconsolidated basis under Colombian IFRS, with an efficiency ratio of 37.2%. As of the same date, it was the second largest bank in Colombia with a market share of 14.6% in terms of deposits and 13.6% in terms of loans. Our pension and severance fund administrator, Porvenir, was the leading pension fund administrator in Colombia in terms of funds under management and had, as of December 31, 2015, the largest share of earnings in the pension and severance fund management market in Colombia. Our merchant bank, Corficolombiana, is the largest merchant bank in Colombia. Through our BAC Credomatic operations, we are the largest banking group in the Central American market based on aggregate assets as of December 31, 2015. For the year ended December 31, 2015, our ROAE was 15.3% and the ROAA was 1.9% on a consolidated basis. We achieved a net interest margin of 5.1% on a consolidated basis in 2015.

Colombian operations

Banco de Bogotá is a subsidiary of Grupo Aval, which is Colombia's largest banking group based on total assets. Banco de Bogotá is the largest financial institution within Grupo Aval's portfolio as measured by assets, and the largest contributor to net income before taxes and non-controlling interest. Grupo Aval employs a multi-brand strategy, allowing each of its four banks, Banco de Occidente, Banco Popular, Banco AV Villas and us, to focus on particular types of customers, geographic regions and products. Grupo Aval's banks are encouraged to compete among themselves and with other market participants, while operating within central strategic guidelines established by Grupo Aval.

Banco de Bogotá is a full-service bank with coverage throughout Colombia and a comprehensive portfolio of services and products, distributed through a network of 711 branches and 1,747 automated teller machines, or "ATMs," as of December 31, 2015. While Banco de Bogotá serves segments in the market through differentiated service and product offerings, it is particularly focused on commercial lending with a market share of 18.0% of commercial loans as of December 31, 2015. Through its focus on expanding its consumer banking business, Banco de Bogotá has consistently increased its share of the consumer loans market, and as of December 31, 2015 held a 9.4% market share in that segment.

The following table shows market share and other metrics of Banco de Bogotá and its key competitors as of the dates indicated on an unconsolidated basis under Colombian IFRS.

	At and for the year ended in December 31, 2015							
	Grupo Aval entities							
	Banco de Bogotá	Banco de Occidente	Banco Popular	Banco AV Villas	Grupo Aval Aggregate(1)	Bancolombia	Davivienda	BBVA Colombia
	(in percentages)							
ROAA(2)	3.1	1.6	1.7	1.8	2.5	2.3	2.0	1.3
ROAE(3)	16.4	13.0	12.9	16.9	15.4	14.0	16.8	16.9
Net interest margin(4)	4.8	5.3	6.2	6.4	5.3	5.9	6.6	5.8
Efficiency ratio(5)	37.2	48.2	57.4	53.6	43.7	52.4	44.0	45.7

	At and for the year ended in December 31, 2015							
	Grupo Aval entities							
	Banco de Bogotá	Banco de Occidente	Banco Popular	Banco AV Villas	Grupo Aval Aggregate[(1)]	Bancolombia	Davivienda	BBVA Colombia
	(in percentages)							
Market share in Colombia:								
Net income	23.8	5.2	3.2	2.1	34.2	25.7	12.6	6.3
Deposits	14.6	6.5	4.1	2.9	28.2	20.8	12.3	11.5
Gross loans and leases	13.6	7.3	4.2	2.4	27.4	22.8	13.8	10.5
Assets	15.2	6.6	3.8	2.3	27.8	23.1	12.5	9.9
Branches	13.1	3.9	4.2	5.2	26.3	14.7	10.8	8.7
ATMs	11.8	2.3	7.8	3.8	25.7	27.1	11.7	8.8

Sources: Calculations for ROAA, ROAE and efficiency ratio are based on each entity's respective unconsolidated financial statements that are publicly available on the website of the Superintendency of Finance. Colombian market share information is based on unconsolidated data under Colombian IFRS filed with the Superintendency of Finance, except for figures relating to branches and ATMs from Grupo Aval entities, which are derived from data provided by Grupo Aval. Colombian market share data for Grupo Aval is based on aggregate figures.

(1) Ratios and market share data reflect aggregated unconsolidated data of Banco de Bogotá, Banco de Occidente, Banco Popular and Banco AV Villas.

(2) For the year ended December 31, 2015, ROAA is calculated as net income divided by average monthly assets.

(3) For the year ended December 31, 2015, ROAE is calculated as net income attributable to controlling interest divided by average monthly equity.

(4) Net interest margin is calculated as net interest income divided by total average interest-earning assets.

(5) Efficiency ratio is calculated as personnel expenses plus administration expenses divided by total income. Total income is the sum of net interest income, total fees and other services income net, and other income (excluding dividends and others).

Central American operations

Through our BAC Credomatic operations, we are the leading banking group in Central America based on aggregate assets. We have a leading Central American presence with operations that are complementary to our Colombian businesses and a leading position in the consumer and credit card banking businesses in the region. BAC Credomatic has operations in six Central American countries (Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama) and Mexico. BAC Credomatic is one of the leading credit card issuers and merchant-acquiring franchises in the region and has the only network that processes all major credit card brands in the region. At December 31, 2015, BAC Credomatic's credit card portfolio totaled U.S.$2.3 billion, which represents a 13.4% increase from U.S.$2.0 billion at December 31, 2014. At December 31, 2015, 78.0% of BAC Credomatic's credit card portfolio was distributed across Costa Rica, El Salvador, Guatemala and Panama. The remaining 22.0% was distributed among Honduras, Nicaragua and Mexico.

Through a network of 672 branches (including 352 full-service branches, 38 in-store branches, 252 on-site branches and 30 auto/drive-thru branches) and 1,815 ATMs at December 31, 2015, BAC Credomatic has more than 3.4 million customers and serves a region with a total population of approximately 46.2 million at December 31, 2015. Our Central American operations represented 42.2% of our consolidated assets at December 31, 2015.

For the years ended December 31, 2015 and December 31, 2014, the efficiency ratio for BAC Credomatic was 54.4% and 53.6%, respectively. We believe we can further improve our performance in Central America and BAC Credomatic's efficiency ratio by continuing to create synergies among our subsidiaries and leveraging economies of scale. We also believe we can leverage our and Group Aval's expertise to increase BAC Credomatic's share in corporate lending within Central America.

The international expansion strategy has provided Banco de Bogotá an additional source of growth, value and diversification in terms of loans, deposits and earnings from a Colombia-related region with potential for further growth. See "—Our markets—Central America" for more information.

The following table shows the market shares of our Central American operations and that of our principal competitors in Central America, excluding Panama.

	At December 31, 2015				
	BAC Credomatic(1)	Banco Industrial	Bancolombia Central America	G&T Continental	Scotiabank Central America
	(in percentages)				
Central American market share:					
Loans and leases, net	12.9	9.9	7.3	6.1	5.5
Assets	11.5	11.0	6.5	6.9	4.7
Deposits	11.5	10.7	6.6	7.3	4.5
Liabilities	11.3	11.3	6.4	7.1	4.7
Total equity	12.8	8.2	7.3	5.3	5.4
Net income	15.7	13.5	8.1	7.9	2.1

Sources: Calculated based on data aggregated from the local superintendencies of Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua. Market share data is determined based on the sum of each bank's operations in the above-mentioned countries. This comparison excludes Panama due to the difficulty of separating international from local businesses of Panamanian banks. Including Panama data, our market share in deposits and net loans and leases was 8.4% and 9.4%, respectively, as of December 31, 2015.

(1) Reflects LB Panamá operations including BAC Credomatic.

Our markets

Colombia

The majority of our operations are located in Colombia, representing 68.4% and 55.3% of our net income and gross loan portfolio, respectively, and in the six countries in Central America, representing 31.6% and 44.7% of our net income and gross loan portfolio, respectively, in each case as of and for the year ended December 31, 2015.

We believe that, despite recent declines in growth resulting from the recent decrease in international oil prices and the depreciation of the Colombian peso, Colombia's financial system presents significant growth potential given its favorable economic conditions and low penetration rate for banking and financial services compared to other countries in the Latin American region such as Brazil and Chile. According to data from the IMF, at December 31, 2014, Colombia's population and economy were the third and fourth largest in Latin America, respectively. According to DANE, in 2015 Colombia's population was approximately 48.2 million people and its nominal GDP was Ps 800.8 trillion (U.S.$292.1 billion, using the average exchange rate of 2015). Colombia's nominal GDP per capita increased from Ps 7.93 million in 2005 (U.S.$3,417 using the average exchange rate for that year) to Ps 16.6 million in 2015 (U.S.$6,060 using the average exchange rate for that year). This increase in nominal GDP per capita has allowed banks to grow at a faster pace than the economy, suggesting that there is further room to increase the penetration of banking services.

During the ten years ended December 31, 2014, Colombia's average GDP growth rate of 4.8% outperformed the average GDP growth rate for Latin America by 1.2 percentage points, while reducing the country's dependence on foreign financing as reflected in the country's external debt to GDP ratio of 26.8% at December 31, 2014. However, for the year ended December 31, 2015, this ratio increased to 38.1%, mainly due to the significant currency depreciation of 31.6% that took place in the same period. Colombia has generally met all principal and interest payments on external debt and has avoided hyperinflation, maintaining a single-digit inflation rate for the 16 years ended December 31, 2015. According to the Central Bank of Colombia, or the "Colombian Central Bank," Colombia's annual inflation rate for 2013 was 1.9%, the lowest rate since 1954 and down from 2.4% for 2012. Annual inflation was 3.7% for 2014 and reached a high of 6.8% for 2015, mainly due to two factors: (i) severe droughts caused by the El Niño weather phenomenon, or "El Niño", in 2015, and (ii) the impact of the depreciation of the peso on the price of consumer goods. As El Niño dissipates and the peso stabilizes, it is expected that in the next 12-18 months inflation will settle at levels closer to the rates that prevailed in 2014, according to the Colombian Central Bank.

During the ten years ended December 31, 2015, according to the Superintendency of Finance, Colombia's financial system grew at a compounded annual growth rate, or "CAGR", of 14.0% in terms of loan balances outstanding and 9.6% in terms of deposits, on an inflation-adjusted basis, compared to 4.6% for the country's real annual GDP during the same ten-year period. During the twelve months ended January 1, 2016, according to the Central Bank, Colombia's financial system grew at an annual rate of 8.2% in terms of loan balances outstanding, on an inflation-adjusted basis, compared to 3.1% for the country's real GDP during the same period (due to the adoption of IFRS reporting in 2015 for Colombian banks), which differs from Colombian IFRS (previously in place), the Central Bank has been the only official institution reporting year-on-year growth rates based on data from the Superintendency of Finance. Despite this recent growth, Colombia's bank-loans-to-GDP ratio remains relatively low at 43.9% at December 31, 2015 according to the Superintendency of Finance (note that as of January 1, 2015, this figure incorporates Colombian IFRS reporting). The ratio of domestic private sector credit to GDP in Colombia, as reported by the World Bank, was 52.7% at December 31, 2014 (the most recent date for which such data is available).

Central America

As of December 31, 2015, Central America had a total population of approximately 46.2 million, making it the fourth largest market in Latin America by population, and an estimated combined GDP of U.S.$220.2 billion, according to the IMF. According to the IMF, Central America's GDP was expected to achieve a real (inflation-adjusted) growth rate of 3.9% in 2015, above the expected real growth rate for Colombia of 2.5%, and is expected to grow at an annual average real growth rate of 4.4% between 2016 and 2018, compared to Colombia's expected average real growth rate of 3.2% during the same period. In terms of banking penetration, Central America had a ratio of domestic private sector credit to GDP of 48.0% as of December 31, 2013 and 54.7% as of December 31, 2014 (the 2014 figure excludes El Salvador due to lack of availability in the World Bank Development Indicators' database), mainly as a result of Panama's 88.3% ratio. This indicator for the other countries in the Central American region ranged from 32.9% to 55.3% as of December 31, 2014, which we believe positions the financial sector to outperform GDP growth. We also see the additional penetration of credit cards in the population as an important growth opportunity in Central America.

The recent economic turmoil driven by the decline in oil prices that has slowed down the Colombian economy, has strengthened the economic outlook for Central America. This is because Central American countries are net oil importers and their economies are closely tied to the United States economy via remittances.

Our history

Founded in 1870, Banco de Bogotá is the oldest and second largest financial institution in Colombia. In 1922, it opened its first branch outside of Bogotá. Throughout the 1920s, Banco de Bogotá's network outside Bogotá expanded, due in part to a series of acquisitions. In 1967, Banco de Bogotá opened its first office in Panama; in 1974, it opened a branch office in New York. In 1980, Banco de Bogotá Trust Company established Banco de Bogotá International Corporation, an affiliate in Miami, Florida. The New York City branch office and the Miami affiliate were subsequently converted into agencies. Banco de Bogotá was reorganized in 1988 following the acquisition of a majority ownership interest by Mr. Sarmiento Angulo, Grupo Aval's chairman and majority shareholder, earlier that year. Porvenir was formed in 1991 and began its operations as a severance fund manager. In 1992, Banco de Bogotá completed a merger with Banco del Comercio S.A., or "Bancomercio." In 1998, Mr. Sarmiento Angulo contributed a majority of his Banco de Bogotá ownership interest to Grupo Aval. In 2006, Banco de Bogotá acquired and merged with Megabanco, which expanded its services for lower income consumers. In May 2010, Banco de Bogotá completed the merger of our wholly-owned subsidiary, Leasing Bogotá, which, allows it to perform leasing operations. In December 2010, Banco de Bogotá acquired BAC Credomatic, in December 2011 Banco de Bogotá successfully completed its inaugural international bond offering of U.S.$600 million of 5.00% Senior Notes due 2017, and in February 2013 Banco de Bogotá successfully completed its international bond offering of U.S.$500 million of 5.375% Subordinated Notes due 2023.

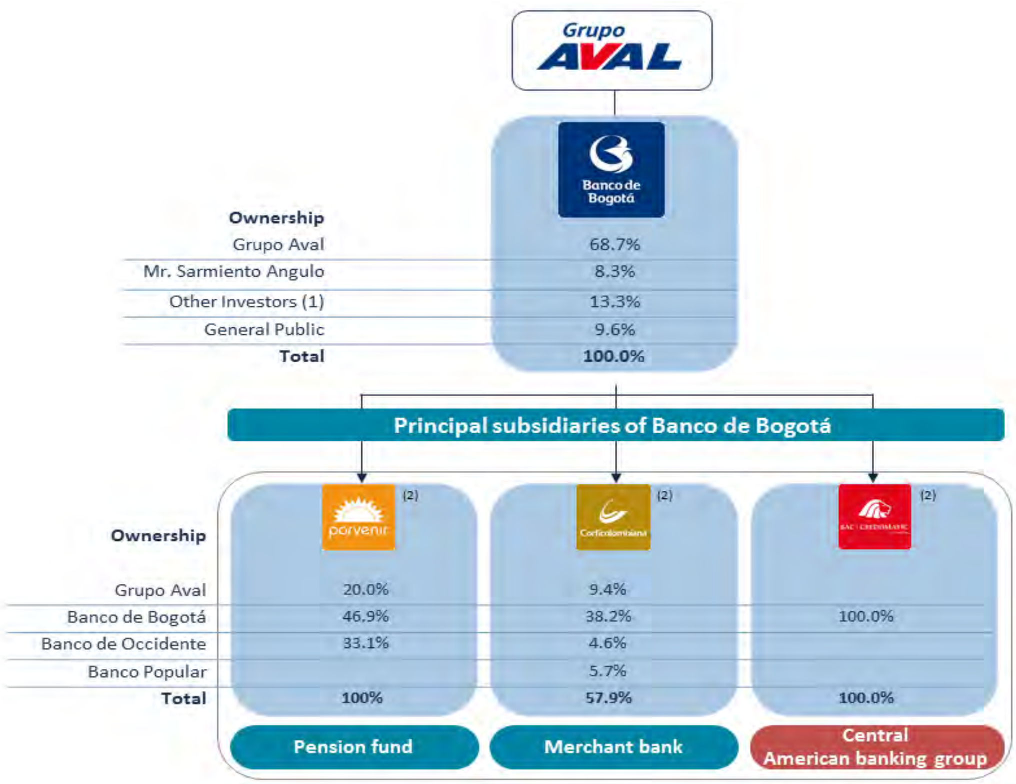
Corficolombiana was founded in 1959 as an affiliate of Banco de Bogotá. Since 1997, it has acquired and merged with seven financial institutions in Colombia. In 2005, Corficolombiana completed its most recent merger, with Corporación Financiera de Valle S.A. or "Corfivalle," which resulted in Corficolombiana becoming the largest financial corporation in the country based on total assets. Following this merger, Corficolombiana transferred its loan portfolio to Banco de Bogotá to focus on its investment business.

In December 2012, Porvenir acquired BBVA Horizonte and a year later merged it into its operation.

With a view to growth and diversification of income, Banco de Bogotá acquired BAC Credomatic in 2010 to extend its franchise into an important contiguous economic region. Banco de Bogotá further extended its franchise in Central America when it acquired BBVA's operation in Panama (merged into Banco BAC de Panamá) and Grupo Financiero Reformador de Guatemala in 2013. Banco BAC de Panamá was merged into BAC International Bank in December, 2014 and Grupo Financiero Reformador was merged into Banco BAC de Guatemala in December 2015.

Our operations

We conduct our banking operations directly, our pension and severance fund operations through Porvenir, our merchant banking operations through Corficolombiana and our Central American banking operations through BAC Credomatic, which is indirectly controlled by us through LB Panamá, one of our wholly-owned subsidiaries. We and Corficolombiana are publicly-traded on the Colombian Stock Exchange while Porvenir and BAC Credomatic are not listed. As of March 31, 2016 we had 331,280,555 shares issued and outstanding and Corficolombiana had 223,762,069 shares issued and outstanding, with total market capitalization of Ps 20,175.0 billion and Ps 8,609.5 billion, respectively. The following chart presents our ownership structure.



Source: Company data at December 31, 2015.

(1) Based on publicly available information, we have identified a group of investors who have maintained ownership of record of at least 1.0% in Banco de Bogotá over a significant period of time.

(2) Porvenir, Corficolombiana and BAC Credomatic are the principal subsidiaries consolidated by Banco de Bogotá. Banco de Bogotá controls Porvenir and Corficolombiana through shareholders agreements with Grupo Aval and Banco de Occidente and with Banco de Occidente and Banco Popular, respectively.

Our principal subsidiaries

Porvenir is the leading private pension and severance fund management business in Colombia, based on funds under management, with a 42.9% market share of assets under management as of December 31, 2015. Pension funds provide individual savings for retirement, while severance funds provide temporary income to employees who become unemployed. Based on Colombian IFRS unconsolidated data, as of December 31, 2015, Porvenir was the most profitable and efficient pension and severance fund manager in Colombia, with an ROAE of 22.3% and an efficiency ratio of 43.6%, compared to industry averages of 19.9% and 52.6% for ROAE and efficiency ratio, respectively.

Corficolombiana is the largest merchant bank in Colombia based on total assets as of December 31, 2015. Corficolombiana focuses on four main lines of business: (1) equity investments in strategic sectors of the Colombian economy, including, in particular, financial services, infrastructure, energy and gas, agribusiness and hospitality; (2) investment banking, including services relating to capital markets, mergers and acquisitions and project finance transactions; (3) treasury operations; and (4) financial services such as leasing, fiduciary and private banking. Corficolombiana's ROAE was 18.9% for 2014 and 16.5% for 2015, on a consolidated basis.

BAC Credomatic is the leading Central American banking group with operations in Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, Panama and Mexico. BAC Credomatic is a full-service financial institution with one of the leading credit card issuance and merchant-acquiring franchises in Central America. It has achieved processing volumes of U.S.$15,543 million for the year ended December 31, 2015 and U.S.$13,867 million for the year ended December 31, 2014, in the merchant acquiring business, which compares favorably to processing volumes of other leading Latin American issuers. BAC Credomatic's ROAE was 18.1% in 2014 and 15.5% for the year ended December 31, 2015.

The following table shows the main Statement of Financial Position items and profitability ratios of our consolidated financial statements and that of our subsidiaries:

	At and for the year ended December 31, 2015			
	Banco de Bogotá (Consolidated)	Porvenir[(1)]	Corficolombiana[(1)]	LB Panamá[(1)]
	(in Ps billions)			
Loans and leases, net	93,979	—	1,513	42,400
Assets	152,269	2,202	19,512	64,189
Deposits	92,044	—	4,085	39,025
Equity	17,437	1,277	4,507	10,035
Net income	2,639	255	758	835
ROAA[(2)]	1.9%	12.4%	4.5%	1.5%
ROAE[(3)]	15.3%	20.6%	16.5%	9.8%
Delinquency ratio (loans past due more than 30 days)	2.3%	—	2.7%	2.1%
Allowance for loans as a percentage of 30 days past due loans	94.8%	—	78.8%	59.0%
Solvency ratio[(4)]	10.6%	22.8%	28.7%	13.6%

Source: Company data and calculations based on consolidated financial statements of our principal operating subsidiaries.

(1) Porvenir, Corficolombiana and LB Panamá (through which we hold our ownership of BAC Credomatic) are our principal subsidiaries.

(2) ROAA is calculated as net income divided by average assets (the sum of total assets at December 31 of the fiscal year and total assets at December 31 of the previous fiscal year, divided by two).

(3) ROAE is calculated as net income attributable to controlling interest divided by average equity attributable to controlling interest (equity attributable to controlling interest at the end of the period plus equity attributable to controlling interest at the end of the prior period, divided by two)

(4) Solvency ratio is calculated as technical capital divided by risk-weighted assets. For a definition of technical capital, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Capital adequacy requirements."

Our business strengths

We believe that we have achieved our leading positions in the Colombian and Central American banking industry through the following competitive strengths.

Strong track record of growth and resilient profitability

We believe that our leading position in the Colombian market, cross-bank synergies, economies of scale, low-cost funding and operating efficiencies have helped us achieve stable and growing profits. Banco de Bogotá´s ROAE of 16.4% and ROAA of 3.1%, based on unconsolidated figures under Colombian IFRS, for the year ended December 31, 2015 have been among the highest in the Colombian banking industry. The resilience of our returns, results from our diversified loan portfolio, a lower and more stable cost of funding structure, solid net provisions and improving efficiency ratios.

As a diversified group, our consolidated assets have grown at a CAGR of 22.0% from January 1, 2014 to December 31, 2015. During the same period, our total liabilities have grown at a CAGR of 22.4% and our equity has grown at a CAGR of 19.0%. We have historically accomplished our growth through organic expansion and strategic acquisitions in Central America.

Major participant in most banking sectors in Colombia

We are one of the largest participants in most sectors of the Colombian banking market, with 18.0% of commercial loans and 9.4% of consumer loans at December 31, 2015. We also have the second largest market share of deposits at 14.6% as of the same date, and we have one of the highest ratios of deposits to loans in Colombia of 93.5%. We are part of *Red Grupo Aval*, which is the largest ATM and banking network in the country and has been a key element of our competitive positioning in the Colombian market. As of December 31, 2015, the most recent date for which market comparable information is available, our ATM and banking network, independent of the *Red Grupo Aval* network, had market shares of 11.8% and 13.1% of ATMs and branches, respectively. The *Red Grupo Aval* banking network had market shares of 25.7% and 26.3% of ATMs and branches, respectively, as of the same date.

Leading banking operations in Central America

BAC Credomatic is the leading financial group in Central America with a record of strong financial performance. Based on consolidated figures, its ROAE was 18.1% for the year ended December 31, 2014 and 15.5% for the year ended December 31, 2015. BAC Credomatic is a full-service financial institution with one of the leading card-issuing and acquiring businesses in the region. Its Credomatic brand has key alliances with major credit card networks, such as Visa, MasterCard, American Express and Diners Club, and has the only network in the region that processes all major credit card brands. BAC Credomatic's market share in terms of net loans varies in the different countries as follows, as of December 31, 2015: 13.2% in Costa Rica, 11.9% in El Salvador, 10.0% in Guatemala, 14.3% in Honduras, 26.2% in Nicaragua and 5.2% in Panama. As a regional player, excluding Panamanian operations, we hold the largest share with 12.8% of the total Central American market.

Diversified and competitive sources of funding

We have access to diverse sources of funding, including deposits and debt securities placed in international capital and credit markets, which results in a competitive cost of funding for our operations. At December 31, 2015, our share of total deposits in Colombia was 14.6%, supported by a 19.2% market share in checking accounts and a 13.1% market share in savings accounts. On a consolidated basis, our deposits represented 72.3% of our total funding at December 31, 2015 compared to 75.4% at December 31, 2014 and 75.0% at January 1, 2014, or 74.3% on average, which provides us with a stable and cost-effective funding base. We believe that our funding base supports our initiatives to expand our businesses.

Sound risk management

We believe we have asset quality that is superior to that of our principal competitors. Our delinquency ratio of Colombian loans past due more than 30 days over total loans was 2.3% at December 31, 2015, the lowest among our principal competitors on an unconsolidated basis under Colombian IFRS. Bancolombia's ratio was 3.1%, Davivienda's was 3.3% and BBVA Colombia's was 2.8% on an unconsolidated basis under Colombian IFRS. The delinquency ratio of loans past due more than 90 days to total loans and its coverage ratio for Banco de Bogotá was 1.6% and 182.5% at December 31, 2015, respectively. By contrast, Bancolombia had a ratio of past due loans more than 90 days to total loans and its coverage ratio of 1.8% and 254.7% at December 31, 2015, respectively and Davivienda had a ratio of past due loans more than 90 days to total loans and its coverage ratio of 1.3% and 265.4% at December 31, 2015, respectively.

We have maintained our relative consolidated asset quality, as demonstrated by our ratio of past due loans more than 90 days to total loans of 1.5% and our ratio of write-offs to average outstanding loans of 1.3% for the year ended December 31, 2015 (average loan is calculated as the sum of total loans at December 31 of the fiscal year and total loans at December 31 of the previous fiscal year, divided by two).

We have a comprehensive risk management system, which we view as fundamental to our long-term stability and viability, which enables us to identify risks and resolve potential problems on a timely basis. In addition, we have established upward loan reporting processes, and our risk management staff meets on a weekly basis to discuss the loan portfolio, risks, opportunities and developments in the industry.

Leading Bank within Grupo Aval's multi-brand business model

We are part of Grupo Aval, which is Colombia's largest banking group based on total assets, a publicly-traded company with a market capitalization of Ps 25,761.3 billion at March 31, 2016, and benefit from applying the best practices from its operating subsidiaries to our business. Grupo Aval operates its financial subsidiaries through a multi-brand business model, building on the individual strengths of its subsidiaries and the market-wide recognition of its brands. Grupo Aval's financial subsidiaries in Colombia operate as four independent banks that are encouraged to compete among themselves and with other market participants, while operating within central guidelines established by Grupo Aval in the areas of internal controls, credit risk management, brand management, strategic planning, general procurement and information technology. These guidelines, together with group support services, are designed to allow each bank to achieve economies of scale and benefit from cross-bank synergies and group-wide best practices and corporate policies and procedures without inhibiting individual competition and the decision-making abilities of each bank's management. These practices are designed to encourage a consistent approach with respect to effective risk management, efficient use of capital, cost control, brand management, general procurement and integration of information technology. We believe that these practices have helped us achieve economies of scale and synergies to reduce operating and administrative costs.

Experienced management teams

Our qualified and experienced management teams, both at the group and operating subsidiary levels, have played a key role in guiding our growth. Our president has a tenure of over 25 years, and the presidents of our principal subsidiaries have an average tenure of over 15 years. We believe that the strength of management at all levels has enabled us to become Colombia's largest and most profitable bank. Our management team and each of our operating subsidiaries' management teams are dedicated to formulating and executing business strategies through a culture of excellence, innovation and cooperation, which has served as our guiding vision throughout the various acquisitions and initiatives we have undertaken. Our approach in our acquisitions has been to retain a majority of senior management and talent.

Our strategy

Our overall objectives are to build upon our competitive strengths to pursue opportunities for growth and to enhance our long-term financial performance. To achieve these objectives, we intend to pursue a strategy with the following key elements:

Further penetrate the Colombian market

Despite the recent slowdown in the growth of the economy driven by the drastic decline in oil prices, we believe that with the necessary fiscal adjustments currently being implemented, the Colombian economy has strong fundamentals and, because of them, it has the ability to return to a path of higher growth rates. In such a scenario we can benefit from an increase in GDP per capita and thus in banking penetration. As one of the Colombia's leading bank, we believe that we are very well positioned to adjust to the current conditions and take advantage of a potential economy growth in the future.

Continue capitalizing on synergies and improving efficiencies

We are pursuing opportunities to create synergies among Grupo Aval affiliates and at BAC Credomatic and leverage their combined strength. We intend to work with Grupo Aval on groupwide projects, mainly on information technology, and to achieve economies of scale by participating in the procurement of goods and services for our subsidiaries and within Grupo Aval. We believe that these efforts have contributed and will continue to contribute to improvements in our efficiency ratios.

Expand our services and products offerings and diversify our sources of income in Colombia

We believe we offer the most comprehensive range of banking services and products in Colombia, and we continually seek to expand these offerings to meet evolving customer needs and enhance our profitability. We believe we can continue to capture additional revenue by improving our market share in segments and products where we have not historically focused in the past (credit cards and mortgage loans for example). In addition, we are also expanding our cross-selling efforts to our over 5.3 million banking clients and our over 10.1 million pension fund clients in Colombia.

Furthermore, we continue to implement initiatives to increase our non-interest income, which consists primarily of net fees and other services income and income from our non-financial operations. For the year ended December 31, 2015, net fee income and income from non-financial operations, net accounted for 29.8% and 8.9% of our consolidated total income before net provisions, respectively. We believe we can expand the contribution of non-interest income to our profitability in future periods by, for example, expanding our offering of bancassurance products (i.e., bank-offered third-party insurance products) through our distribution networks and credit card fee income by increasing credit card loan volume across all of our banks. With regards to the income from our non-financial operations, we believe that Corficolombiana's equity investments in strategic sectors such as energy and infrastructure will continue to contribute income to our bottom line.

We also continue to evaluate initiatives to develop cost-effective channels, such as mobile banking and risk management tools to extend our banking services to under-penetrated segments of the Colombian population that currently have low or no use of banking services.

Further penetrate the Central American market

We plan to continue executing our multi-brand business model and maintain the BAC Credomatic brand. We intend to capitalize on the expected expansion of the Central American market in the current economic scenario, as we believe that the Central American economies are well positioned to weather negative economic conditions due to their ties to the U.S. economy and their capacity as net oil importers. In order to improve operational efficiency and increase market share in key sectors, we intend to continue to share our group-wide commercial and operational standards and best practices with BAC Credomatic, while capitalizing on its regional expertise, brand recognition, customer base, and financial services and products, such as credit card issuance and merchant-acquiring businesses.

Pursue other selected acquisitions

We have a proven track record of identifying, acquiring and integrating interests in companies we believe have strategic value to us. We are continually evaluating opportunistic measures to expand our businesses in Colombia and Central America and into other regions. We will continue to seek opportunities to further grow in our existing markets and expand into new geographies and will evaluate potential acquisition targets that would enable us to grow and consolidate our franchise through the services and products we offer and the markets we can access. We will analyze business opportunities in the markets in which we operate and if they generate value, complement our strategic goals, are accretive and do not hinder our regulatory capital position, we may pursue them.

Risk factors

We face risks and uncertainties that may affect our future financial and operating performance, including, among others, the following: economic and political conditions in Colombia and other countries in which we operate; internal security issues affecting the countries in which we operate; governmental and regulatory actions and developments affecting our operating subsidiaries and our industry; natural disasters; declines in the quality of our loan portfolio and other assets; adequacy of risk management procedures and systems; counterparty risks; exposures in derivatives transactions; increases in funding costs; changes in interest and exchange rates and other market risks; impact of fluctuations in the rate of exchange between the peso and the U.S. dollar; losses from trading operations; completion and integration of acquisitions; failures of information technology and other systems; competition; loss of key members of senior management; and litigation and other legal proceedings. One or more of these matters could negatively affect our business or financial performance as well as our ability to successfully implement our strategy. See "Risk Factors" beginning on page 18 for a discussion of certain risk factors you should consider before investing in the notes.

The offering

The following summary highlights selected information regarding the terms of the notes and is not intended to be complete. It does not contain all the information that is important to you. For a more complete understanding of the notes, you should read the entire offering memorandum carefully, including "Description of the Notes."

Issuer	Banco de Bogotá, S.A.
Securities Offered	U.S.$600,000,000 aggregate principal amount of 6.250% notes due 2026.
Issue Price	98.183% plus accrued interest, if any, from May 12, 2016.
Issuance Date	May 12, 2016.
Currency	U.S. dollars
Maturity Date	The notes will mature on May 12, 2026.
Interest	The notes will accrue interest at a rate of 6.250% per year. Interest will accrue from the issue date of the notes.
Interest Payment Dates	Interest on the notes will be payable semi-annually in arrears on May 12 and November 12 of each year, beginning on November 12, 2016.
Ranking	The notes will be our unsecured, subordinated obligations and will rank at all times: • junior in right of payment to all our Senior External Liabilities (as defined in "Description of the Notes") with or without legal preference, including, without limitation, senior indebtedness; and • structurally subordinated to all indebtedness and other liabilities (including trade payables) of our subsidiaries; At December 31, 2015, the bank had unconsolidated subordinated indebtedness equivalent to U.S.$1,083.0 million and did not have any secured indebtedness. At December 31, 2015, the bank had total unconsolidated Senior External Liabilities equivalent to U.S.$18,157.9 million. At December 31, 2015, the bank's subsidiaries had external liabilities equivalent to U.S.$23,390.3 million.
Optional Redemption	The notes will not be subject to redemption prior to maturity
Additional Amounts	All payments in respect of the notes will be made without any withholding or deduction for any Colombian taxes unless such withholding or deduction is required by law. In that event, we will pay such additional amounts as will result in receipt by the holders of notes of such amounts as would have been received by them had no such withholding or deduction for Colombian taxes been required, subject to certain exceptions set forth under "Description of the Notes—Additional amounts."

Covenants	The indenture governing the notes will limit our ability, among other things, to merge or consolidate with another entity or sell, lease or transfer substantially all of our properties or assets to another entity, unless we comply with certain requirements. The indenture does not otherwise contain covenants restricting us or our subsidiaries. See "Description of the Notes—Covenants."
No Acceleration of Notes	If we fail to make payment of principal, interest or the additional amounts, if any, on the notes (and, in the case of payment of principal, such failure to pay continues for seven days or, in the case of payment of interest or additional amounts, such failure to pay continues for 30 days), each holder of the notes has the right to demand and collect under the indenture, and we will pay to the holders of the notes the applicable amount of such due and payable principal, accrued interest and any additional amounts on the notes; provided, however, that to the extent that the Colombian Superintendency of Finance (*Superintendencia Financiera de Colombia*) has taken possession of us in order to administer or liquidate us, under the Colombian bankruptcy laws, the holders of the notes would not be able to commence independent collection proceedings to recover amounts owed. There is no right of acceleration in the case of a default in any payment on the notes (whether when due or otherwise) or the performance of any of our other obligations under the indenture or the notes. Notwithstanding the immediately preceding sentence, the holders of the notes shall have the right to accelerate the payments due under the notes during the occurrence of an Event of a Default (as defined herein), provided that there shall have been a change, amendment or modification to the Colombian banking laws that would permit such right without disqualifying the notes from Tier II Capital status and the holders exercise such right in accordance with applicable Colombian banking law. Subject to the subordination provisions of the notes, if any Event of Default occurs and is continuing, the Trustee may pursue any available remedy (excluding acceleration, except as provided herein) to collect the payment of principal and interest on the notes or to enforce the performance of any provision under the indenture. See "Supervision and Regulation— Intervention powers of the Superintendency of Finance — Bankruptcy considerations."
Events of Default	The indenture will set forth the events of default applicable to the notes. See "Description of the Notes —Events of Default."
Further Issues.....................................	We may from time to time, without notice or consent of the holders of the notes, create and issue an unlimited principal amount of additional notes having the same terms and conditions (except for issue date, issue price and, if applicable, the first interest payment date) as, and forming a single series with, the notes initially issued in this offering; provided that if the additional notes are not fungible with the notes for U.S. federal income tax purposes, the additional notes will have separate CUSIP and ISIN numbers.
Use of Proceeds	We expect to receive total estimated gross proceeds of this offering of approximately U.S.$589,098,000, before deducting the fees, commissions and offering expenses payable by us.

	We intend to use the net proceeds from this offering for general corporate purposes.
Form and Denomination	The notes will be issued in book-entry form, in denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof, and will be represented by global notes deposited with, or on the behalf of, DTC, and registered in the name of a nominee of DTC. Beneficial interest in the global notes will be shown on, and transfers will be effected only through, records maintained by DTC for the accounts of its direct and indirect participants, including Euroclear and Clearstream. The global notes will be exchangeable or transferable for certificated notes only in limited circumstances. See "Description of the Notes—Form of Notes."
Rule 144 CUSIP/ISIN	CUSIP: 059514AC3 ISIN: US059514AC35
Regulation S CUSIP/ISIN	CUSIP: P09252AK6 ISIN: USP09252AK62
Transfer Restrictions	The notes have not been, and will not be, registered under the Securities Act or the laws of any other jurisdictions. The notes may not be publicly offered or sold in Colombia without the prior authorization of the Colombian Superintendency of Finance (*Superintendencia Financiera de Colombia*) and registration with the National Registry of Securities and Issuers (*Registro Nacional de Valores y Emisores*).
Listing and Trading	We will apply to have the notes listed on the Official List of the Luxembourg Stock Exchange for trading on the Euro MTF market. However, the notes are a new issue of securities and there is no established trading market for the notes. Accordingly, we cannot assure you that a trading market for the notes will develop or if one develops, that it will be maintained.
Governing Law	The indenture and the notes will be governed by, and construed in accordance with, the law of the State of New York.
Trustee, Registrar, Transfer Agent and Paying Agent	Citibank, N.A.
Risk Factors	You should carefully consider all of the information in this offering memorandum. See "Risk Factors" in this offering memorandum for a description of the principal risks involved in making an investment in the notes.

Summary financial and operating data

Unless otherwise stated, the following financial data at December 31, 2015 and 2014 and January 1, 2014 and for the years ended December 31, 2015 and 2014 have been derived from our audited consolidated financial statements, all prepared in accordance with IFRS and included in this offering memorandum. Our historical results are not necessarily indicative of results to be expected for future periods.

This financial data should be read in conjunction with our audited consolidated financial statements and the related notes, "Presentation of Financial and Other Information," "Selected Financial and Operating Data" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in this offering memorandum.

Consolidated statement of income

	For the year ended December 31,		
	2015	2015	2014
	(in U.S.$ millions)(1)	(in Ps billions)	
Interest and similar income	2,788.8	8,783.3	6,800.1
Interest and similar expenses	(1,203.0)	(3,788.7)	(2,830.2)
Net interest income	1,585.9	4,994.6	3,969.8
Impairment for loan portfolio and accounts receivable	(422.9)	(1,331.8)	(1,056.2)
Impairment for other financial assets	(6.6)	(20.9)	(12.0)
Recoveries	(31.9)	100.4	(80.1)
Impairment loss on financial assets	(397.6)	(1,252.2)	(988.2)
Net income from commissions and fees	999.1	3,146.6	2,555.4
Net trading income	49.4	155.6	269.1
Total other income	715.9	2,254.6	1,756.5
Other expenses	(1,677.0)	(5,281.6)	(4,015.5)
Profit before income tax	1,275.6	4,017.6	3,546.9
Income tax expense	(437.7)	(1,378.5)	(1,298.2)
Net income	837.9	2,639.0	2,248.7
Net income for the year attributable to:			
Controlling interest	601.4	1,894.0	1,551.7
Non-controlling interest	236.6	745.1	697.0

Consolidated Statement of financial position

	At December 31,			At January 1,
	2015	2015	2014	2014
	(in U.S.$ millions)(1)	(in Ps billions, except share and per share data)		
Assets:				
Cash and cash equivalents	5,667.1	17,848.4	13,588.7	11,050.0
Financial assets held for trading	1,456.4	4,586.9	4,103.3	5,127.0
Financial assets available for sale	4,009.8	12,628.6	10,790.4	9,617.3
Other financial assets at fair value	600.6	1,891.7	1,738.6	1,565.7
Financial assets in debt securities held to maturity	393.7	1,239.9	1,296.1	1,544.9
Loan portfolio	29,839.5	93,978.6	72,423.7	60,069.7
Other accounts receivables	998.1	3,143.3	2,533.9	1,910.8
Hedging derivatives	12.6	39.8	64.9	18.2
Non current assets held for sale	63.1	198.9	207.8	299.9
Investment in associates and joint ventures	287.6	905.7	692.4	538.4

	At December 31,			At January 1,
	2015	2015	2014	2014
	(in U.S.$ millions)[1]	(in Ps billions, except share and per share data)		
Tangible assets	1,550.7	4,883.8	4,287.9	3,930.0
Goodwill[2]	1,950.8	6,143.9	4,955.2	4,218.5
Intangible assets[2]	902.3	2,841.8	2,126.6	1,905.6
Concession arrangement rights	759.1	2,390.7	1,842.7	1,759.2
Other intangible assets	143.2	451.1	283.9	146.4
Income Tax	457.3	1,440.3	397.0	212.8
Other assets	158.0	497.7	431.5	333.6
Total assets	**48,347.6**	**152,269.3**	**119,637.9**	**102,342.5**
Liabilities:				
Trading derivatives	277.7	874.5	950.5	194.1
Customer deposits	29,225.3	92,044.2	73,652.8	63,771.7
Interbank funds	1,992.6	6,275.8	3,244.3	4,326.5
Bank loans and others	6,499.5	20,470.0	13,920.8	11,120.4
Bonds Issued	2,222.4	6,999.3	5,485.0	4,701.7
Borrowing from development entities	483.1	1,521.4	1,337.3	1,075.6
Hedging derivatives	107.4	338.2	571.6	54.1
Provisions	185.3	583.6	660.1	642.1
Income tax liabilities	401.9	1,265.9	1,073.3	1,148.8
Employee benefits	170.4	536.8	510.3	468.1
Other liabilities	1,245.6	3,923.0	2,967.7	2,520.3
Total liabilities	**42,811.2**	**134,832.7**	**104,373.9**	**90,023.4**
Equity				
Controlling interest				
Subscribed and paid-in capital:	1,817.8	5,724.9	5,724.9	4,224.9
Common and preferred shares	1.1	3.3	3.3	3.1
Additional paid-in capital	1,816.7	5,721.6	5,721.6	4,221.9
Reserves and undistributed profits from prior periods	1,744.9	5,495.7	4,803.4	4,836.6
Retained earnings from IFRS first time adoption[3]	(46.3)	(145.9)	(141.9)	(141.8)
Net income for the year	336.5	1,059.9	742.0	—
Other comprehensive income	369.0	1,162.1	330.2	(134.9)
Controlling interest equity	4,221.9	13,296.7	11,458.7	8,784.8
Non-controlling interest	1,314.5	4,139.9	3,805.3	3,534.3
Total equity	**5,536.4**	**17,436.6**	**15,264.0**	**12,319.1**
Total liabilities and equity	**48,347.6**	**152,269.3**	**119,637.9**	**102,342.5**

(1) Translated for convenience only using the representative market rate as computed and certified by the Superintendency of Finance of Ps 3,149.47 per U.S.$1.00 December 31, 2015

(2) Goodwill attributable to Banco de Bogotá's shareholders was Ps 5,775.3 billion and Ps 393.3 billion at December 31, 2015, Ps 4,586.6 billion and Ps 283.0 billion at December 31, 2014, and Ps 3,850.1 billion at January 1, 2014, respectively, and intangible assets attributable to Banco de Bogotá's shareholders was Ps 393.0 billion, Ps 283.0 billion and Ps 145.9 billion, respectively, at December 31, 2015, December 31, 2014 and January 1, 2014. Our attributable tangible equity (calculated as total equity attributable to controlling interest minus goodwill and intangible assets attributable to Banco de Bogotá) was Ps 7,128.1 billion, Ps 6,589.2 billion and Ps 4,788.8 billion at December 31, 2015 and 2014 and January 1, 2014, respectively.

(3) For further information see Note 35 to our audited consolidated financial statements.

Other financial and operating data

	Banco de Bogotá	
	At and for the year ended December 31,	
	2015	2014
	(in percentages, unless otherwise indicated)	
Profitability ratios:		
Net interest margin(1)	5.1%	5.0%
ROAA(2)	1.9%	2.0%
ROAE(3)	15.3%	15.3%
Efficiency ratio:		
Personnel expenses plus administrative expenses / total income (4)	45.2%	43.8%
Capital ratios:		
Period-end equity as a percentage of period-end total assets	11.4%	12.7%
Tangible equity ratio(5)	7.4%	8.7%
Credit quality data:		
Net loan write-offs as a percentage of total gross loans	1.3%	1.3%
Delinquency ratio past due more than 30 days	2.3%	2.6%
"C," "D" and "E" loans as a percentage of total loans(6)	4.3%	4.2%
Delinquency ratio past due more than 90 days	1.4%	1.5%
Allowance for loans as a percentage of past due loans more than 30 days	94.8%	93.4%
Allowance for loans as a percentage of "C," "D" and "E" loans	51.2%	57.2%
Allowance for loans as a percentage of past due loans more than 90 days	154.3%	159.6%
Allowance for loans as a percentage of total loans	2.2%	2.4%
Operational data (in units):		
Number of customers of the banks (million)(7)	18.2	16.9
Number of employees(8)	47,399	45,453
Number of branches(9)	1,531	1,477
Number of ATMs(10)	3,562	3,375

(1) Net interest margin is calculated as net interest income divided by total average interest-earning assets.

(2) For the years ended December 31, ROAA is calculated as net income divided by average assets (the sum of total assets at December 31 of the fiscal year and total assets at December 31 of the previous fiscal year, divided by two). If average assets were calculated using biannual consolidated information, rather than the average at the beginning and end of an annual period, our ROAA would be 2.0% and 2.0% for the periods ended December 31, 2015 and 2014, respectively.

(3) For the years ended December 31, ROAE is calculated as net income attributable to controlling interest divided by average equity attributable to controlling interest (equity attributable to controlling interest at the end of the period plus equity attributable to controlling interest at the end of the prior period, divided by two). If average equity attributable to controlling interest were calculated using biannual consolidated information, rather than the average at the beginning and end of such period, our ROAE would be 15.6% and 15.8% for the year ended December 31, 2015 and 2014, respectively.

(4) See "—Non-IFRS measures."

(5) Tangible equity ratio is calculated as equity minus goodwill and other intangible assets, divided by total assets minus goodwill and other intangible assets. See "—Non-IFRS measures."

(6) Reflects risk categories as established by the Superintendency of Finance. See "Selected Statistical Data—Loan portfolio—Risk categories."

(7) Reflects aggregated customers of each of Banco de Bogotá, Corficolombiana, Porvenir and BAC Credomatic. Customers of more than one of these entities are counted separately for each subsidiary.

(8) Reflects aggregated employees of Banco de Bogotá, Corficolombiana, Porvenir, Banco de Bogotá Panamá, Almaviva, Fiduciaria Bogotá, Casa de Bolsa and BAC Credomatic.

(9) Reflects aggregated number of branches of Banco de Bogotá, Corficolombiana, Porvenir, Banco de Bogotá Panamá, Almaviva, Fiduciaria Bogotá, Casa de Bolsa and BAC Credomatic.

(10) Reflects aggregated number of ATMs of Banco de Bogotá and BAC Credomatic.

Our capitalization ratios are presented below.

Colombian IFRS	Banco de Bogotá (Consolidated)			
	For the year ended December 31,			
	2015		2014	
	Amount	Ratio	Amount	Ratio
Capitalization ratios	(in Ps billions, except percentages)			
Primary capital (Tier I)	7,909.2	6.5%	8,119.4	8.0%
Secondary capital (Tier II)	5,044.5	4.1%	3,549.0	3.5%
Primary and secondary capital (Tiers I and II)	12,953.7	10.6%	11,668.4	11.5%
Risk-weighted assets including regulatory value at risk[(1)]	121,670.1	—	101,374.5	—

Source: Banco de Bogotá calculations based on consolidated financial statements for the period indicated.

(1) Regulatory value at risk is calculated in accordance with the Superintendency of Finance guidelines. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Capital adequacy requirements."

RISK FACTORS

You should carefully consider the following risk factors, as well as the other information presented in this offering memorandum, before buying the notes. Our business, financial condition and results of operations could be materially and adversely affected if any of the risks described below occur. In such an event, the market price of the notes could decline, and you could lose all or part of your investment. We may face additional risks and uncertainties that are not presently known to us, or that we currently deem immaterial, which may also impair our business.

Risks relating to Colombia and other countries in which we operate

Adverse economic and political conditions in Colombia and other countries in which we operate, including variations in exchange rates, in particular in the Central American region, may have an adverse effect on our results of operations and financial condition.

We are a Colombian bank and our principal subsidiaries in Colombia are financial institutions (a pension and severance fund administrator and a merchant bank) and a substantial majority of our operations, properties and customers are located in Colombia. As a consequence, our results of operations and financial condition are materially affected by economic and political conditions in Colombia.

Colombia is subject to economic, political and other uncertainties, including changes in monetary, exchange control and trade policies that could affect the overall business environment in Colombia, which would, in turn, affect our results of operations and financial condition. For example, the Central Bank of Colombia, or the "Colombian Central Bank," could sharply raise or lower interest rates, which could negatively affect our net interest income and asset quality and also restrict our growth. Extreme variations in exchange rates could also negatively affect the foreign currency positions of us and our borrowers. Any of these events could have an adverse effect on our results of operations and financial condition.

Decreases in the growth rate of the Colombian economy, periods of negative growth, material increases in inflation or interest rates or significant fluctuations in the exchange rate could result in lower demand for, or affect the pricing of, our services and products. Because a large percentage of our costs and expenses are fixed, we may not be able to reduce costs and expenses upon the occurrence of any of these events, in which case our profitability could be affected.

In the case of our pension and severance fund management business, economic conditions may affect the businesses and financial capacity of employers, which may result in a drop in employee-contributor head counts or decrease the ability of employers to create new jobs or increase employee incomes.

BAC Credomatic's results of operations and financial condition depend on economic, political and social conditions in the countries where it operates, primarily in Central America. The political, economic and social environments in such countries are affected by many different factors, including significant governmental influence over local economies, substantial fluctuations in economic growth, high levels of inflation, exchange rate movements, exchange controls or restrictions on expatriation of earnings, high domestic interest rates, drug trafficking and other forms of organized crime, wage and price controls, changes in tax policies, imposition of trade barriers, changes in the prices of commodities and unexpected changes in regulation. The results of operations and financial condition of our Central American operations could be affected by changes in economic and other policies of each country's government, which have exercised and continue to exercise substantial influence over many aspects of the private sector, and by other social and political developments in each such country. During the past several decades, El Salvador, Guatemala, Honduras, Nicaragua and Panama have experienced civil strife and political instability that have included a succession of regimes with differing economic policies and programs. Previous governments have imposed, among other measures, controls on prices, exchange rates, local and foreign investment and international trade, and restricted the ability of companies to dismiss employees, expropriated private sector assets and prohibited the remittance of profits to foreign investors.

Adverse economic, political and social developments in Central America may adversely affect demand for banking services and create uncertainty regarding our operating environment, which could have a material adverse effect on BAC Credomatic and, consequently, on our company. In addition, changes in political administrations may result in changes in governmental policy, which could affect BAC Credomatic and, consequently, our business.

The Colombian and Central American economies remain vulnerable to external shocks.

A significant decline in economic growth of any of Colombia's or Central America's major trading partners—in particular, the United States, China, Ecuador and Venezuela—could have a material adverse effect on each country's balance of trade and economic growth. In addition, a "contagion" effect, where an entire region or class of investments becomes less attractive to, or subject to outflows of funds by, international investors could negatively affect Colombia or Central American countries. Lower economic growth than expected may result in asset quality deterioration and could negatively affect our business.

Pension funds, such as those managed by Porvenir, are global investors and thus are affected by regional and global economic factors. Lower economic growth of Colombia's major trading partners or a contagion effect in the region or globally may lead to lower pension fund returns, which may in turn result in decreases in assets under management and impair our business, results of operations or financial condition. In recent years, pension fund returns have been subject to increased volatility in international financial markets. Foreign investments represented 27.8% and 20.1% of Porvenir's total assets under management at December 31, 2015 and 2014, respectively.

Even though exports from Colombia grew from 2010 to 2014, recent fluctuations in commodity prices and volatility in exchange rates have led to a decline in exports since the beginning of 2015. In particular, the oil industry remains an important determinant of the country's economic growth. Substantial or extended declines in international oil prices or oil production falls have had and may continue to have an adverse effect on the overall performance of the Colombian economy and could have an adverse impact on the results of operations and financial condition of oil industry companies, which could in turn have an adverse impact on our loans to oil industry companies. We do not maintain a significant overall exposure in oil industry clients and have not been materially impacted by the decrease in international oil prices. However, continued declines in market prices, such as those experienced during the past year, pose significant challenges to Colombia's near-term outlook and may impair the ability of some of our clients to repay their debt obligations. As of December 31, 2015, our combined exposure to the oil sector is 3.5% of our combined loan portfolio (including BAC and excluding contingencies and derivatives), with the principal exposure being to the Colombian national oil company, *Empresa Colombiana de Petróleos S.A.*, or "Ecopetrol" (0.9%), and to oil pipelines (1.0%) in which Ecopetrol is the majority shareholder. While the fall in international oil prices will affect Ecopetrol, we do not expect its credit quality to deteriorate materially. As of December 31, 2015, our exposure to oil service companies and suppliers to the oil sector (0.7%) is not material. While the credit quality of the companies participating in these sectors has been affected and additional allowances for loan losses will be required, we do not believe that they will materially affect our results.

Unemployment continues to be high in Colombia compared to other economies in Latin America. Furthermore, the political and economic climate in Latin America, in particular that which prevailed in Argentina prior to the installation of the new government in December 2015 and in Venezuela due to policies under the incumbent government, may negatively affect international investor perception of the region. We cannot assure you that the growth achieved by the Colombian economy over the past decade will continue in future periods. A reversal of the rate of growth of the Colombian economy, a slowdown in the growth in customer demand, an increase in market competition, or changes in governmental regulations, could adversely affect the rate of growth of our loan portfolio and our risk index and, accordingly, increase our required allowances for loan losses. All of these conditions could lead to a general decrease in demand for borrowings.

In addition, the effect on consumer confidence of any actual or perceived deterioration of household incomes in the Colombian or Central American economies may have a material adverse effect on our results of operations and financial condition.

Colombia has experienced and continues to experience internal security issues that have had or could have a negative effect on the Colombian economy.

Colombia has experienced and continues to experience internal security issues, primarily due to the activities of guerrilla groups such as the Revolutionary Armed Forces of Colombia (*Fuerzas Armadas Revolucionarias de Colombia*), or "FARC," and the National Liberation Army (*Ejercito de Liberación Nacional*), or "ELN", paramilitary groups and drug cartels. In remote regions of the country with minimal governmental presence, these groups have exerted influence over the local population and funded their activities by protecting, and rendering services to drug traffickers. Even though the Colombian government's policies have reduced guerilla and criminal activity, particularly in the form of terrorist attacks, homicides, kidnappings and extortion, such activity persists in

Colombia, and possible escalation of such activity and the effects associated with them have had and may have in the future a negative effect on the Colombian economy and on us, including our customers, employees, results of operations and financial condition. The Colombian government commenced peace talks with the FARC in August 2012, which are still ongoing, and negotiations with ELN are also expected to take place in near future. Despite these efforts, drug-related crime and guerilla and paramilitary activities may have a negative impact on the Colombian economy in the future. Our business or financial condition could be adversely affected by rapidly changing economic or social conditions, including the Colombian government's response to current peace negotiations which may result in legislation that increases our tax burden or that of other Colombian companies, which could, in turn, impact the overall economy.

Political and economic instability in the region may affect the Colombian economy and, consequently, our results of operations and financial condition.

Some of Colombia's neighboring countries and principal trading partners, particularly Venezuela, have experienced and continue to experience periods of political and economic instability. Moreover, diplomatic relations with Venezuela and Ecuador have from time to time been tense and affected by events surrounding the Colombian armed forces' confrontations with FARC and ELN throughout Colombia, particularly on Colombia's borders with each of Venezuela and Ecuador.

On November 19, 2012, the International Court of Justice placed a sizeable area of the Caribbean Sea within Nicaragua's exclusive economic zone that until then had been deemed by Colombia as part of its own exclusive economic zone. A worsening of diplomatic relations between Colombia and Nicaragua involving the disputed waters could result in the Nicaraguan government taking measures, or a reaction among the Nicaraguan public, which would be detrimental to Colombian-owned interests in that country, including those owned by us through BAC Credomatic.

Further economic and political instability in Colombia's main trading partners or any future deterioration in relations with Venezuela, Ecuador, Nicaragua and other countries in the region may result in the closing of borders, the imposition of trade barriers and a breakdown of diplomatic ties, or a negative effect on Colombia's trade balance, economy and general security situation, which may adversely affect our results of operations and financial condition.

Government policies and actions as well as judicial decisions in Colombia could significantly affect the local economy and, as a result, our results of operations and financial condition.

Our results of operations and financial condition may be adversely affected by changes in Colombian governmental policies and actions, and judicial decisions, involving a broad range of matters, including interest rates, exchange rates, exchange controls, inflation rates, taxation, banking and pension fund regulations and other political or economic developments affecting Colombia. The Colombian government has historically exercised substantial influence over the economy, and its policies are likely to continue to have a significant effect on Colombian companies, including us. The president of Colombia has considerable power to determine governmental policies and actions relating to the economy, and may adopt policies that could negatively affect us. Future governmental policies and actions, or judicial decisions, could adversely affect our results of operations or financial condition.

New or higher taxes resulting from changes in tax regulations or the interpretation thereof in Colombia and other countries in which we operate could adversely affect our results of operations and financial condition.

New tax laws and regulations, and uncertainties with respect to future tax policies, pose risks to us. In recent years, Colombian tax authorities have imposed additional taxes in a variety of areas, such as taxes on financial transactions and taxes to fund Colombia's war against terrorism and taxes to fund the post-conflict related to the peace negotiations with guerilla forces. Changes in tax-related laws and regulations, and interpretations thereof, can affect tax burdens by increasing tax rates and fees, creating new taxes, limiting tax deductions, and eliminating tax-based incentives and non-taxed income. In addition, tax authorities or courts may interpret tax regulations differently than we do, which could result in tax litigation and associated costs and penalties. In order to avoid double taxation, our Colombian subsidiaries usually distribute dividends from profits that have already been subject to income tax at the corporate level. These dividends are usually not taxable for Banco de Bogotá in Colombia, and dividends paid by Banco de Bogotá to its shareholders in Colombia from these sources of income also are usually not taxable, in each case provided that such profits have been taxed at the subsidiary level. This tax treatment may not be maintained in the future, and any change could have a material adverse effect on our results of operations and financial condition.

The Colombian government publicly announced that a new tax reform may be required and approved in 2016 to take effect in 2017, in addition to the one approved in December 2014, in order to obtain additional funds and close potential deficits, especially considering the more challenging medium-term outlook for the oil sector and implementation of the post-conflict agreements resulting from peace talks with guerilla groups. The new tax reform may expand the number of individuals eligible to pay income tax, increase VAT rates and create taxes on dividend income. This eventual new tax reform may result in higher levels of taxation than we currently expect, which can significantly affect our results of operations or financial condition.

Colombian tax haven regulations could adversely affect our results of operations and financial condition.

Pursuant to Decree 1966 of 2014, as amended by Decree 2095 of 2014, a number of jurisdictions, including countries in which we operate, were either declared tax havens for Colombian tax purposes or temporarily excluded from such list subject to the completion of tax information exchange treaties within a short timeframe. As a result, some of our clients with financial products offered by us in such countries may experience, among other effects, an increase in their withholding tax rates, transfer pricing regulation, increased likelihood of being found in violation of tax regulations by the Colombian authorities and elevated information disclosure requirements which could have a negative impact on our business, financial condition and results of operations.

In order to avoid Panama's designation as a tax haven, Colombia and Panama signed a memorandum of understanding establishing that both countries will negotiate a treaty in order to avoid double taxation. The treaty is expected to include provisions regarding the exchange of information between Colombian and Panamanian tax authorities. Failure to execute this treaty or the designation of Panama as a tax haven could have a negative impact on our customer base and on our business, financial condition and results of operations.

Natural disasters, acts of war or terrorism, or other external events could disrupt our businesses and affect our results of operations and financial condition.

Colombia is exposed to natural disasters, such as earthquakes, volcanic eruptions, tornadoes, tropical storms and hurricanes. Heavy rains or abnormally low rainfall in Colombia, attributable in part to the La Niña and El Niño weather patterns, have resulted in severe flooding and mudslides and prolonged droughts in the past. These are recurring weather phenomena that may contribute to flooding, mudslides, droughts or other natural disasters on an equal or greater scale in the future. In addition to severe weather and natural disasters, acts of war or terrorism and other adverse external events could have a significant impact on our ability to conduct business and may, among other things, affect the stability of our deposit base, impair the ability of borrowers to repay outstanding loans, impair the value of collateral securing loans, cause significant property damage, cause us to incur additional expenses and/or result in loss of revenue. In the event of such circumstances, our disaster recovery plans may prove to be ineffective, which could have a material adverse effect on our ability to conduct our businesses, particularly if such an occurrence affects computer-based data processing, transmission, storage and retrieval systems or destroys customer or other data. In addition, if a significant number of our employees and senior managers were unavailable because of a natural disaster, our ability to conduct our businesses could be compromised. Natural disasters, acts of war or similar events could also result in substantial volatility in our results of operations for any fiscal quarter or year.

Risks relating to our businesses and industry

<u>Risks relating to our banking business</u>

A decline in asset quality, including our loan portfolios, may have an adverse effect on our results of operations and financial condition.

Changes in the financial condition or credit profiles of our customers and increases in inflation or interest rates could have a negative effect on the quality of our and our banks' loan portfolios, potentially requiring them to increase loan loss provisions or resulting in reduced profitability. In particular, the percentage of non-performing loans may increase in the future as a result of factors beyond our control, such as economic conditions and political events affecting Colombia generally or specific sectors of the economy.

A substantial number of our customers are individuals and small-and medium-sized enterprises, or "SMEs," and these customers are potentially more susceptible to downturns in the economy than large corporations and high-income individuals. For example, unemployment directly affects the ability of individuals to obtain and repay consumer and residential mortgage loans. Consequently, we may experience higher levels of non-performing loans, which could result in increased loan loss provisions due to defaults by, or deterioration in the credit profiles of, individual borrowers. Non-performing loans and resulting loan losses may increase materially in the future and adversely affect our results of operations and financial condition.

Existing loan loss allowances may not be adequate to cover any increases in non-performing loans or deterioration in the credit quality of loan portfolios. As a result, we may be required to increase loan loss provisions, which may adversely affect our results of operations and financial condition.

In addition, there is no precise method for predicting loan and credit losses, such that loan loss allowances may not be sufficient to cover actual losses. If we are unable to manage the level of non-performing or other poor credit quality loans, our results of operations and financial condition would be materially and adversely affected.

Our loan portfolios have grown substantially in recent years. See "Selected Statistical Data." As default rates generally increase with the age of loans, the level of non-performing loans may lag behind the rate of growth in loans but may increase when growth slows or the loan portfolios become more mature. As a result, historic loan loss experience may not necessarily be indicative of future loan loss experience.

We may be unable to realize on collateral or guarantees securing loans, which may adversely affect our results of operations and financial condition.

We make loans that are secured by collateral, including real estate and other assets that are generally located in Colombia and the countries where we operate. The value of collateral may significantly fluctuate or decline due to factors beyond our control, including, for example, prevailing economic and political conditions in the relevant jurisdiction. At December 31, 2015, 29.2% of total past due loans (including our foreign operations) were secured. An economic slowdown may lead to a downturn in the Colombian or Central American real estate markets, which may, in turn, result in declines in the value of real estate securing loans to levels below the principal balances of these loans. Any decline in the value of the collateral securing these loans may result in reduced recoveries from collateral realization and have an adverse effect on our results of operations and financial condition. We may also not have sufficiently recent information on the value of collateral, which may result in an inaccurate assessment for impairment losses of our loans secured by such collateral. If this were to occur, we may need to make additional provisions to cover actual impairment losses of our loans, which may materially and adversely affect our results of operations and financial condition.

We also make loans on the basis of guarantees from relatives, affiliates or associated persons of their principal borrowers. To the extent that guarantors encounter financial difficulties due to economic conditions, personal or business circumstances, or otherwise, our ability to enforce such guarantees may be impaired.

In addition, we may face difficulties in enforcing their rights as secured creditors against borrowers, collateral or guarantees. In particular, timing delays and procedural problems in realizing against collateral, as well as a debtor-protective judicial interpretations of the law, may make it difficult to foreclose on collateral, realize against guarantees or enforce judgments in our favor, which could materially and adversely affect our results of operations and financial condition.

Colombian insolvency laws may limit our ability to collect on monetary obligations and enforce rights against collateral or under guarantees.

Colombian insolvency laws provide that creditors of an insolvent debtor are prohibited from initiating collection proceedings outside the bankruptcy or reorganization process of such debtor. In addition, all collection proceedings outstanding at the beginning of the bankruptcy or reorganization process must be suspended and any creditors are prevented from enforcing their rights against the collateral and other assets of the insolvent debtor.

Once a non-merchant individual has ceased paying his or her debts, that individual can initiate a voluntary insolvency proceeding before a notary public or mediator to reach an out-of-court agreement with creditors. The terms of any agreement reached with a group (two or more) of creditors that represent more than 50% of the total amount of the claims will be mandatorily applicable to all relevant creditors. The insolvency law also provides for increased debtor protections, including an automatic stay for a maximum of 90 days. A perception that loans to individuals may be difficult or impossible to recover could cause us to enhance credit requirements and result in decreased lending to individuals by making access to credit more expensive or more onerous. In addition, increased difficulties in enforcing debt and other monetary obligations due to Colombian insolvency laws could have an adverse effect on our results of operations and financial condition.

Any failure of risk management processes, including credit and market risk, could materially and adversely affect our banking businesses, results of operations and financial condition.

Credit risk is a principal risk inherent in our business. Although Grupo Aval has group-wide risk management guidelines, we are responsible for managing our own risk. Our policies and procedures, which are designed to identify, monitor and manage risk, may prove to be insufficient. Furthermore, we may not be able to upgrade risk management systems on a timely basis. For example, our risk management systems utilize an internal credit rating method to assess the risk profile of each customer. As this process involves detailed analyses of the customer's credit risk, taking into account quantitative and qualitative factors, it is necessarily subject to human error. Due to limitations in the availability of information and the developing information infrastructure in Colombia, our assessment of credit risk associated with a particular customer may not be based on complete, accurate, updated or reliable information. Our personnel may fail to detect risks before they occur, or may not effectively implement their risk management systems, which may increase exposure to credit risk. As a result, any failure by us to effectively implement or consistently follow or refine risk management systems may result in higher risk exposures for us, which could materially and adversely affect our results of operations and financial condition.

Declines in the value of our sovereign debt portfolios could have an adverse effect on our results of operations.

Our portfolio of securities primarily consists of sovereign bonds, mainly securities issued or guaranteed by the Colombian government. LB Panamá's securities portfolio primarily consist of securities issued by Panamanian corporate and sovereign issuers. We are exposed to significant credit, market and liquidity risks associated with sovereign debt. At December 31, 2015 and 2014, debt securities represented 10.2% and 11.1%, respectively, of our consolidated total assets; approximately 44.0% and 41.0%, respectively, of these securities were issued or backed by the Colombian government, and 19.0% and 21.4% of these securities, respectively, were issued or backed by foreign governments, mainly Central American governments, during each of those two years. A significant decline in the market or trading value of these government securities could materially and adversely affect our securities portfolio and, consequently, our financial condition and results of operations. See "Supervision and Regulation—Mandatory investments".

We are subject to market risk in our banking business.

We are directly and indirectly affected by changes in market conditions. Market risk, or the risk that the value of assets and liabilities or revenues will be adversely affected by variation in market conditions, is inherent in the products and instruments associated with our operations, including loans, deposits, securities, bonds, long-term debt, short-term borrowings, proprietary trading in assets and liabilities and derivatives. Changes in market conditions that may affect our financial condition and results of operations include fluctuations in interest and currency exchange rates, securities prices, changes in the implied volatility of interest rates and foreign exchange rates, among others.

We are subject to counterparty risk in our banking business.

We and, to a lesser extent, Porvenir, Corficolombiana and our international banking operations, are exposed to counterparty risks in addition to credit risks associated with lending activities. Counterparty risk may arise from, for example, investing in securities of third parties, entering into derivative contracts under which counterparties have obligations to make payments to us, or executing securities, futures, currency or commodity trades from proprietary trading activities that fail to settle at the required time due to non-delivery by the counterparty or systems failure by clearing agents, exchanges, clearing houses or other financial intermediaries. These risks could materially and adversely affect our results of operations and financial condition.

We are subject to market and operational risks associated with derivatives transactions.

We and, to a lesser extent, Porvenir, Corficolombiana and our international banking operations, enter into derivatives transactions primarily for hedging purposes and, on a limited basis, on behalf of customers. Those transactions subject us to market and operational risks, including basis risk (the risk of loss associated with variations in the spread between the asset yield and the funding and/or hedge cost) and credit or default risk (the risk of insolvency or other inability of a counterparty to perform its obligations to us).

Market practices and documentation for derivatives transactions in Colombia and the countries where we operate, may differ from those in other countries. For example, documentation may not incorporate terms and conditions of derivatives transactions as commonly understood in other countries. In addition, the execution and performance of these transactions depend on our banks' ability to develop adequate control and administration systems, and to hire and retain qualified personnel. Moreover, our banks' ability to monitor and analyze these transactions depends on their information technology systems. These factors may further increase risks associated with derivatives transactions and could materially and adversely affect our results of operations and financial condition.

We are subject to liquidity risk, which may result in increases to funding costs.

The principal sources of our funding are savings deposits, time deposits and checking accounts, which together represented 68.1% and 70.4% of consolidated total liabilities at December 31, 2015 and 2014, respectively. See "Selected Statistical Data—Distribution of assets, liabilities and equity, interest rates and interest differential—Average statement of financial position." Because we rely primarily on short-term deposits for funding, a sudden or unexpected shortage of funds in the banking systems in which we operate and overnight money markets may prevent us from meeting our obligations or obtaining necessary funding without incurring higher costs or selling certain assets at prices below prevailing market values, which could materially and adversely affect our results of operations and financial condition.

Default by one or more of our largest borrowers could adversely affect our results of operations and financial condition.

The aggregate outstanding loans to our ten largest borrowers represented 8.5% of our consolidated total loan portfolio at December 31, 2015. Default on loans by one or more of these borrowers may adversely affect our results of operations and financial condition.

Downgrades in our long-term credit ratings or in the credit ratings of our principal subsidiaries would increase the cost of, or impair access to, funding.

Our credit ratings and those of our principal subsidiaries are an important component of our and our principal subsidiaries' ability to obtain funding. Our ability to compete successfully in the marketplace for deposits depends on various factors, including their financial stability as reflected by their credit ratings. A downgrade in credit ratings may adversely affect perception of their financial stability and ability to raise deposits. On March 9, 2016, Moody's downgraded our standalone baseline credit assessment to "Baa1" from "Baa3" and our long-term foreign currency subordinated debt rating to "Ba2" from "Ba1". They have also placed us on review for further downgrade invoking a decrease in our adjusted capital ratio driven by the depreciation of the Colombian peso in 2015. Moody's stated that our core capital adequacy provides limited capacity to continue to support our historically robust loan growth or absorb losses in the event of stress making us more vulnerable to any determination in asset risk or earnings performance. On April 28, 2016, Fitch placed certain of our ratings on negative watch for downgrade noting a decrease in our capital ratios resulting from the depreciation of the Colombian peso in 2015 which boosted our U.S. dollar denominated risk-weighted assets. Fitch also reasoned that the change in our accounting standards to IFRS contributed to a decrease in our capital ratios. We cannot assure you as to if or when other rating agencies will take similar actions. See "—Risks relating to the offering and the notes— The ratings of the notes may be lowered or withdrawn depending on various factors, including the rating agencies' assessments of our financial strength, parental support and Colombian sovereign and bank systemic risk." Adverse changes in credit ratings could also increase the cost of funding in the capital markets or borrowing funds for our operations. Lenders and counterparties in derivatives transactions are sensitive to the risk of a ratings downgrade. In addition, a downgrade of the sovereign credit rating of Colombia could result in a further downgrade of our credit rating. Any downgrade in our credit ratings or in any of our subsidiaries' credit ratings could materially and adversely affect our results of operations and financial condition.

We may not be able to attract capital necessary to maintain mandatory regulatory ratios and sustain growth.

As a financial institution, we and our subsidiaries are subject to regulations that require us to maintain certain capital ratios. If our regulatory capital ratios decline as a result of decreases in the value of our loan portfolio or otherwise, we and our subsidiaries will be required to improve such ratios by either raising additional capital or disposing of assets. We may need to raise additional capital in the future to provide us with sufficient capital resources to maintain our capital ratios and provide liquidity to meet our commitments and business needs, particularly if our asset quality or earnings were to deteriorate.

Our ability to raise additional capital will depend on several things, especially conditions prevailing in the capital markets, which are outside of our control, as well as our financial performance. Adverse changes in our credit ratings could increase the cost of funding in the capital markets. Economic conditions and the loss of confidence in financial institutions may increase our cost of funds and limit our access to some customary sources of capital.

We cannot provide assurances that such capital will be available on acceptable terms or at all. Any condition that may limit our access to the capital markets, such as a decline in the confidence of debt purchasers, depositors, or counterparties participating in the capital markets may adversely affect our capital costs, ability to raise capital, and liquidity. Moreover, we may need to raise capital when many other financial institutions are also seeking to raise capital which, in turn, would require us to compete with numerous other institutions for investors. An inability to raise additional capital on acceptable terms when needed could have a material adverse effect on our financial conditions and results of operations.

Our loan portfolios are subject to risk of prepayment, which may result in reinvestment of assets on less profitable terms.

Our loan portfolios are subject to prepayment risk, which results from the ability of a borrower to pay a loan prior to maturity. Generally, in a declining interest rate environment, prepayment activity increases with the effect of reducing weighted average lives of interest-earning assets and adversely affecting results. Prepayment risk also has an adverse effect on credit card and collateralized mortgage obligations, since prepayments could shorten the weighted average life of these portfolios, which may result in a mismatch in funding or in reinvestment at lower yields.

The credit card industry is highly competitive and entails significant risks, including the possibility of overindebtedness of customers, which could have a material adverse effect on us.

The credit card business is subject to a number of risks and uncertainties, including the possibility of overindebtedness of our customers, despite our focus on low-risk, middle- and high-income customers.

The credit card industry is characterized by higher consumer default than other segments of the credit markets, and defaults are highly related to macroeconomic indicators that are beyond our control. Part of our current growth strategy is to increase volume and number of cards in the credit card portfolio, at the same or a higher rate than the market, which may increase our exposure to risk in our loan portfolio. If Colombian and Central American economic growth slows or declines, or if we fail to effectively analyze the creditworthiness of our customers (including by targeting certain sectors), we may be faced with unexpected losses that could have an adverse effect on our results of operations and financial condition.

Banco de Bogotá is exposed to risks associated with the mortgage loan market.

Colombia’s mortgage loan market is highly regulated and has historically been affected by various macroeconomic factors such as periods of sustained high interest rates which have historically discouraged customers from borrowing and have resulted in increased defaults in outstanding loans and deterioration in the quality of assets.

Changes in banking laws and regulations in Colombia and the other countries in which we operate could adversely affect our consolidated results.

Banking and financial services laws and regulations are subject to ongoing review and revision, including changes in response to global regulatory trends. As a result, governments have been actively considering new banking laws and regulations, and reviewing and revising existing laws and regulations, particularly in relation to capital adequacy and accounting standards. In addition, various international developments, such as the adoption of risk-based capital, leverage and liquidity standards by the Basel Committee on Banking Supervision in December 2010, known as “Basel III,” will continue to impact us in the coming years. To prepare for the implementation of the Basel III accords in Colombia, the Ministry of Finance, in consultation with the Superintendency of Finance, effected an internal review of regulations applicable to financial institutions. Decree 2555 of 2010 was amended in 2012 and 2015, modifying certain capital adequacy requirements for Colombian credit institutions. Although Decree 2555 of 2010 maintained the requirement for a credit institution’s technical capital to be at least 9.0% of that institution’s total risk-weighted assets, it also introduced a new measure of “core solvency” for Common Equity Tier 1, which requires higher quality capital and is set at a minimum of 4.5% of risk-weighted assets. The adoption of new laws or regulations or changes in the interpretations or enforcement of existing laws or regulations, may have an adverse effect on our results of operations and financial condition.

Moreover, Congress enacted Law No. 1735 of 2014, which created a new type of financial institution with the sole purpose of offering electronic deposits and payments (*Sociedades Especializadas en Depósitos y Pagos Electrónicos* or “SEDPEs”) in order to promote financial inclusion. Regulation of the operations of the SEDPEs, as well as know-your-customer requirements, were included by the Colombian government in Decree 1491 of 2015. SEDPEs’ activities may create a new competitive environment that could adversely affect our consolidated results of operations.

During recent years, legislators in Central America have unsuccessfully attempted to enact regulation to impose maximum interest rates for all or certain types of loans. Although the scope of these legislative initiatives has varied, these initiatives have primarily focused on personal loans and, particularly, on credit card loans. The enactment of any of these bills or similar regulations in the countries where we operate could have an adverse effect on the results of the operations and financial condition in such jurisdiction.

As part of a legislative effort to narrow the current fiscal deficit, in 2014 the Salvadoran congress enacted Decree No. 764 contemplating certain tax reforms that include the introduction of a new withholding tax of 0.25% or “2.5 per 1000” on financial transactions made by check or wire transfer and on cash transactions made through the Salvadoran financial system in excess of U.S.$5,000 on a single or monthly aggregate basis. Even though Decree No. 764 exempted certain financial transactions, this new withholding tax, which has been effective since September 2014, has had an adverse effect in the results of our banking, credit card and brokerage operations in El Salvador. An increase in the withholding tax established by Decree No. 764 and further or similar regulation in El Salvador or elsewhere in Central America may adversely impact our results in such countries.

Additionally, on December 8, 2015, the Guatemalan congress passed Decree 7 of 2015, also known as the Credit Cards Law. Among others, Decree 7 of 2015 established a limit on the interest rate that may be charged to cardholders which in no case can exceed two times the compounded interest rate of the Central Bank of Guatemala. Decree 7 of 2015 additionally established the obligation for card issuers to refinance cardholders’ obligations in cases where the amount outstanding on credit cards exceeds 150% of the credit limit assigned to such cardholders or in cases where the cardholder argues not to be able to continue paying its credit card obligations. In case of refinancing, the card issuer will not be allowed to charge monthly installments in excess of 20% of the cardholder’s total income. Decree 7 of 2015 was temporarily suspended by the Constitutional Court of Guatemala on March 30, 2016, but it is expected to adversely affect the credit card business in Guatemala if it should take effect. The adoption of new laws or regulations, or changes in the interpretations or enforcement of existing laws or regulations, may have an adverse effect on our results of operations and financial condition.

Regulatory actions may result in fines, penalties or restrictions that could materially and adversely affect our businesses and financial performance.

We, as well as Porvenir, Corficolombiana and our international banking operations, are subject to regulation and supervision by financial authorities. These regulatory authorities have broad powers to adopt regulations and other requirements affecting or restricting virtually all aspects of our organization and operations, including, for example, the imposition of anti-money laundering measures and the authority to regulate the terms and conditions of credit that can be applied by Colombian banks. Failure to comply with applicable regulations could subject us to fines or sanctions or even revocation of licenses or permits to operate. In the event that we encounter significant financial problems, are in danger of insolvency or become insolvent, or are otherwise deemed to not be viable, the financial authorities would have broad powers to intervene in our management and operations, including suspending or removing management and, in extreme circumstances, putting us, Porvenir, Corficolombiana and our other subsidiaries, into conservatorship or receivership or taking control of our us, Porvenir, Corficolombiana and our other subsidiaries. Banco de Bogotá is required, as an issuer of securities in Colombia, to submit information to the Superintendency of Finance (and in certain cases, to make it available to the general public) and comply with corporate governance requirements.

We may face legal and other challenges to maximizing revenue from credit card fees and other fees from customers.

As part of our credit card business, we face pressures related to the fees and commissions charged to merchants (merchant discounts) and the pricing of bank interchange fees charged by issuer banks to acquiring banks. Banks and card processors in Colombia have been subject to administrative investigations regarding the fees and commissions that are charged to the merchants by the acquiring banks and in respect to the banking interchange fees.

However, it is possible that investigations related to the price of the bank interchange fee may be carried out by the relevant authorities in the future, which may result in lower fees charged to merchants and bank interchange fees, and/or lead to changes in commercial strategies that may adversely affect our results of operations and financial condition. We may also be subject to financial penalties in connection with such future investigations. In addition, fees charged for other banking services may continue to be reduced in the future as a result of regulatory measures and/or pressure from retailers and interest groups.

Failure to protect personal information could adversely affect our reputation and our business.

We manage and hold confidential personal information of customers in the normal course of their banking operations. Although we have procedures and controls to safeguard personal information in our possession, unauthorized disclosures or unauthorized access to privileged information, fraud or interfering with regular banking and other services could subject us to legal actions, administrative sanctions and damages. Any failure to protect personal information could result in reputational damage and have an adverse effect on our results of operations and financial condition.

Risks relating to our merchant banking business

Difficult market conditions can adversely affect Corficolombiana's business.

Corficolombiana may be adversely affected by lower-than-expected returns on investments, reduced opportunities to realize value from investments, and failure to find suitable investments so as to deploy capital effectively. During periods of difficult market conditions (which may span across one or more industries, sectors or geographies), portfolio companies may experience adverse operating performance, decreased revenues, financial losses, difficulty in obtaining access to financing or increased funding costs. Negative financial performance of portfolio companies may materially and adversely affect Corficolombiana's results of operations and cash flow. If the operating performance of those portfolio companies (as well as valuation multiples) does not improve following any such downturn or other portfolio companies experience adverse operating performance, Corficolombiana may be forced to sell those assets at values that are less than projected or even at a loss. Portfolio companies may also have difficulties expanding their businesses and operations or meeting debt service and other obligations as they become due. Furthermore, negative market conditions could potentially result in a portfolio company entering bankruptcy proceedings, thereby potentially resulting in a complete loss of the investment. Although market conditions have shown some signs of improvement, economic and market conditions may not continue to improve.

Even if such conditions do improve broadly and significantly over the long term, adverse conditions and/or other events in particular sectors may cause our performance to suffer further.

Corficolombiana's due diligence process for evaluating prospective investments may not identify all risks or ensure investment returns.

Before making investments, Corficolombiana conducts due diligence that it deems reasonable and appropriate based on the facts and circumstances applicable to each investment. When conducting due diligence, it may be required to evaluate important and complex business, financial, tax, accounting, environmental and legal issues. Outside consultants, legal advisors, accountants and investment banks may be involved in the due diligence process to varying degrees depending on the type of investment, but we may be unable to engage these third parties in a timely manner, or at all. Nevertheless, the due diligence investigation carried out by Corficolombiana with respect to any investment opportunity may not reveal or highlight all relevant risks of such investment opportunity. Moreover, such an investigation will not necessarily result in the investment being successful.

A significant part of Corficolombiana's investments are in relatively illiquid assets, and Corficolombiana may fail to realize any profits from these investments for a considerable period of time or lose some or all of the principal amount of these investments.

At December 31, 2015, 52.8% of Corficolombiana's investments were in securities of privately held companies. There are often no readily ascertainable market prices for such securities or for those investments of Corficolombiana in listed companies with low or medium trading volumes. As a result, there may be limited or no marketability for these investments, and they may decline in value while Corficolombiana is seeking to dispose of them. Because there is significant uncertainty as to the valuation of illiquid investments, the stated values of such investments may not necessarily reflect the values that could actually be realized by Corficolombiana. In addition, in some cases, Corficolombiana may be prevented by contract from selling such securities for a period of time. Corficolombiana's ability to dispose of investments may also be dependent on factors beyond its control. Thus, it is possible that investments in privately held companies may only be disposed of over a substantial length of time, if at all, exposing the investment returns to risks of declines in market prices during the intended disposition period. Accordingly, under certain conditions, Corficolombiana may be forced to either sell securities at lower prices than it had expected to realize or defer—potentially for a considerable period of time—sales that it had planned to make.

Corficolombiana makes minority investments in companies that it does not control.

Corficolombiana's investments include non-controlling equity interests, and it may also dispose of a portion of its majority equity investments in portfolio companies over time in a manner that results in Corficolombiana retaining minority investments. Those investments will be subject to the risk that the company in which the investment is made may make business, financial or management decisions with which we do not agree. Similarly, the majority stakeholders or the management of the investee company may take risks or otherwise act in a manner contrary to our interests. If any of the foregoing were to occur, the values of these investments could decrease or Corficolombiana may not be able to dispose of them, which would adversely affect Corficolombiana's results of operations and financial condition and, consequently, our results at the consolidated level.

Corficolombiana's new investment projects depend on its ability to access financing.

Corficolombiana may directly, or through its operating subsidiaries, enter into new investment projects such as infrastructure projects including the toll-road fourth generation concessions that require significant financing. Corficolombiana or its operating subsidiaries may experience difficulties in accessing debt and equity financing resources required to fund such projects and/or may obtain them at higher costs and/or lower tenure than initially expected. As a result, Corficolombiana's investment objectives may attain lower returns due to higher financing costs, delays in the investment schedule or any eventual stoppage of the investment project, which could also result in the payment of penalties to its counterparties, including the government entities in the case of development of new highways and toll-roads. If Corficolombiana is unable to obtain adequate financing on terms satisfactory to it, its ability to continue to grow or support its business and respond to business challenges could be significantly limited.

Most of Corficolombiana's investments are concentrated in five industries.

The majority of Corficolombiana's investment portfolio was concentrated in the energy and gas, infrastructure, agribusiness, hotels division and financial services. During periods of difficult market conditions or slowdowns in these sectors, Corficolombiana may experience decreased revenues, difficulty in obtaining access to financing and increased funding costs.

Risks relating to our pension and severance fund management business

Porvenir operates in a highly regulated market, which limits its flexibility to manage its businesses.

Porvenir's operations are regulated by Law 100 of 1993, as amended, the Organic Statute of the Financial System (*Estatuto Orgánico del Sistema Financiero*), or "EOSF," issued by the Ministry of Finance, Decree 2555 of 2010, as amended, and regulations issued by the Superintendency of Finance and, to the extent applicable, Colombian Corporation Law. These regulations limit the range of assets in which pension fund administrators, or "AFPs," can invest and also set investment limits, depending on the type of mandatory pension or severance fund managed by each AFP. AFPs can manage four types of mandatory pension funds (i) Lower Risk Funds ("*Fondo Conservador*"), (ii) Mid-Risk Funds ("*Fondo Moderado*"), (iii) High Risk Funds ("*Fondo de Mayor Riesgo*") and (iv) Planned Retirement Funds ("*Fondo Especial de Retiro Programado*"), and two types of severance funds (i) Short Term Funds ("*Portafolio de Corto Plazo*") and (ii) Long Term Funds ("*Portafolio de Largo Plazo*"). In addition, each AFP is legally required to provide a minimum return on investment for each of its pension and severance funds. This minimum return is determined pursuant to specified formulas established in Decree 2555 of 2010, as amended, which vary according to the type of fund. If a fund's return for any month is lower than the minimum return, the AFP must cover the difference within a period of five days. To do so, the AFP must first apply funds from a stabilization reserve (a portion of the AFP's capital invested in the fund equal to 1% of the value of each pension fund under management). If the stabilization reserve is insufficient to cover the difference, the AFP must provide resources from its own capital. If the AFP does not have enough resources to cover the difference, the Superintendency of Finance may order the capitalization of the AFP. If, notwithstanding the above, an AFP fails to observe either the minimum return or the stabilization reserve requirements or fails to comply with the order of capitalization, the Superintendency of Finance may take possession (*tomar posesión*) of the AFP, in which case the Colombian Deposit Insurance Fund (*Fondo de Garantías de Instituciones Financieras*), or "FOGAFIN," must supply funds to cover the shortfall. Although Porvenir has never failed to meet the minimum requirements, failure to do so could require us to increase our investment in Porvenir, seek capital from alternative sources or forfeit our investment, or lead to the dissolution of the AFP and the transfer of the fund to another AFP. If Porvenir is unable to fulfill the minimum return or the stabilization reserve requirements, or if new laws or decrees impose more onerous requirements, Porvenir's business may be materially adversely affected. On December 6, 2013, the Colombian government issued Decree 2837 of 2013 to establish a group of financial experts to discuss and review the minimum return definition methodology. The group is led by the Minister of Finance and includes the Financial Superintendent, a representative of the Colombian Central Bank, the Director of the Unit of Financial Regulation and five financial experts appointed by the Ministry of Finance. Since there has been no definition issued by the group of financial experts as of the date of this offering memorandum, we are uncertain about the way in which the minimum return definition methodology will be changed, more onerous requirements may be imposed on Porvenir, which may materially adversely affect its business, financial condition and results of operations. In addition, there are regulatory limitations on the commissions that Porvenir may charge for its services.

In 2009, the regulatory system began to shift the management of mandatory pension funds from a single-fund pension system to a multi-funds system, allowing pension funds to be more specifically tailored to the individual needs of customers according to their risk profiles. The Colombian government has previously announced that it is considering presenting to the Colombian Congress a bill to amend current pension fund regulation to improve access to coverage, reduce inequality, and consolidate the financial sustainability of the system. As a result of the accession process of the Colombian government to become a member country of The Organization for Economic Co-operation and Development (OECD), further regulation amending the current pension fund regulation may be expected. The future regulation may not provide a favorable business environment and may adversely affect our results of operations and the financial condition of our pension and severance fund management business.

A significant amount of debt securities in pension and severance funds managed by our pension and severance fund businesses are issued or guaranteed by the Colombian government.

Our pension and severance fund management business, like our banks and other participants in the banking industry, is subject to the risk of loss in value of sovereign debt securities. A significant decline in the value of the securities issued or guaranteed by the Colombian government could adversely affect the debt securities portfolio of our pension and severance fund management business and, consequently, our pension and severance fund management business's results of operations and financial condition.

Other risks relating to our businesses

We are subject to fluctuations in interest rates and other market risks, which may materially and adversely affect our results of operations and financial condition.

Market risk refers to the probability of variations in income or in the market value of assets and liabilities due to changes in markets, including variations in market rates of interest and foreign currency exchange rates. Changes in interest rates affect the following areas, among others, of our business: net interest income, the volume of loans originated, market value of securities holdings, asset quality, and gains from sales of loans and securities. We do not manage market risk on a group-wide basis and are not subject to regulation or supervision of market risk on a group-wide basis.

Changes in short-term interest rates may affect interest margins quickly and, therefore, net interest income, which is the most important component of our revenue. Increases in interest rates may reduce the volume of loans originated by us. Sustained high interest rates may discourage customers from borrowing and may result in increased delinquencies in outstanding loans and deterioration in the quality of assets. Increases in interest rates may reduce the value of our assets, the assets managed by Porvenir and the investments of Corficolombiana. We hold a substantial portfolio of loans and debt securities that have both fixed and floating interest rates. In addition, we may incur costs (which, in turn, will affect our results of operations) if we implement strategies to reduce future interest rate exposure. Increases in interest rates may reduce gains or require us to record losses on sales of their loans or securities.

High interest rates have historically been common in many countries in Latin America. We have regional exposure to fluctuations in interest rates. If there are significant increases in such rates in any of the countries in which BAC Credomatic operates, our operating margins may be adversely affected and our results of operations may experience significant adverse consequences.

We face exposure to fluctuations in the rate of exchange between local currencies and the U.S. dollar, particularly given the fact that the currencies in countries where we and BAC Credomatic operate have historically experienced significant devaluations and depreciations. The types of instruments exposed to foreign exchange rate risk include, for example, investments in foreign subsidiaries, foreign currency-denominated loans and securities, foreign currency-denominated debt and various foreign exchange derivative instruments whose values fluctuate with changes in the level or volatility of currency exchange rates or foreign interest rates.

We may be adversely affected by fluctuations between the value of the Colombian peso or other local currencies where we operate, and the U.S. dollar as a result of U.S. dollar-denominated indebtedness and as a result of our Central American operations.

We are subject to impacts on our statement of income and/or statement of financial position derived from fluctuations of the Colombian peso, in particular, against the U.S. dollar, in which most of our foreign long-term debt is denominated, and between the U.S. dollar and each of the currencies in our Central American operations, as 4.6% of our average consolidated assets and 5.2% of our average consolidated liabilities for the year ended December 31, 2015 are foreign currency-denominated. On a consolidated basis, we have U.S.$1,511.7 million (Ps 4.8 trillion) of long-term debt denominated in U.S. dollars as of December 31, 2015.

Our significant dollar-denominated investments in Central America can affect our business. Fluctuations in the exchange rate between the Colombian peso and the U.S. dollar may affect the value of these investments on our statement of financial position and cause us to recognize gains or losses in our income statement. Any substantial fluctuation in the U.S. dollar relative to the Colombian peso could affect our results of operations and our ability to meet our future payment obligations and increase or decrease the peso value of our risk-weighted assets and goodwill, thereby affecting our capital ratios. In 2015, the depreciation of the peso against the U.S. dollar contributed to a 138 basis point decline in our solvency ratio.

The exchange rate fluctuation between the Colombian peso and U.S. dollar also affects our results as the functional currency of LB Panama, which consolidates BAC Credomatic, is the U.S. Dollar. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of operations for the year ended December 31, 2015 compared to the year ended December 31, 2014—Banco de Bogotá Subsidiary Analysis-—LB Panamá" for a description of the effect of such fluctuation on LB Panama's results.

A substantial portion of BAC Credomatic's earnings, assets and liabilities are in Costa Rican colones, Guatemalan quetzals, Honduran lempiras, Nicaraguan córdobas, Panamanian balboas and U.S. dollars. As a result, our Central American operations are subject to risks relating to foreign currency exchange rate fluctuations between these currencies and pesos. Nevertheless, as described in "Business overview—BAC Credomatic—Foreign exchange rate risk related to BAC Credomatic," BAC Credomatic maintains a U.S. dollar net asset position, which is intended to hedge at least 60% of its shareholders' equity against the possible devaluations and depreciations of each of these local currencies.

We are subject to trading risks with respect to our trading activities.

We, Corficolombiana, Porvenir and our other subsidiaries engage in proprietary trading, and we derive a portion of our profits from such trading activities. As a result, any reduction in trading income could adversely affect our results of operations and financial condition. Our trading income is volatile and dependent on numerous factors beyond our control, including, among others, market trading activity, interest rates, exchange rates and general market volatility. A significant decline in our trading income, or large trading losses, could adversely affect our results of operations and financial condition.

Declines in the market price for securities could result in our recording impairment losses as well as increased unrealized losses on other securities. Losses in the Colombian equity markets could result in further losses from impairment or sale of these securities. Any significant increases in exposure to any of these non-traditional risks, or a significant increase in credit risk or bankruptcy of any of the counterparties, could materially and adversely affect our results of operations and financial condition.

Colombian law imposes limitations on interest rates, and future additional restrictions on interest rates or banking fees could negatively affect our profitability.

The Colombian Commercial Code limits the amount of interest we may charge on commercial transactions. In the future, regulations in Colombia could impose increased limitations regarding interest rates or banking fees. Law 1430 of December 2010, as amended, authorizes the Colombian government to impose or place limits on tariffs and fees charged by banks and other financial institutions where the government has determined that there is insufficient competition in a relevant market. Additionally, the law requires the Superintendency of Finance to implement a monitoring scheme of the tariffs and fees charged by the financial institutions in their relevant markets and to report the results of this evaluation semi-annually to the Colombian government. The Colombian government issued Decree 4809 of 2011 and Decree 1854 of 2015, which (1) requires banks to provide each of their clients with statements of all fees charged to such clients on an annual basis, (2) sets a limit on the fees that banks may charge to their clients for withdrawals from automated teller machines of other banks and (3) establishes that transactions through the internet may not cost more than those made through other channels.

Accordingly, the Superintendency of Finance has issued External Circular 012 of 2012, setting the rules and principles that must be followed by banking and financial institutions at the time of establishing, publishing and promoting their tariffs and fees. A significant portion of our banks' revenues and operating cash flow is generated by credit services and any such increased limitations would materially and adversely affect our results of operations and financial condition.

The Colombian Central Bank may impose requirements on the ability of Colombian residents, including us, to obtain loans denominated in foreign currency.

Under Colombian exchange control requirements, the Colombian Central Bank may impose certain mandatory deposit requirements in connection with foreign currency-denominated loans obtained by Colombian residents, including us. When the Colombian peso appreciated against foreign currencies in 2008, such mandatory deposit requirement was set at 40% of the amounts to be disbursed under any credit facility denominated in a foreign currency. Future measures or requirements imposed by the Colombian Central Bank, such as mandatory deposit requirements, may adversely affect our and our clients' ability to obtain loans in foreign currency.

We face uncertainty regarding consumer protection laws.

Law 1328 of 2009 as amended by Law 1748 of 2014, also referred to as the "financial reform law," created a new customer protection regime with respect to financial institutions. The financial reform law provides a bill of rights for consumers of financial services and products, including the right to receive clear, complete and reliable information about the services and products offered by financial institutions. The law also contains specific obligations for financial institutions, including a duty to maintain a financial ombudsman in charge of consumer protection and procedures regulating the responsibilities and functions of the ombudsman, a duty to create a financial consumer attention center pursuant to terms set by the Superintendency of Finance, an obligation to provide services and products under the same conditions offered to the general public, and a prohibition on the inclusion of predatory or abusive clauses in contracts with consumers. Any violation of this law and its implementing regulations by us could result in monetary or administrative sanctions or restrictions on our operations.

Decree 4809 of 2011 regulates certain fees charged by Colombian financial institutions. The most salient of these regulations include a cap of 20 *Unidades de Valor Real* or "UVR" (an inflation indexed unit) for ATM fees charged to clients for transactions conducted through ATMs owned by a third party, the requirement that ATM fees be disclosed to clients with the possibility to opt out of the transaction before it takes place, and the prohibition of charging higher fees for internet transactions than for non-internet transactions as well as charging fees for failed internet transactions. These restrictions could affect the profitability of our business by decreasing our fee income.

Law 1555 of 2012, also known as "Law 1555," allows consumers of financial services to prepay obligations denominated in pesos owed to financial institutions, without incurring any penalty. The law also requires that financial institutions disclose the possibility of such prepayment to borrowers prior to the extension of any loan. Although this law does not apply to loans having a balance that exceeds 880 times the legal monthly minimum wages, nor to financial obligations acquired prior to its effective date (July 9, 2012), its implementation may substantially affect our banking business profits.

Additionally, the Colombian Congress is considering a new regulation regarding the costs charged to consumers of financial entities. If such regulation is approved, consumers will be able to use the total balance in their savings accounts and electronic deposits without having the obligation to preserve a minimum amount of deposits. Moreover, financial entities will not be able to charge financial costs in savings accounts following 60 days of inactivity and will have the obligation to recognize a minimum positive rate return in savings accounts.

Our businesses face constitutional actions, class actions and other legal actions involving claims for significant monetary awards against financial institutions, which may affect our businesses.

Under the Colombian Constitution, individuals may initiate constitutional actions (*acciones populares*), or class actions (*acciones de grupo*), to protect their collective or class rights, respectively. Individuals may also initiate constitutional actions for the protection of their fundamental rights. These actions are known as tutelage actions. Colombian financial institutions, including us, Corficolombiana and Porvenir, have been, and continue to be, subject to these actions with regard to fees, financial services, mortgage lending and interest rates, the outcomes of which are uncertain. In addition, the number of such actions could increase in the future and could significantly affect our businesses.

Acquisitions and strategic partnerships may not perform in accordance with expectations, may fail to receive required regulatory approvals or may disrupt our operations and adversely affect our credit rating and profitability.

A component of our strategy is to identify and pursue growth-enhancing strategic opportunities. As part of that strategy, we have acquired interests in various financial institutions in recent years. We regularly evaluate strategic acquisitions and alliances, inside and outside of Colombia. Strategic acquisitions and alliances could expose us to risks with which we have limited or no experience, as in the case of any significant acquisition outside of Colombia. In addition, potential acquisitions in Colombia and elsewhere may be subject to regulatory approval. We may be unsuccessful in obtaining any such approval or we may not obtain approvals on terms that are acceptable for us—particularly in view of our significant market share in the Colombian banking industry.

We must necessarily base any assessment of potential acquisitions and alliances on assumptions with respect to operations, profitability and other matters that may subsequently prove to be incorrect. Future acquisitions and alliances, as well as other investments, may not produce anticipated synergies or perform in accordance with our expectations and could adversely affect our operations, financial condition and profitability. In addition, new demands on our existing organization and personnel resulting from the integration of new acquisitions could disrupt our operations and adversely affect our operations and profitability.

We may not be able to manage our growth successfully.

We have been expanding the scope of our operations over the past few years and we expect that this expansion will continue. As we continue to grow, we must improve our operational, technical and managerial knowledge and compliance systems in order to effectively manage our operations across the expanded group. Failure to successfully integrate, monitor and manage expanded operations could have a material adverse effect on our reputation and financial results. Our future growth will also depend on our access to internal and external financing sources. We may be unable to access such financing on commercially acceptable terms or at all.

We are subject to operational risks.

Our business depends on our ability to process large numbers of transactions efficiently and accurately. Operational risks and losses can result from fraud, employee error, failure to properly document transactions or to obtain proper internal authorization, failure to comply with regulatory requirements, breaches of conduct of business rules, equipment failures, natural disasters or the failure of external systems, among others. Our, and our subsidiaries' currently adopted procedures may not be effective in controlling each of the operational risks faced by us.

Failure of our information systems could materially and adversely affect the effectiveness of our risk management and internal control processes as well as our results of operations and financial condition.

We are highly dependent on the ability to collect and process, on a timely basis, a large amount of financial and other information, and services and products, at a time when transaction processes have become more complex with increasing volumes. A partial or complete failure of any of these systems could materially and adversely affect our decision-making process, risk management and internal control systems as well as our ability to respond on a timely basis to changing market conditions.

In addition, our ability to remain competitive will depend in part on our ability to upgrade our information technology infrastructure on a timely and cost-effective basis. We must continually make significant investments and improvements in our information technology infrastructure in order to ensure the proper functioning of financial control, accounting and other data collection and processing systems and to remain competitive. In addition, as we open new branches, we will need to improve our information technology infrastructure, including maintaining and upgrading our software and hardware systems and our back-office operations. Grupo Aval is currently in the process of sequentially replacing certain of its core banking systems on a bank-by-bank basis to converge in time to a common technology platform. If there are technological impediments, unforeseen complications, errors or breakdowns in implementing new systems, our business, financial condition or results of operations may be adversely affected.

We are subject to cyber security threats.

We rely on information systems to operate websites, process transactions, respond to customer inquiries on a timely basis and maintain cost-efficient operations. We may experience operational problems with their information systems as a result of system failures, viruses, computer "hackers" or other causes. Cyber security risks for financial institutions have significantly increased, particularly in recent years, because of the proliferation of new technologies, the use of the Internet and telecommunications technologies to conduct financial transactions, and the increased sophistication and activities of organized crime, hackers, terrorists and other external parties. As we seek to further develop digital channels, the implementation of technological changes and upgrades to maintain existing systems and integrate new systems could increase our risk of cyber security attacks. Any material disruption or slowdown of our systems could cause information, including data related to customer requests, to be lost or to be delivered to our customers with delays or errors, which could reduce demand for their services and products and could materially and adversely affect our results of operations and financial condition.

Our policies and procedures may not be able to detect money laundering and other illegal or improper activities fully or on a timely basis, which could expose us to fines and other liabilities.

We are required to comply with applicable anti-money laundering laws, anti-terrorism financing laws and other regulations. These laws and regulations require us, among other things, to adopt and enforce "know your customer" policies and procedures and to report suspicious or large transactions to the applicable regulatory authorities. While we have adopted policies and procedures aimed at detecting and preventing the use of banking networks for money laundering activities and by terrorists and terrorist-related organizations and individuals generally, such policies and procedures have in some cases only been recently adopted and may not completely eliminate instances where they may be used by other parties to engage in money laundering and other illegal or improper activities. If we fail to fully comply with applicable laws and regulations, the relevant government authorities to which they report have the power and authority to impose fines and other penalties. In addition, our businesses and reputation could suffer if customers use our financial institutions for money laundering or illegal or improper purposes.

Competition and consolidation in the Colombian and Central American banking and financial industry could adversely affect our market position.

We operate in a competitive market. Since the 1990s, when the Colombian financial system was deregulated, there has been an ongoing process of consolidation that has included foreign bank participants entering the Colombian market. We expect that consolidation will lead to the creation of larger local financial institutions, including additional foreign banks, presenting the risk that we could lose a portion of our market share in the industry, adversely affecting our results of operations.

Various banking institutions, which have recently been incorporated in Colombia, target the microcredit and small and medium enterprises segments. Local subsidiaries of international financial institutions, have entered the market targeting corporate clients. The businesses of these new credit institutions may affect our market position in the individual, small and medium enterprises and merchant banking segments. To a lesser extent, we also face competition from non-bank competitors, such as brokerage companies, department stores (for some credit products), leasing and factoring companies, mutual fund and pension fund management companies and insurance companies.

In addition, the pace of consolidation in the Colombian and Central American financial services industry has increased, which may also increase competition in the markets where we operate. See "Industry."

Furthermore, we may face challenges as new competitors enter the market or existing competitors may adjust their services with unique product or service offerings or approaches to providing banking services. Non-traditional providers of banking services, such as Internet based e-commerce providers, mobile telephone companies, internet search engines and crowd-funding websites may offer and/or increase their offerings of financial products and services directly to customers. Several of these competitors may have long operating histories, large customer bases, strong brand recognition and significant financial, marketing and other resources. Technological advances and heightened e-commerce activities have increased consumers' accessibility to products and services which has in turn intensified competition among banks and nonbanks in offering loans. Existing competitors and market entrants may adopt more aggressive pricing and rates and devote more resources to technology, infrastructure and marketing. If we are unable to successfully compete with current and new competitors, or if we are unable to anticipate and adapt our offerings to changing banking industry trends, including technological changes, our business may be adversely affected.

Our ability to maintain our competitive position depends mainly on our ability to anticipate and fulfill the needs of new and current customers through the development of innovative services and products, and our ability to offer adequate services and strengthen our customer base through cross-selling. Our failure to effectively anticipate or adapt to emerging technologies or changes in customer behavior, including among younger customers, could delay or prevent our access to new digital-based markets which would in turn have an adverse effect on our competitive position and business.

Our efforts to offer new services and products may not succeed if product or market opportunities develop more slowly than expected or if the profitability of these opportunities is undermined by competitive pressures. As we expand the range of our products and services, some of which may be at an early stage of development in the Colombian and Central American market, we will be exposed to new and potentially increasingly complex risks and development expenses. Our employees and our risk management systems may not be adequate to handle such risks. In addition, the cost of developing products that are not launched is likely to affect our results of operations. Any or all of these factors, individually or collectively, could have a material adverse effect on us.

We depend on our president and our senior management and Grupo Aval's chairman and senior management, and the loss of their services could have an adverse effect on our business.

We are highly dependent on our CEO, Mr. Figueroa Jaramillo (74 years old), and our senior managers. Our senior managers are responsible for implementing strategies and for the day-to-day management of our operations. Although we do not have a mandatory retirement age, members of our senior management are not obliged to remain employed with us.

In addition, we are highly dependent on Grupo Aval's founder and chairman of the board, Mr. Sarmiento Angulo (83 years old), and CEO, Mr. Sarmiento Gutiérrez (55 years old) (who is also chairman of our board of directors), and members of Grupo Aval's senior management teams, all of whom possess considerable experience and expertise and have strong relationships with customers and participants in the Colombian banking industry and on our business.

Mr. Sarmiento Gutiérrez has been responsible for the day-to-day management of Grupo Aval over the last 16 years and has acted as a senior executive of companies controlled by Mr. Sarmiento Angulo for the past 25 years. Mr. Sarmiento Gutiérrez, who became CEO of Grupo Aval in 2000, and Grupo Aval's chairman, Mr. Sarmiento Angulo, are responsible for the overall strategic direction of Grupo Aval, including us.

The loss of the services of our president or any of the members of our senior management, or of Grupo Aval's chairman, president and senior management, could have an adverse effect on our business. Accordingly, our success is dependent on appropriately managing the risks related to executing a succession plan for our president and senior management and for Grupo Aval's chairman, president and senior management on a timely basis.

We are subject to reputational risk, and our reputation is also closely tied to that of Grupo Aval's founder and chairman, Mr. Sarmiento Angulo, and to Grupo Aval's president, Mr. Sarmiento Gutiérrez.

Damage to our reputation may limit our ability to attract customers, employees and investors. Harm to our reputation can arise from employee misconduct, legal and regulatory non-compliance, ethical issues, allegations of money laundering, and failing to deliver minimum standards of service and quality, among others. In particular, our success has been attributable, in part, to the high esteem in which Mr. Sarmiento Angulo and Mr. Sarmiento Gutiérrez are held in Colombia. Reputation plays an integral role in our business operations, which are based on customer confidence and trust. If the public image or reputation of Mr. Sarmiento Angulo, Mr. Sarmiento Gutiérrez, Grupo Aval or any of our subsidiaries is damaged as a result of negative publicity or otherwise, business relationships with customers of the entire group may deteriorate, which would adversely affect our results of operations and financial condition. Any perceived or real difficulties experienced by any one of our subsidiaries, or Grupo Aval's subsidiaries, could harm our reputation and the reputation of Grupo Aval as a whole, which could have an adverse effect on our results of operations and financial condition.

We are controlled by Grupo Aval, which is controlled by Mr. Sarmiento Angulo, and their interests could differ from the interests of holders of the notes.

As of March 31, 2016, Mr. Sarmiento Angulo beneficially owned 96.7% of the common shares outstanding and 43.4% of the preferred shares outstanding of Grupo Aval, our parent, which, in turn, owned 68.7% of our shares. See "Principal Shareholder." As of March 31, 2016, Mr. Sarmiento Angulo also beneficially owned 8.3% of our common shares in addition to his interest in Grupo Aval. Accordingly, Grupo Aval and Mr. Sarmiento Angulo control us.

Circumstances may occur in which our controlling shareholder or Mr. Sarmiento Angulo have an interest in pursuing transactions that, in their judgment, enhance the value of their several investments in the banking sector. These transactions may not necessarily be in Banco de Bogotá's interest or that of our noteholders. Due to their control, Grupo Aval and Mr. Sarmiento Angulo have, and will continue to have, the power to:

- elect a majority of our directors and appoint our executive officers, set our management policies and exercise overall control over our company and subsidiaries;
- agree to sell or otherwise transfer their controlling stakes in our company; and
- determine the outcome of substantially all actions requiring shareholder approval, including transactions with related parties, corporate reorganizations, acquisitions and dispositions of assets, and dividends.

We plan to engage in additional transactions with our controlling shareholder in the future, including repaying debt due to our controlling shareholder.

We engage in business and financial transactions with our controlling shareholder and other shareholders that may create conflicts of interest between our company and these shareholders. While we believe that these transactions will be carried out on an arm's-length basis, commercial and financial transactions between us and our controlling shareholder or Mr. Sarmiento Angulo could create the potential for, or could result in, conflicts of interests between us, our controlling shareholder or Mr. Sarmiento Angulo. To the extent that the price we may pay for any assets acquired from our controlling shareholder or Mr. Sarmiento Angulo exceeds the market value of such assets or is not as productive a use of our cash as other uses, our results of operations and financial condition could be adversely affected.

Certain risks relating to our Central American operations

We may be unsuccessful in addressing the challenges and risks presented by our operations in countries outside Colombia.

We conduct banking businesses outside our historical home market of Colombia primarily through BAC Credomatic. Our Central American operations may involve risks to which we have not previously been exposed. Some of these operations are in countries that may present different or greater risks than those in Colombia. For example, BAC Credomatic has a significant consumer finance business, including credit card operations, in the Central American countries in which it operates. At December 31, 2015, BAC Credomatic's consumer loan portfolio totaled U.S.$5.3 billion (including mortgages, vehicles and other personal loans), which represented 40.4% of BAC Credomatic's total loan portfolio, and U.S.$2.3 billion in credit card loans, which represented 17.2% of BAC Credomatic's total loan portfolio. We may face delays in payments by customers and higher delinquency rates in these countries, which could necessitate higher provisions for loan losses and, consequently, have a negative effect on our financial performance.

We depend on BAC Credomatic's current senior management, and the loss of their services could have a material adverse effect on BAC Credomatic's business.

We have retained the current senior management of BAC Credomatic, who have worked on average over 15 years at BAC Credomatic, and most of whom pre-date GE Capital's 2005 investment in BAC Credomatic. The loss of services of any of BAC Credomatic's senior officers could have an adverse effect on BAC Credomatic's business.

Changes in credit card regulations may adversely affect BAC Credomatic's business.

The credit card business is an important business segment for BAC Credomatic, representing 17.2% of its total loan portfolio at December 31, 2015. The adoption of new laws and regulations or the revision of the current regulatory regime for credit cards in any of the jurisdictions in which BAC Credomatic operates may have an adverse effect on BAC Credomatic's results of operations and financial condition.

BAC Credomatic and our Central American operations are subject to significant compliance risks in connection with a multi-jurisdictional regulatory regime.

BAC Credomatic's businesses are subject to regulation under Bahamian, Costa Rican, Guatemalan, Grand Cayman, Honduran, Mexican, Nicaraguan, Panamanian, Salvadoran and U.S. federal, state and other foreign laws, regulations and policies. BAC Credomatic thus is subject to a multi-jurisdictional regulatory regime. In addition, any changes to the regulatory regime of one of the Central American countries may lead to corresponding changes to the regulatory regime of other countries in the region. BAC Credomatic's businesses are regularly reviewed or investigated by regulators, which could lead to enforcement actions, fines and penalties or the assertion of private litigation claims and damages.

Regulation of financial institutions varies across the different Central American jurisdictions in which we operate. These differences are particularly pronounced in the assessment of credit risk and investments. These asymmetries may affect the expected results of our operations in each jurisdiction, and as a consequence could adversely affect our consolidated results of operations in Central America.

Risks relating to the offering and the notes

The notes constitute a new issue of securities for which there is no existing market, and an active market for the notes may not develop.

The notes constitute a new issue of securities for which there is no existing market, and we cannot assure you that in the future a market for the notes will develop or that you will be able to sell any notes you have purchased or that any such notes may be sold for any particular price. Although we intend to apply to list the notes on the Luxembourg Stock Exchange for trading on the Euro MTF market, we cannot assure you that a trading market for the notes will develop, or if a trading market does develop, that it will be maintained.

The initial purchasers have advised us that they intend to make a market in the notes, but they are not obligated to do so and may, in their sole discretion, discontinue any market making in the notes at any time. If the initial purchasers do not facilitate trading in the notes for any reason, we cannot assure you that another firm or person will do so. In addition, trading or resale of the notes may be negatively affected by other factors described in this offering memorandum. As a result, we cannot assure you as to the liquidity of any trading market for the notes and, accordingly, you may be required to bear the financial risk of your investment in the notes indefinitely. The notes may also trade at a discount from their initial issue price. If a trading market were to develop, future trading prices of the notes may be volatile and will depend on many factors, including:

- our financial condition and results of operations;
- prevailing interest rates;
- the interest of securities dealers in making a market for them;
- the market for the notes and similar securities; and
- economic, financial, geopolitical, regulatory or judicial events that affect us or the financial markets generally.

We may invest or spend our net proceeds from this offering in ways that may not yield an acceptable return to you.

We intend to use the net proceeds of this offering for general corporate purposes. You will have no opportunity to evaluate our decisions and may not agree with the manner in which we spend such proceeds. We may invest or spend our net proceeds from this offering in ways that may not yield an acceptable return to you.

Payment of judgments against us in Colombia may be made in Colombian pesos, which may expose you to exchange rate risks.

Article 79 of Resolution 8 of 2000 issued by the Colombian Central Bank provides that, in case of legal proceedings in Colombia, the conversion of foreign currency-denominated obligations of Colombian residents, such as ourselves, would be made by using the foreign exchange rate prevailing on the payment date. Accordingly, if proceedings are brought and a judgment is entered against us in Colombia, we may be required to discharge these obligations in Colombian pesos. As a result, investors may be exposed to exchange rate risks.

Holders of notes will not have the right to accelerate the notes.

The holders of the notes will have no right to accelerate any payment due under the notes during an Event of Default unless there has been a change, amendment or modification to Colombian banking laws that would allow such right without disqualifying the notes from Tier II Capital status. If any Event of Default occurs and is continuing, the Trustee may only pursue other available remedies, if any, excluding acceleration, to collect the payment of principal and interest on the notes or to enforce the performance of any provision under the indenture.

The notes will be subject to transfer restrictions.

The notes have not been registered under the Securities Act, any state securities laws or the laws of any other jurisdiction. As a result, the notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. These exemptions include offers and sales that occur outside the United States in compliance with Regulation S under the Securities Act in accordance with any applicable securities laws of any other jurisdiction and sales to qualified institutional buyers as defined under Rule 144A under the Securities Act. Due to these transfer restrictions, you may be required to bear the risk of your investment for an indefinite period of time. For a discussion of restrictions on resale and transfer of the notes, see "Transfer Restrictions."

Our obligations under the notes will be subordinated to statutory preferences and possibly all of our future borrowings.

Under Colombian law, our obligations under the notes and the indenture are subordinated to specified statutory preferences, including claims for salaries, wages, social security, taxes and court fees and expenses. In the event of our liquidation, these statutory preferences will have preference over any other claims, including claims by any holder in respect of any notes, and as a result, holders of notes may be unable to recover amounts due under the notes, in whole or in part.

In addition, the notes rank behind all of our existing and future Senior External Liabilities (as defined in "Description of the Notes"). The notes will be structurally subordinated to all indebtedness of our subsidiaries. In addition, the indenture for the notes will permit us to incur additional indebtedness, including Senior External Liabilities, in the future. As a result of this subordination, upon any distribution to our creditors in a bankruptcy, liquidation or reorganization or similar proceeding relating to us or our property, the holders of our Senior External Liabilities and any debt of our subsidiaries will be entitled to be paid in full and in cash before any payment may be made with respect to amounts due in respect of the notes.

In the event of a bankruptcy or similar proceeding relating to us, holders of the notes will participate with all holders of our subordinated indebtedness in the assets remaining after we have paid all of our Senior External Liabilities. However, because the indenture requires that amounts otherwise payable to holders of the notes in a bankruptcy or similar proceeding be paid to holders of Senior External Liabilities instead, holders of the notes may receive less, ratably, than unsecured, unsubordinated creditors in any such proceedings. In any of these cases, we may not have sufficient funds to pay all of our creditors, and holders of the notes may receive less, ratably, than the holders of Senior External Liabilities.

At December 31, 2015, the bank had unconsolidated subordinated indebtedness equivalent to U.S.$1,083.0 million and did not have any secured indebtedness. At December 31, 2015, the bank had total unconsolidated Senior External Liabilities equivalent to U.S.$18,157.9 million. At December 31, 2015, the bank's subsidiaries had external liabilities equivalent to U.S.$23,390.3 million.

It may be difficult to enforce your rights if the Superintendency of Finance intervenes or if we enter into a bankruptcy, liquidation or similar proceeding in Colombia.

The insolvency laws of Colombia, particularly as they relate to the priority of creditors (secured or unsecured), the ability to obtain post-petition interest and the duration of insolvency proceedings, may be less favorable to your interests than the bankruptcy laws of the United States. Your ability to recover payments due on the notes may be more limited than would be the case under U.S. bankruptcy laws. The following is a brief description of certain aspects of insolvency laws in Colombia.

Your ability to enforce your rights under the notes may be limited if we become subject to the proceedings set forth in Decree 663 of 1993 and Decree 2555 of 2010, each as amended from time to time, which proceedings establish the events under which the Superintendency of Finance may initiate a "taking of possession" (*toma de posesión*) proceeding either to administer Banco de Bogotá or to liquidate it.

Under Colombian banking laws, financial institutions are subject to a special administrative takeover by the Superintendency of Finance in the event that the financial institution becomes insolvent.

The Superintendency of Finance can take control of financial institutions under certain circumstances. The following grounds for takeover are considered to be "automatic" in the sense that, if the Superintendency of Finance discovers their existence, the Superintendency of Finance is obligated to intervene and take over the administration of the financial institution: (i) the financial institution's technical capital (*patrimonio adecuado*) falls below 40% of the legal minimum; or (ii) the term of any recovery plan expires or the goals set forth in such plans are not fulfilled. Additionally, the Superintendency of Finance periodically audits financial institutions and, as a consequence of such audits, the Superintendency of Finance can impose additional capital or solvency obligations without taking control of the financial institution.

The Superintendency of Finance may, at its discretion, intervene and take over the administration of a financial institution subject to its supervision, with the previous authorization of its advisory council, if the financial institution takes any of the following actions: (i) suspends payments; (ii) refuses to submit files, accounts and supporting documentation to the Superintendency of Finance for inspection; (iii) refuses to be questioned under oath, in relation to their business; (iv) repeatedly fails to comply with the Superintendency of Finance's orders and instructions; (v) repeatedly violates applicable laws and regulations or of the financial institution's by-laws; (vi) engages in unauthorized or fraudulent management of the bank's business; (vii) reduces the financial institution's technical capital below 50% of its subscribed capital; (viii) fails to comply with the minimum capital requirements set forth in Decree 663 of 1993; (ix) failures to comply with the recovery plans that were adopted by the financial institution; (x) fails to comply with the order of exclusion of certain assets and liabilities as instructed by the Superintendency of Finance to another institution designated by the Superintendency of Finance; (xi) fails to comply with the order of progressive unwinding (*desmonte progresivo*) of the operations of the bank applicable to financial institutions; and (xii) provides information to the Superintendency of Finance which contains serious inconsistencies that prevent the Superintendency of Finance from adequately assessing the actual situation of the entity.

A takeover by the Superintendency of Finance may have one of two different purposes: (i) to manage the financial institution, in which case the financial institution will be allowed to continue its activities subject to the administration of the Superintendency of Finance or (ii) to liquidate the financial institution. The Superintendency of Finance must decide if it will either manage or liquidate the financial institution within two months following a takeover in the event of a bankruptcy, liquidation or similar proceeding. In view of the broad discretionary powers of the Superintendency of Finance, it is impossible to predict how long payments under the notes could be delayed and whether or to what extent you would be compensated for any delay if any of the actions described above were to be taken with respect to us.

Developments in other emerging markets may adversely affect the market value of the notes.

Emerging markets, such as those in Colombia and Central America, are subject to greater risks than more developed markets, and financial turmoil in any emerging market could disrupt business in Colombia and adversely affect the price of the notes. Moreover, financial turmoil in any emerging market country may adversely affect prices in stock markets and prices for debt securities of issuers in other emerging market countries as investors move their money to more stable, developed markets. An increase in the perceived risks associated with investing in emerging markets could dampen capital flows to Colombia and adversely affect the Colombian economy in general, and the interest of investors in the notes in particular. We cannot assure you that the value of the notes will not be negatively affected by events in other emerging markets or the global economy in general.

Trading prices for the notes may be highly volatile.

The prices at which the notes may trade will depend on many factors, including, among others, prevailing interest rates, general economic conditions, our performance and financial results and markets for similar securities. Historically, the markets for debt such as the notes have been subject to disruptions that have caused substantial volatility in their prices. The market, if any, for the notes may be subject to similar disruptions, which may have an adverse effect on the holders of the notes.

The indenture governing the notes will not include any covenants limiting or restricting our ability to incur future indebtedness or complete other transactions.

The indenture governing the notes does not contain any financial or operating covenants or restrictions on the payment of dividends to our shareholders, the incurrence of indebtedness, change of control, transactions with affiliates, incurrence of liens or the issuance or repurchase of securities by us or any of our subsidiaries. We therefore may incur additional indebtedness, and engage in other transactions that may not be in the interests of the noteholders.

The ratings of the notes may be lowered or withdrawn depending on various factors, including the rating agencies' assessments of our financial strength, parental support and Colombian sovereign and bank systemic risk.

One or more independent credit rating agencies, including Moody's and Fitch, may assign credit ratings to the notes offered hereby. The ratings address the timely payment of interest on each payment date and the likelihood of payment of principal at the maturity of the Notes. On March 9, 2016, Moody's downgraded our standalone baseline credit assessment to "Baa1" from "Baa3" and our long-term foreign currency subordinated debt rating to "Ba2" from "Ba1". They have also placed us on review for further downgrade invoking a decrease in our adjusted capital ratio driven by the depreciation of the Colombian peso in 2015. Moody's stated that our core capital adequacy provides limited capacity to continue to support our historically robust loan growth or absorb losses in the event of stress making us more vulnerable to any determination in asset risk or earnings performance. On April 28, 2016, Fitch placed certain of our ratings on negative watch for downgrade noting a decrease in our capital ratios resulting from the depreciation of the Colombian peso in 2015 which boosted our U.S. dollar denominated risk-weighted assets. Fitch also reasoned that the change in our accounting standards to IFRS contributed to a decrease in our capital ratios. We cannot assure you as to if or when other rating agencies will take similar actions. The ratings of the notes are not a recommendation to purchase, hold or sell the notes, and the ratings do not comment on market price or suitability for a particular investor. The ratings of the notes are subject to change and may be lowered or withdrawn without advance notice. A downgrade in or withdrawal of the ratings of the notes will not be an Event of Default under the indenture governing the notes. The assigned ratings may be raised or lowered depending, among other things, on the rating agency's assessment of our financial strength, as well as its assessment of Colombian sovereign risk generally.

We cannot assure you that a judgment of a court for liabilities under the securities laws of a jurisdiction outside Colombia would be enforceable in Colombia, or that an original action can be brought in Colombia against us for liabilities under applicable securities laws.

We are incorporated under the laws of Colombia, and substantially all of our assets are located in Colombia and in Central America. Substantially all of our directors, executive officers and certain advisors named herein reside in Colombia. As a result, it may not be possible for investors to effect service of process within the United States upon us or our respective directors, executive officers and advisors or to enforce against us in U.S. courts any judgments predicated upon the civil liability provisions of the applicable securities laws. See "Enforcement of Judgments."

EXCHANGE RATES AND FOREIGN EXCHANGE CONTROLS

Exchange rates

The Colombian foreign exchange system allows the purchase and sale of foreign currency and the international transfer of pesos by any person or legal entity, regardless of the amount, subject to certain regulatory procedures.

The Superintendency of Finance calculates the representative market rate based on the weighted averages of the buy/sell foreign exchange rates quoted daily by certain financial institutions, including certain of our financial subsidiaries, for the purchase and sale of U.S. dollars. On April 27, 2016, the representative market rate was Ps 2,943.23 per U.S.$1.00, and on December 31, 2015, the representative market rate was Ps 3,149.47 per U.S.$1.00. The Federal Reserve Bank of New York does not report a noon buying rate for pesos/U.S. dollars.

The following table presents the monthly high and low representative market rate during the months indicated.

Recent exchange rates of pesos per U.S. dollar	Low	High
Month:		
November 2015	2,819.63	3,108.70
December 2015	3,131.95	3,356.00
January 2016	3,149.47	3,375.80
February 2016	3,287.31	3,434.89
March 2016	3,022.35	3,319.80
April 2016 (through April 27, 2016)	2,899.92	3,109.60

Source: Superintendency of Finance.

The following table presents the average pesos/U.S. dollar representative market rate for each of the five most recent years, calculated by using the average of the exchange rates on the last day of each month during the period, and the representative year-end market rate for each of the five most recent years.

Pesos/U.S.$1.00 Representative market rate	Average	Year-end
Period:		
2011	1,854.02	1,942.70
2012	1,798.72	1,768.23
2013	1,879.53	1,926.83
2014	2,017.85	2,392.46
2015	2,771.55	3,149.47

Source: Superintendency of Finance.

Restrictions on Foreign Investment in Colombia

Colombia's foreign investment statute regulates the manner in which non-residents are permitted to invest in Colombia and participate in the Colombian securities market. Among other requirements, Colombian law requires foreign investors to register certain foreign exchange transactions with the Colombian Central Bank and obtain authorization for certain types of investments. Certain foreign exchange transactions, including those between residents and non-residents, must be made through authorized foreign exchange intermediaries.

Non-residents are permitted to hold portfolio investments in Colombia, through either a registered stock brokerage firm, a trust company or an investment firm. Investors would only be allowed to transfer dividends abroad after the foreign investment registration procedure with the Colombian Central Bank has been completed. The failure of a non-resident investor to report or register foreign exchange transactions with the Colombian Central Bank relating to investments in Colombia on a timely basis may prevent the investor from remitting dividends, or an investigation that may result in a fine, may be commenced.

Foreign exchange controls

In 1990, the Colombian government initiated a policy of gradual currency liberalization. Foreign currency holdings abroad were permitted and, in a series of decrees, control of the exchange rate was shifted from the Colombian Central Bank to the spot foreign exchange market conducted by certain authorized financial institutions.

The general legal principles of Colombia's foreign exchange and international investments regulations, or "Foreign Regulations," were established by Law 9 of 1991. Pursuant to this law, the Board of Directors of the Colombian Central Bank enacted Resolution 8 of 2000 as amended, or "Resolution 8," which is considered the main legal framework governing Colombia's FX Regulations.

Resolution 8 establishes two types of markets for foreign currency exchange: (i) the free market, which consists of all foreign currencies originated in sales of services, donations, remittances and all other inflows or outflows that do not have to be channeled through the FX Market (as defined in (ii) below), or the "Free Market." The Free Market also includes assets and investments abroad, including its profits, owned by Colombian residents prior to September 1, 1990; and (ii) the controlled market, or the "FX Market," which consists of: (a) all foreign currencies originated in operations considered to be controlled operations and, therefore, which may only be transacted through foreign exchange intermediaries, or through registered compensation accounts, or (b) foreign currencies originated in operations which although not required to be transacted through the FX Market, are voluntarily channeled through such market. This market is made up of the following foreign exchange operations, which must be channeled through the FX market: (1) import and export of goods, (2) foreign investments in Colombia, (3) foreign indebtedness agreements entered into by Colombian residents, as well as the financial costs associated with such indebtedness, (4) direct investments abroad by Colombian residents, (5) derivatives transactions, (6) guaranties granted in foreign currency and (7) financial investments in foreign securities or assets abroad and their yield, unless such investments are made in foreign currency originated in operations in the Free Market.

Under Colombian FX Regulations, foreign exchange intermediaries, or "FX Intermediaries," are authorized to enter into foreign exchange transactions, or "FX Transactions," to convert Colombian Pesos into foreign currencies or foreign currencies into Colombian Pesos. According to Article 58 of Resolution 8, as amended, the following institutions are considered FX Intermediaries: (i) commercial banks, (ii) mortgage banks, (iii) financial corporations, (iv) commercial finance companies, (v) *Financiera de Desarrollo Nacional* or "FDN," (vi) *Banco de Comercio Exterior de Colombia S.A.- BANCOLDEX*, (vii) financial cooperatives, (viii) local stock brokerage firms and (ix) exchange intermediation and special financial services companies. These institutions are considered authorized intermediaries and, therefore, are allowed to buy and sell foreign currency originated in foreign exchange transactions, according to the parameters and limits set forth by Article 59 of Resolution 8. Exchange intermediation companies are also considered authorized intermediaries; however, these companies have a limited regime and are not authorized to buy and sell foreign currency for controlled operations.

Compensation accounts are accounts opened abroad by Colombian residents (individuals and legal entities), which are registered with the Colombian Central Bank to channel foreign currency originated in either controlled operations on the FX Market or the Free Market. Colombian law allows the Colombian Government and the Colombian Central Bank to intervene in the foreign exchange market if the value of the Colombian peso is subject to significant volatility. The Colombian Government and the Colombian Central Bank may also limit the remittance of dividends and/or investments of foreign currency received by Colombian residents whenever the international reserves fall below an amount equal to three months of imports. See "Risk Factors—Risks relating to Colombia and other countries where we operate—Government policies and actions as well as judicial decisions in Colombia could significantly affect the local economy and, as a result, our results of operations and financial condition."

In addition to its past interventions in the FX Market, the Colombian Central Bank regulations establish a deposit requirement on all foreign loans granted to Colombian residents, as an instrument to control the fluctuation of the peso against the U.S. dollar. To this end, the Colombian Central Bank has on some occasions required that a certain percentage of the debt incurred (depending on the maturity of the debt) to be deposited in Colombian pesos or foreign currency with the Colombian Central Bank in a non-interest-bearing account for a fixed period of time (*depósito por operaciones de endeudamiento externo*). A debtor of foreign loans can early prepay or redeem the certificate given by the Colombian Central Bank evidencing the deposit, but said prepayment or early redemption will imply a discount. The discount is reduced as the term for maturity is reduced. Even though the deposit requirement is currently equal to zero of the disbursements made under the loan, which means that there is currently no deposit that has to be made with the Colombian Central Bank by the debtor of foreign loans, the same may be modified by the Colombian Central Bank at any time. In addition to the deposit requirements, the Colombian Central Bank has allowed Colombian financial institutions to obtain loans in foreign currency, either directly or by issuing securities, and to lend in foreign currency so long as the term of payment of the loans provided by the Colombian financial entity is equal or shorter than the term of the loan received by the Colombian financial entity and hedged by a derivative with at least the same term as the loan. The Colombian Central Bank has also set limits on a financial intermediary's net foreign currency position, which is defined as foreign currency denominated assets (including any off-balance sheet items, made or contingent, including those that may be sold in Colombian legal currency) minus foreign currency denominated liabilities.

Fluctuation of Colombian peso against U.S. dollar and measures adopted by the Colombian government

The Colombian government has considerable power to determine governmental policies and actions that relate to the Colombian economy and, consequently, to affect the operations and financial performance of businesses. The Colombian government and the Colombian Central Bank may seek to implement and are currently implementing measures aimed at controlling further fluctuation of the Colombian peso and fostering domestic price stability. A prediction cannot be made on the policies that may be adopted by the Colombian government and whether those policies may negatively affect the Colombian economy or our business or financial performance. Furthermore, we cannot assure you that the Colombian peso will not depreciate or appreciate relative to the U.S. Dollar and to other currencies in the future.

USE OF PROCEEDS

We expect to receive total estimated gross proceeds of this offering of approximately U.S.$589,098,000 million, before deducting the fees, commissions and offering expenses payable by us.

We intend to use the net proceeds from this offering for general corporate purposes.

CAPITALIZATION

The following table presents our consolidated capitalization at December 31, 2015:

- on an actual basis derived from our audited consolidated financial statements prepared in accordance with IFRS; and
- as adjusted to give effect to this offering and the use of proceeds described in "Use of Proceeds."

You should read this table in conjunction with our financial statements and the related notes and with the sections entitled "Selected Financial and Operating Data" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in this offering memorandum. For a summary of our technical capital, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Capital adequacy requirements."

	At December 31, 2015							
	Actual				As adjusted			
	(in U.S. million)(1)		(in Ps billions)		(in U.S. million)(1)		(in Ps billions)	
Short-term debt:								
Interbank borrowings and overnight funds	U.S.$	1,992.6	Ps	6,275.8	U.S.$	1,992.6	Ps	6,275.8
Borrowing from banks and other(2)		662.8		2,087.5		662.8		2,087.5
Total short-term debt	**U.S.$**	**2,655.4**	**Ps**	**8,363.2**	**U.S.$**	**2,655.4**	**Ps**	**8,363.2**
Long-term debt:(3)								
Long-term debt (bonds)(4):								
Ordinary bonds	U.S.$	1,028.2	Ps	3,238.4	U.S.$	1,028.2	Ps	3,238.4
5.00% Senior Notes due 2017 (U.S.$600 million)		611.2		1,924.9		611.2		1,924.9
5.375% Subordinated Notes due 2023 (U.S.$500 million)		507.8		1,599.3		507.8		1,599.3
Other subordinated bonds		75.2		236.8		75.2		236.8
Subordinated Notes offered hereby		—		—		600.0		1,889.7
Total long-term debt (bonds)	**U.S.$**	**2,222.4**	**Ps**	**6,999.3**	**U.S.$**	**2,822.4**	**Ps**	**8,889.0**
Borrowings from banks and others(2)	U.S.$	6,319.8	Ps	19,904.0	U.S.$	6,319.8	Ps	19,904.0
Total long-term debt	**U.S.$**	**8,542.2**	**Ps**	**26,903.3**	**U.S.$**	**9,142.2**	**Ps**	**28,793.0**
Total equity	**U.S.$**	**5,536.4**	**Ps**	**17,436.6**	**U.S.$**	**5,536.4**	**Ps**	**17,436.6**

(1) Translated for convenience only using the representative market rate as computed and certified by the Superintendency of Finance of Ps 3,149.47 for U.S.$1.00 at December 31, 2015.

(2) Reflects loans made by other financial institutions including development banks and international correspondent banks. Includes certain senior and subordinated loans.

(3) See note 21 to our audited consolidated financial statements.

(4) The maturity schedule for our bonds is: Ps 944.0 billion (U.S.$299.7 million) mature in less than one year, Ps 2,638.5 billion (U.S.$837.8 million) between one and three years, Ps 1,070.0 billion (U.S.$339.7 million) between three and five years, and Ps 2,346.8 (U.S.$745.1 million) billion in five years or more.

The balance of borrowing from banks and other (short-term and long-term) held at the Banco de Bogotá level was Ps 20,470.0 billion, with the following maturity schedule: Ps 9,476.8 billion (U.S.$3,009.0 million) maturing in less than one year, Ps 3,781.8 billion (U.S.$1,200.8 million) between one and three years, Ps 2,378.1 billion (U.S.$755.1 million) between three and five years, and Ps 4,833.3 billion (U.S.$1,534.6 million) in five years or more. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liabilities and Capital Resources".

Since December 31, 2015, our long-term debt has increased by approximately U.S.$100 million.

Our capitalization ratios are presented below on an actual basis and as adjusted to give effect to this offering.

Banco de Bogotá (Consolidated)	**At December 31, 2015**			
	Actual – Reported		**As adjusted to give effect to this offering**	
Colombian IFRS	**Amount**	**Ratio**	**Amount**	**Ratio**
	(in Ps billions, except percentages)			
Primary capital (Tier I)	7,909.2	6.5%	7,909.2	6.5%
Secondary capital (Tier II)	5,044.5	4.1%	6,934.2	5.7%
Primary and secondary capital (Tiers I and II)	12,953.7	10.6%	14,843.4	12.2%
Risk-weighted assets including regulatory value at risk(1)	121,670.1	—	121,670.1	—

Source: Company calculations based on consolidated financial statements for the period indicated.

(1) Regulatory value at risk is calculated in accordance with the guidelines of the Superintendency of Finance. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Capital adequacy requirements."

SELECTED FINANCIAL AND OPERATING DATA

The following financial data at December 31, 2015 and 2014 and January 1, 2014 and for the years ended December 31, 2015 and 2014 have been derived from our audited consolidated financial statements prepared in accordance with IFRS that are included in this offering memorandum. Our historical results are not necessarily indicative of results to be expected for future periods.

This financial data should be read in conjunction with our audited consolidated financial statements and the related notes, "Presentation of Financial and Other Information," "Summary Financial and Operating Data," and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in this offering memorandum.

Consolidated Statement of Income

	For the year ended December 31,		
	2015	2015	2014
	(in U.S.$ millions)(1)	(in Ps billions)	
Interest and similar income	2,788.8	8,783.3	6,800.1
Interest and similar expenses	(1,203.0)	(3,788.7)	(2,830.2)
Net interest income	1,585.9	4,994.6	3,969.8
Impairment for loan portfolio and accounts receivable	(422.9)	(1,331.8)	(1,056.2)
Impairment for other financial assets	(6.6)	(20.9)	(12.0)
Recoveries	(31.9)	100.4	(80.1)
Impairment loss on financial assets	(397.6)	(1,252.2)	(988.2)
Net income from commissions and fees	999.1	3,146.6	2,555.4
Net trading income	49.4	155.6	269.1
Total other income	715.9	2,254.6	1,756.5
Other expenses	(1,677.0)	(5,281.6)	(4,015.5)
Profit before income tax	1,275.6	4,017.6	3,546.9
Income tax expense	(437.7)	(1,378.5)	(1,298.2)
Net income	837.9	2,639.0	2,248.7
Net income for the year attributable to:			
Controlling interest	601.4	1,894.0	1,551.7
Non-controlling interest	236.6	745.1	697.0

Consolidated Statement of financial position

	At December 31,			At January 1,
	2015	2015	2014	2014
	(in U.S.$ millions)(1)	(in Ps billions, except share and per share data)		
Assets:				
Cash and cash equivalents	5,667.1	17,848.4	13,588.7	11,050.0
Financial assets held for trading	1,456.4	4,586.9	4,103.3	5,127.0
Financial assets available for sale	4,009.8	12,628.6	10,790.4	9,617.3
Other financial assets at fair value	600.6	1,891.7	1,738.6	1,565.7
Financial assets in debt securities held to maturity	393.7	1,239.9	1,296.1	1,544.9
Loan portfolio	29,839.5	93,978.6	72,423.7	60,069.7
Other accounts receivables	998.1	3,143.3	2,533.9	1,910.8
Hedging derivatives	12.6	39.8	64.9	18.2
Non current assets held for sale	63.1	198.9	207.8	299.9
Investment in associates and joint ventures	287.6	905.7	692.4	538.4
Tangible assets	1,550.7	4,883.8	4,287.9	3,930.0

	At December 31,			At January 1,
	2015	2015	2014	2014
	(in U.S.$ millions)[1]	(in Ps billions, except share and per share data)		
Goodwill[2]	1,950.8	6,143.9	4,955.2	4,218.5
Intangible assets[2]	902.3	2,841.8	2,126.6	1,905.6
Concession arrangement rights	759.1	2,390.7	1,842.7	1,759.2
Other intangible assets	143.2	451.1	283.9	146.4
Income Tax	457.3	1,440.3	397.0	212.8
Other assets	158.0	497.7	431.5	333.6
Total assets	**48,347.6**	**152,269.3**	**119,637.9**	**102,342.5**
Liabilities:				
Trading derivatives	277.7	874.5	950.5	194.1
Customer deposits	29,225.3	92,044.2	73,652.8	63,771.7
Interbank funds	1,992.6	6,275.8	3,244.3	4,326.5
Bank loans and others	6,499.5	20,470.0	13,920.8	11,120.4
Bonds Issued	2,222.4	6,999.3	5,485.0	4,701.7
Borrowing from development entities	483.1	1,521.4	1,337.3	1,075.6
Hedging derivatives	107.4	338.2	571.6	54.1
Provisions	185.3	583.6	660.1	642.1
Income tax liabilities	401.9	1,265.9	1,073.3	1,148.8
Employee benefits	170.4	536.8	510.3	468.1
Other liabilities	1,245.6	3,923.0	2,967.7	2,520.3
Total liabilities	**42,811.2**	**134,832.7**	**104,373.9**	**90,023.4**
Equity				
Controlling interest				
Subscribed and paid-in capital:	1,817.8	5,724.9	5,724.9	4,224.9
Common and preferred shares	1.1	3.3	3.3	3.1
Additional paid-in capital	1,816.7	5,721.6	5,721.6	4,221.9
Reserves and undistributed profits from prior periods	1,744.9	5,495.7	4,803.4	4,836.6
Retained earnings from IFRS first time adoption[3]	(46.3)	(145.9)	(141.9)	(141.8)
Net income for the year	336.5	1,059.9	742.0	—
Other comprehensive income	369.0	1,162.1	330.2	(134.9)
Controlling interest equity	4,221.9	13,296.7	11,458.7	8,784.8
Non-controlling interest	1,314.5	4,139.9	3,805.3	3,534.3
Total equity	**5,536.4**	**17,436.6**	**15,264.0**	**12,319.1**
Total liabilities and equity	**48,347.6**	**152,269.3**	**119,637.9**	**102,342.5**

(1) Translated for convenience only using the representative market rate as computed and certified by the Superintendency of Finance of Ps 3,149.47 per U.S.$1.00 December 31, 2015

(2) Goodwill attributable to Banco de Bogotá's shareholders was Ps 5,775.3 billion and Ps 393.3 billion at December 31, 2015, Ps 4,586.6 billion and Ps 283.0 billion at December 31, 2014, and Ps 3,850.1 billion at January 1, 2014, respectively, and intangible assets attributable to Banco de Bogotá's shareholders was Ps 393.0 billion, Ps 283.0 billion and Ps 145.9 billion, respectively, at December 31, 2015, December 31, 2014 and January 1, 2014. Our attributable tangible equity (calculated as total equity attributable to controlling interest minus goodwill and intangible assets attributable to Banco de Bogotá) was Ps 7,128.1 billion, Ps 6,589.2 billion and Ps 4,788.8 billion at December 31, 2015 and 2014 and January 1, 2014, respectively.

(3) For further information see Note 35 to our audited consolidated financial statements.

Other financial and operating data

	Banco de Bogotá	
	At and for the year ended December 31,	
	2015	2014
	(in percentages, unless otherwise indicated)	
Profitability ratios:		
Net interest margin[(1)]	5.1%	5.0%
ROAA[(2)]	1.9%	2.0%
ROAE[(3)]	15.3%	15.3%
Efficiency ratio:		
Personnel expenses plus administrative expenses / total income [(4)]	45.2%	43.8%
Capital ratios:		
Period-end equity as a percentage of period-end total assets	11.4%	12.7%
Tangible equity ratio[(5)]	7.4%	8.7%
Credit quality data:		
Net loan write-offs as a percentage of total gross loans	1.3%	1.3%
Delinquency ratio past due more than 30 days	2.3%	2.6%
"C," "D" and "E" loans as a percentage of total loans[(6)]	4.3%	4.2%
Delinquency ratio past due more than 90 days	1.4%	1.5%
Allowance for loans as a percentage of past due loans more than 30 days	94.8%	93.4%
Allowance for loans as a percentage of "C," "D" and "E" loans	51.2%	57.2%
Allowance for loans as a percentage of past due loans more than 90 days	154.3%	159.6%
Allowance for loans as a percentage of total loans	2.2%	2.4%
Operational data (in units):		
Number of customers of the banks (million)[(7)]	18.2	16.9
Number of employees[(8)]	47,399	45,453
Number of branches[(9)]	1,531	1,477
Number of ATMs[(10)]	3,562	3,375

(1) Net interest margin is calculated as net interest income divided by total average interest-earning assets.

(2) For the years ended December 31, ROAA is calculated as net income divided by average assets (the sum of total assets at December 31 of the fiscal year and total assets at December 31 of the previous fiscal year, divided by two). If average assets were calculated using biannual consolidated information, rather than the average at the beginning and end of an annual period, our ROAA would be 2.0% and 2.0% for the periods ended December 31, 2015 and 2014, respectively.

(3) For the years ended December 31, ROAE is calculated as net income attributable to controlling interest divided by average equity attributable to controlling interest (equity attributable to controlling interest at the end of the period plus equity attributable to controlling interest at the end of the prior period, divided by two). If average equity attributable to controlling interest were calculated using biannual consolidated information, rather than the average at the beginning and end of such period, our ROAE would be 15.6% and 15.8% for the year ended December 31, 2015 and 2014, respectively.

(4) See "—Non-IFRS measures."

(5) Tangible equity ratio is calculated as equity minus goodwill and other intangible assets, divided by total assets minus goodwill and other intangible assets. See "—Non-IFRS measures."

(6) Reflects risk categories as established by the Superintendency of Finance. See "Selected Statistical Data—Loan portfolio—Risk categories."

(7) Reflects aggregated customers of each of Banco de Bogotá, Corficolombiana, Porvenir and BAC Credomatic. Customers of more than one of these entities are counted separately for each subsidiary.

(8) Reflects aggregated employees of Banco de Bogotá, Corficolombiana, Porvenir, Banco de Bogotá Panamá, Almaviva, Fiduciaria Bogotá, Casa de Bolsa and BAC Credomatic.

(9) Reflects aggregated number of branches of Banco de Bogotá, Corficolombiana, Porvenir, Banco de Bogotá Panamá, Almaviva, Fiduciaria Bogotá, Casa de Bolsa and BAC Credomatic.

(10) Reflects aggregated number of ATMs of Banco de Bogotá and BAC Credomatic.

Our capitalization ratios are presented below.

Colombian IFRS	Banco de Bogotá (Consolidated) — For the year ended December 31, 2015 Amount	2015 Ratio	2014 Amount	2014 Ratio
Capitalization ratios	(in Ps billions, except percentages)			
Primary capital (Tier I)	7,909.2	6.5%	8,119.4	8.0%
Secondary capital (Tier II)	5,044.5	4.1%	3,549.0	3.5%
Primary and secondary capital (Tiers I and II)	12,953.7	10.6%	11,668.4	11.5%
Risk-weighted assets including regulatory value at risk(1)	121,670.1	—	101,374.5	—

Source: Banco de Bogotá calculations based on consolidated financial statements for the period indicated.

(1) Regulatory value at risk is calculated in accordance with the Superintendency of Finance guidelines. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Capital adequacy requirements."

Non-IFRS measures

The tables in this section and elsewhere in this offering memorandum provide the calculation of certain measures of non-IFRS and other measures to IFRS measures. The Non-IFRS financial measures, as determined and measured by us should not be construed as an alternative to IFRS measures and should also not be compared to similarly titled measures reported by other companies. Other companies may calculate and report such measures differently.

ROAA and ROAE

We believe ROAA, which is calculated as net income divided by average assets, provides a more meaningful measure of return on assets than a calculation based on net income attributable to controlling interest over average assets because, although non-controlling interests affect the amount of reported net income, they do not affect the profitability of assets. We believe ROAE, which is calculated as net income attributable to controlling interest divided by average equity, provides a meaningful measure of the return generated for our shareholders.

The following table sets forth our ROAA and ROAE presented using period-end averages, for the year ended December 31, 2015.

	For the year ended December 31 2015
	(in Ps billions, except percentages)
Banco de Bogotá:	
Average assets(1)	135,953.6
Average equity (2)	12,377.7
Net income	2,639.0
Net income divided by average assets	1.9%
ROAA(1)	1.9%
ROAE(2)	15.3%

(1) ROAA is calculated as net income divided by average assets (the sum of total assets at December 31 of the fiscal year and total assets at December 31 of the previous fiscal year, divided by two).

(2) ROAE is calculated as net income attributable to controlling interest divided by average equity attributable to controlling interest (equity attributable to controlling interest at the end of the period plus equity attributable to controlling interest at the end of the prior period, divided by two).

Efficiency ratio

We believe that the efficiency ratio, which is calculated as personnel expenses plus administrative expenses divided by total income, provides investors with important information regarding our operational efficiency.

The following table illustrates our consolidated efficiency ratio at December 31, 2015.

	For the year ended December 31, 2015
	Banco de Bogotá
	(in Ps billions)
Personnel expenses	2,217.7
Administration expenses	2,384.8
Total income[(1)]	10,184.7
Efficiency ratio[(2)]	45.2%

Source: Banco de Bogotá calculations based on our consolidated financial statements IFRS for the period indicated.

(1) Total income is the sum of net interest income, total fees and other services income, net and other total income.

Tangible equity ratio

The following table sets forth our tangible equity ratio at December 31, 2015.

	For the year ended December 31
	Banco de Bogotá
	(in Ps billions, except percentages)
Equity	17,436.6
Total assets	152,269.3
Equity / Assets	11.5%
Intangible assets	6,595.0
Equity – Intangible assets	10,841.6
Total assets – Intangible assets	145,674.3
Tangible equity ratio[(1)]	7.4%

Source: Banco de Bogotá calculations based on our consolidated financial statements under IFRS for the period indicated.

(1) Tangible equity ratio is calculated as equity minus goodwill and other intangible assets divided by total assets minus goodwill and other intangible assets.

(2) Efficiency ratio is calculated as personnel expenses plus administration expenses divided by total income.

Unconsolidated Non-Colombian IFRS measures

Unconsolidated Non-Colombian IFRS measures are presented for comparison purposes with industry metrics presented in the "Summary" and "Business" sections.

ROAA and ROAE

The following table sets forth our ROAA and ROAE presented on the basis of our unconsolidated financial statements under Colombian IFRS, using period-end averages, for the year ended December 31, 2015, compared to those of our principal competitors.

	For the year ended December 31
	(in Ps billions, except percentages)
Banco de Bogotá:	
Average assets(1)	73,528.3
Average equity(2)	13,863.0
Net interest income	2,290.6
Net income divided by average assets	3.1%
ROAA(1)	3.1%
ROAE(2)	16.4%
Bancolombia:	
Average assets(1)	107,888.8
Average equity(2)	17,633.7
Net income	2,477.0
Net income divided by average assets	2.3%
ROAA(1)	2.3%
ROAE(2)	14.0%
Davivienda:	
Average assets(1)	59,299.2
Average equity(2)	7,227.3
Net income	1,214.3
Net income divided by average assets	2.0%
ROAA(1)	2.0%
ROAE(2)	16.8%
BBVA Colombia:	
Average assets(1)	45,588.4
Average equity(2)	3,570.0
Net income	604.0
Net income divided by average assets	1.3%
ROAA(1)	1.3%
ROAE(2)	16.9%

(1) ROAA is calculated as net income divided by average monthly assets.

(2) ROAE is calculated as net income divided by average monthly equity.

Efficiency ratio

The following table illustrates our unconsolidated efficiency ratio under Colombian IFRS at December 31, 2015 compared to the ratio of our principal competitors.

	For the year ended December 31 December 31, 2015				
	Banco de Bogotá	**Other Grupo Aval banks**	**Bancolombia**	**Davivienda**	**BBVA Colombia**
			(in Ps billions)		
Personnel expenses	607.4	803.8	1,515.8	810.1	465.7
Administration expenses	1,235.2	1,231.1	2,005.9	1,066.8	731.7
Total income(1)	4,956.5	3,909.9	6,715.7	4,265.9	2,618.0
Efficiency ratio(2)	37.2%	52.0%	52.4%	44.0%	45.7%

Source: Company calculations based on our principal competitors' unconsolidated financial statements under Colombian IFRS for the period indicated (financial statements of our principal competitors are publicly available on the Superintendency of Finance website).

(1) Total income is the sum of net interest income, total fees and other services income, net and other total income.

(2) Efficiency ratio is calculated as personnel expenses plus administration expenses divided by total income.

Tangible equity ratio

The following table sets forth our unconsolidated tangible equity ratio and those of our principal competitors at December 31, 2015.

	For the year ended December 31, 2015				
	Banco de Bogotá	**Other Grupo Aval banks**	**Bancolombia**	**Davivienda**	**BBVA Colombia**
			(in Ps billions, except percentages)		
Equity	15,714.8	7,593.9	18,964.7	7,718.5	3,819.1
Total assets	76,510.5	63,557.7	116,334.5	63,022.2	50,167.5
Equity / Assets	20.5%	11.9%	16.3%	12.2%	7.6%
Intangible assets	750.9	173.6	111.8	1,153.3	239.1
Equity – Intangible assets	14,963.9	7,420.3	18,852.9	6,565.2	3,580.0
Total assets – Intangible assets	75,759.6	63,384.1	116,222.6	61,868.9	49,928.4
Tangible equity ratio(1)	19.8%	11.7%	16.2%	10.6%	7.2%

Source: Company calculations based on our principal competitors' unconsolidated financial statements under Colombian IFRS for the period indicated (financial statements of our principal competitors are publicly available on their websites).

(1) Tangible equity ratio is calculated as equity minus goodwill and other intangible assets divided by total assets minus goodwill and other intangible assets.

SELECTED STATISTICAL DATA

The following information is included for analytical purposes and should be read in conjunction with our audited consolidated financial statements included in this offering memorandum as well as "Management's Discussion and Analysis of Financial Condition and Results of Operations." This information has been presented based on our financial records, which are prepared in accordance with IFRS. The selected statistical data of Banco de Bogotá at December 31, 2015, 2014 and January 1, 2014 and for the years ended December 31, 2015 and 2014 have been derived from our audited consolidated financial statements prepared in accordance with IFRS that are included in this offering memorandum.

Distribution of assets, liabilities and equity, interest rates and interest differential

- Average statement of financial position has been calculated as follows: first, for each year, the actual balances were established; second, the average balance for each period is the sum of total balance at December 31 of the fiscal year and total balance at December 31 of the previous fiscal year, divided by two.
- Under IFRS, interest on investment securities includes accrued interest on debt instruments, valuation adjustments and gains (losses) realized on debt and equity securities that are accounted for as "available for sale," gains (losses) on repurchase transactions "repos", gains (losses) realized on the sale of debt securities, and mark-to-market gains (losses) on our trading securities portfolio.

Average statement of financial position

For the years ended December 31, 2015 and 2014, the following table presents:

- average balances calculated using actual year-end balances for our assets and liabilities (based on consolidated year-end data at the preceding December 31 and for each year in the relevant two-year period); If average assets and liabilities were calculated by using quarterly, monthly or daily averages, the resulting average yield calculations would be more precise and may differ significantly from the ones presented here.
- interest income earned on assets and interest paid on liabilities; and
- average yield and interest rate for our interest-earning assets and interest-bearing liabilities, respectively.

The interest rate subtotals are based on the weighted average of the average peso-denominated and foreign currency-denominated (principally U.S. dollars) balances.

	Average statement of financial position and profit or loss from interest-earning assets for the years ended December 31,					
	2015			2014		
	Average balance	Interest income earned	Average Yield	Average balance	Interest income earned	Average Yield
	(in Ps billions, except percentages)					
ASSETS						
Interest-earning assets:						
Fixed Income investments[(1)]						
Domestic:						
Peso-denominated	6,792.9	334.0	4.9%	6,386.7	252.8	4.0%
Dollar-denominated	1,149.1	47.6	4.1%	742.8	25.9	3.5%
Total domestic	7,942.0	381.6	4.8%	7,129.3	278.8	3.9%
Foreign	4,335.1	201.3	4.6%	3,797.2	209.9	5.5%
Total	12,277.1	582.9	4.7%	10,926.5	488.7	4.5%
Interbank loans and overnight funds						
Domestic:						
Peso-denominated	260.0	82.7	31.8%	155.7	150.5	96.6%
Dollar-denominated	1,095.7	8.4	0.8%	491.7	11.5	2.3%

	Average statement of financial position and profit or loss from interest-earning assets for the years ended December 31,					
	2015			2014		
	Average balance	Interest income earned	Average Yield	Average balance	Interest income earned	Average Yield
	(in Ps billions, except percentages)					
Total domestic	1,355.7	91.1	6.7%	647.4	161.9	25.0%
Foreign	1,152.1	49.5	4.3%	970.4	34.7	3.6%
Total	2,507.8	140.6	5.6%	1,617.8	196.7	12.2%
Loans and leases						
Domestic:						
Peso-denominated	40,941.2	4,129.5	10.1%	35,728.4	3,497.8	9.8%
Dollar-denominated	7,070.4	236.5	3.3%	6,279.7	171.1	2.7%
Total domestic	48,011.7	4,366.1	9.1%	42,008.1	3,668.9	8.7%
Foreign	34,633.0	3,693.8	10.7%	24,269.5	2,445.9	10.1%
Total	82,644.7	8,059.8	9.8%	66,277.5	6,114.7	9.2%
Total Loans and leases (interbank and overnight funds)						
Domestic:						
Peso-denominated	41,201.3	4,212.3	10.2%	35,884.1	3,648.3	10.2%
Dollar-denominated	8,166.1	244.9	3.0%	6,771.4	182.5	2.7%
Total domestic	49,367.4	4,457.2	9.0%	42,655.5	3,830.8	9.0%
Foreign	35,785.1	3,743.3	10.5%	25,239.9	2,480.6	9.8%
Total	85,152.5	8,200.4	9.6%	67,895.4	6,311.4	9.3%
Total interest-earnings assets						
Domestic:						
Peso-denominated	47,994.2	4,546.3	9.5%	42,270.6	3,901.1	9.2%
Dollar-denominated	9,315.6	292.5	3.1%	7,513.1	208.5	2.8%
Total domestic	57,309.8	4,838.8	8.4%	49,783.6	4,109.6	8.3%
Foreign	40,119.8	3,944.5	9.8%	29,038.2	2,690.5	9.3%
Total interest-earning assets	97,429.6	8,783.3	9.0%	78,821.8	6,800.1	8.6%
Total non interest-earning assets						
Domestic:						
Peso-denominated	17,627.2	—	—	18,672.9	—	—
Dollar-denominated	6,088.1	—	—	2,221.8	—	—
Total domestic	23,715.3	—	—	20,894.7	—	—
Foreign	14,808.7	—	—	11,273.7	—	—
Total	38,524.0	—	—	32,168.4	—	—
Total interest and non interest-earning assets						
Domestic:						
Peso-denominated	65,621.4	4,546.3	6.9%	60,943.5	3,901.1	6.4%
Dollar-denominated	15,403.6	292.5	1.9%	9,734.8	208.5	2.1%
Total domestic	81,025.1	4,838.8	6.0%	70,678.3	4,109.6	5.8%
Foreign	54,928.5	3,944.5	7.2%	40,311.9	2,690.5	6.7%
Total	135,953.6	8,783.3	6.5%	110,990.2	6,800.1	6.1%

	Average statement of financial position and profit or loss from interest-earning assets for the years ended December 31,					
	2015			2014		
	Average balance	Interest income earned	Average Yield	Average balance	Interest income earned	Average Yield
	(in Ps billions, except percentages)					
LIABILITIES AND EQUITY						
Interest-bearing liabilities						
Checking accounts						
Domestic:						
Peso-denominated	2,760.9	92.0	3.3%	2,949.8	100.4	3.4%
Dollar-denominated	499.3	1.2	0.2%	430.5	1.8	0.4%
Total domestic	3,260.2	93.2	2.9%	3,380.4	102.2	3.0%
Foreign	10,014.9	73.6	0.7%	6,995.6	47.1	0.7%
Total	13,275.2	166.8	1.3%	10,375.9	149.3	1.4%
Saving deposits						
Domestic:						
Peso-denominated	17,948.1	620.5	3.5%	16,875.6	525.7	3.1%
Dollar-denominated	453.9	2.3	0.5%	359.6	1.4	0.4%
Total domestic	18,402.0	622.8	3.4%	17,235.2	527.1	3.1%
Foreign	6,458.1	87.4	1.4%	4,623.2	58.1	1.3%
Total	24,860.1	710.2	2.9%	21,858.4	585.2	2.7%
Time deposits						
Domestic:						
Peso-denominated	14,203.6	849.5	6.0%	12,836.6	643.6	5.0%
Dollar-denominated	6,922.2	88.4	1.3%	4,729.3	60.8	1.3%
Total domestic	21,125.8	937.8	4.4%	17,565.9	704.4	4.0%
Foreign	14,096.5	680.7	4.8%	10,712.8	467.6	4.4%
Total	35,222.3	1,618.5	4.6%	28,278.7	1,172.0	4.1%
Interbank and overnight funds[2]						
Domestic:						
Peso-denominated	4,375.7	236.4	5.4%	3,348.0	139.3	4.2%
Dollar-denominated	226.3	0.6	0.3%	319.7	2.1	0.7%
Total domestic	4,602.0	237.0	5.1%	3,667.7	141.4	3.9%
Foreign	158.0	6.8	4.3%	117.7	6.0	5.1%
Total	4,760.1	243.8	5.1%	3,785.4	147.4	3.9%
Borrowing from banks and other						
Domestic:						
Peso-denominated	1,858.1	77.5	4.2%	1,907.1	78.8	4.1%
Dollar-denominated	4,654.6	8.5	0.2%	2,411.1	5.1	0.2%
Total domestic	6,512.7	86.0	1.3%	4,318.2	83.8	1.9%
Foreign	10,682.8	411.1	3.8%	8,202.4	287.9	3.5%
Total	17,195.4	497.1	2.9%	12,520.6	371.7	3.0%
Long-term debt						
Domestic:						
Peso-denominated	2,105.0	225.1	10.7%	1,982.0	179.3	9.0%
Dollar-denominated	3,095.3	162.8	5.3%	2,411.8	115.8	4.8%
Total domestic	5,200.2	387.9	7.5%	4,393.9	295.1	6.7%
Foreign	1,042.0	72.8	7.0%	699.5	41.8	6.0%
Total	6,242.2	460.7	7.4%	5,093.4	336.9	6.6%
Borrowing from development entities						
Domestic:						
Peso-denominated	1,271.3	60.6	4.8%	1,123.3	52.6	4.7%
Dollar-denominated	158.0	31.1	19.7%	83.1	15.2	18.2%
Total domestic	1,429.4	91.6	6.4%	1,206.4	67.8	5.6%
Foreign	—	—	—	—	—	—
Total	1,429.4	91.6	6.4%	1,206.4	67.8	5.6%
Total interest-bearing liabilities						
Domestic:						
Peso-denominated	44,522.7	2,161.5	4.9%	41,022.5	1,719.6	4.2%
Dollar-denominated	16,009.5	294.8	1.8%	10,745.2	202.2	1.9%
Total domestic	60,532.3	2,456.3	4.1%	51,767.7	1,921.8	3.7%
Foreign	42,452.3	1,332.4	3.1%	31,351.2	908.4	2.9%

	Average statement of financial position and profit or loss from interest-earning assets for the years ended December 31,					
	2015			2014		
	Average balance	Interest income earned	Average Yield	Average balance	Interest income earned	Average Yield
	(in Ps billions, except percentages)					
Total interest-bearing liabilities	102,984.5	3,788.7	3.7%	83,118.9	2,830.2	3.4%
Total non interest-bearing liabilities and equity	32,969.0			27,871.2		
Total liabilities and equity	135,953.6			110,990.1		

(1) Includes available for sale securities, in which yields are based on historical cost balances.

(2) Reflects operations involving: common short-term interbank funds, repurchase transactions (repos), simultaneous operations and transactions involving the temporary transfer of securities.

Changes in net interest income and expenses – volume and rate analysis

The following tables allocate by currency of denomination, changes in our net interest income to changes in average volume, changes in nominal rates and the net change caused by changes in both average volume and nominal rates for the year ended December 31, 2015 compared to the year ended December 31, 2014. Volume and rate variances have been calculated based on variances in average balances over the period and changes in nominal interest rates on average interest-earning assets and average interest-bearing liabilities. Net changes attributable to changes in both volume and interest rate have been allocated to changes in volume.

	2015 - 2014 Increase (decrease) due to changes in		
	Average Volume	Nominal Rate	Net change
	(in Ps billions, except percentages)		
Interest-earning assets:			
Fixed Income investments (1)			
Domestic			
Peso-denominated	(17.6)	(17.6)	(17.6)
Dollar-denominated	285.2	285.2	285.2
Total domestic	179.4	179.4	179.4
Foreign	(17.6)	(17.6)	(17.6)
Total	285.2	285.2	285.2
Interbank loans and overnight funds			
Domestic			
Peso-denominated	33.2	(100.9)	(67.7)
Dollar-denominated	4.6	(7.7)	(3.1)
Total domestic	37.8	(108.6)	(70.8
Foreign	7.8	7	14.8
Total	45.6	(101.7)	(56.1)
Loans and leases			
Domestic			
Peso-denominated	525.8	105.9	631.7
Dollar-denominated	26.5	39.0	65.5
Total domestic	552.2	145.0	697.2
Foreign	1,105.3	142.6	1,247.9
Total	1,657.6	287.5	1,945.1
Total Loans and leases (interbank and overnight funds)			
Domestic			
Peso-denominated	543.6	20.4	564.0
Dollar-denominated	41.8	20.5	62.4

	2015 - 2014 Increase (decrease) due to changes in		
	Average Volume	Nominal Rate	Net change
	(in Ps billions, except percentages)		
Total domestic	585.4	41.0	626.4
Foreign	1,103.1	159.6	1,262.7
Total	1,688.5	200.5	1,889.0
Total interest-earnings assets			
Domestic			
Peso-denominated	542.2	103.1	645.2
Dollar-denominated	56.6	27.4	84.0
Total domestic	598.8	130.5	729.3
Foreign	1,089.5	164.5	1254.0
Total	1,688.3	295.0	1,983.3
Interest-bearing liabilities			
Checking accounts			
Domestic			
Peso-denominated	(6.3)	(2.1)	(8.4)
Dollar-denominated	0.2	(0.8)	(0.6)
Total domestic	(6.1)	(2.9)	(9.0)
Foreign	22.2	4.3	26.5
Total	16.1	1.5	17.5
Saving deposits			
Domestic			
Peso-denominated	37.1	57.7	94.8
Dollar-denominated	0.5	0.4	0.9
Total domestic	37.6	58.1	95.7
Foreign	24.8	4.5	29.3
Total	62.4	62.6	125.0
Time deposits			
Domestic			
Peso-denominated	81.8	124.1	205.9
Dollar-denominated	28.0	(0.4)	27.6
Total domestic	109.7	123.7	233.5
Foreign	163.4	49.6	213.0
Total	273.1	173.3	446.5
Interbank and overnight funds			
Domestic			
Peso-denominated	55.5	41.6	97.1
Dollar-denominated	(0.2)	(1.3)	(1.5)
Total domestic	55.3	40.3	95.6
Foreign	1.7	(0.9)	0.9
Total	57.0	39.4	96.5
Borrowing from banks and other			
Domestic			
Peso-denominated	(2.0)	0.8	(1.3)
Dollar-denominated	4.1	(0.7)	3.4
Total domestic	2.0	0.1	2.1
Foreign	95.5	27.8	123.2
Total	97.5	27.9	125.4

	2015 - 2014 Increase (decrease) due to changes in		
	Average Volume	Nominal Rate	Net change
	(in Ps billions, except percentages)		
Long-term debt			
Domestic			
Peso-denominated	13.1	32.6	45.8
Dollar-denominated	35.9	11.0	47.0
Total domestic	49.1	43.7	92.8
Foreign	23.9	7.1	31.0
Total	73.0	50.7	123.7
Borrowing from development entities			
Domestic			
Peso-denominated	7.1	0.9	8.0
Dollar-denominated	14.7	1.2	15.9
Total domestic	21.8	2.1	23.9
Foreign	—	—	—
Total	21.8	2.1	23.9
	(in Ps billions, except percentages)		
Total interest-bearing liabilities			
Domestic			
Peso-denominated	169.9	272.0	441.9
Dollar-denominated	96.9	(4.3)	92.6
Total domestic	266.9	267.7	534.5
Foreign	348.4	75.5	424.0
Total interest-bearing liabilities	615.3	343.2	958.5

(1) Includes available for sale securities, in which yields are based on historical cost balances.

Interest-earning assets – net interest margin and spread

The following table presents average balances of interest-earning assets as well as our yields on our average interest-earning assets, net interest earned, net interest margin and interest spread for the years ended December 31, 2015 and 2014.

	For the year ended December 31,	
	2015	2014
	(in Ps billions, except percentages)	
Interbank loans and overnight funds		
Domestic:		
Peso-denominated	260.0	155.7
Foreign currency-denominated	1,095.7	491.7
Total domestic	1,355.7	647.4
Foreign	1,152.1	970.4
Total	2,507.8	1,617.8
Investment securities		
Domestic:		
Peso-denominated	6,792.9	6,386.5
Foreign currency-denominated	1,149.5	741.7
Total Domestic	7,942.4	7,128.1
Foreign	4,334.7	3,798.3
Total	12,277.1	10,926.5
Loans and leases(1)		
Domestic:		
Peso-denominated	40,941.2	35,728.4

	For the year ended December 31,	
	2015	2014
	(in Ps billions, except percentages)	
Foreign currency-denominated	7,070.4	6,279.7
Total domestic	48,011.7	42,008.1
Foreign	34,633.0	24,269.5
Total	82,644.7	66,277.5
Total average interest-earning assets		
Domestic:		
Peso-denominated	47,994.2	42,270.6
Foreign currency-denominated	9,315.6	7,513.1
Total domestic	57,309.8	49,783.6
Foreign	40,119.8	29,038.2
Total	97,429.6	78,821.8
Gross interest earned		
Domestic:		
Peso-denominated	4,546.3	3,901.1
Foreign currency-denominated	292.5	208.5
Total domestic	4,838.8	4,109.6
Foreign	3,944.5	2,690.4
Total	8,783.3	6,800.1
Net interest earned[(2)]		
Domestic:		
Peso-denominated	2,384.8	2,181.5
Foreign currency-denominated	(2.3)	6.3
Total domestic	2,382.5	2,187.8
Foreign	2,612.1	1,782.1
Total	4,994.6	3,969.8
Average yield on interest-earning assets		
Domestic:		
Peso-denominated	9.5%	9.2%
Foreign currency-denominated	3.1%	2.8%
Total domestic	8.4%	8.3%
Foreign	9.8%	9.3%
Total	9.0%	8.6%
Net interest margin[(3)]		
Domestic:		
Peso-denominated	5.0%	5.2%
Foreign currency-denominated	0.0%	0.1%
Total domestic	4.3%	4.4%
Foreign	6.5%	6.1%
Total	5.1%	5.0%
Interest spread on loans and leases[(4)]		
Domestic:		
Peso-denominated	5.2%	5.6%
Foreign currency-denominated	1.5%	0.8%
Total domestic	5.0%	5.0%
Foreign	7.5%	7.2%
Total	6.1%	5.8%
Interest spread on total interest-earning assets[(5)]		
Domestic:		
Peso-denominated	4.6%	5.0%
Foreign currency-denominated	1.3%	0.9%
Total domestic	4.4%	4.5%
Foreign	6.7%	6.4%

	For the year ended December 31,	
	2015	2014
	(in Ps billions, except percentages)	
Total	5.3%	5.2%

(1) Includes immaterial amount of interest earned on loans rated "C," "D" and "E" for each year presented. See "Selected Statistical Data—Risk categories".

(2) Net interest earned is calculated as interest income less interest paid and includes accrued interest, valuation adjustments and gains (losses) realized on debt and equity securities that are accounted for as "available for sale," gains (losses) on repurchase transactions (repos) and gains (losses) realized on the sale of debt securities.

(3) Net interest margin is calculated as net interest income divided by total average interest-earning assets, determined based on monthly ending balances during the applicable period.

(4) Interest spread on loans and leases is calculated as the difference between the average yield on interest-earning loans and leases and the average rate paid on interest-bearing liabilities.

(5) Interest spread on total interest-earning assets is calculated as the difference between the average yield on interest-earning assets and the average rate paid on interest-bearing liabilities.

Investment portfolio

We acquire and hold fixed income debt and equity securities for liquidity and other strategic purposes, or when required by law. In recent years, credit institutions, including us, have been required to hold certain debt securities issued by the Colombian government or government-related entities. Central Bank regulations require credit institutions to make investments in agricultural development bonds (*Títulos de Desarrollo Agropecuario*), or "TDAs," issued by the Agricultural Sector Financing Fund (*Fondo para el Financiamiento del Sector Agropecuario*), or "Finagro." Finagro is a development bank affiliated with the Ministry of Agriculture and finances the production and marketing activities of the agricultural and livestock sector. These securities yield below-market interest rates. The amount of these mandatory investments are calculated as a percentage of short-term deposits. Additionally, we still maintain mandatory investments in reduction bonds (*Títulos de Reducción de Deuda*) issued by the Republic of Colombia. Under government discretion, authorities may extend the scope of current regulations or require additional disbursements on current or new mandatory investments. See "Supervision and Regulation—Mandatory investments."

As established in International Accounting Standard 39, investments are classified as "trading," "available for sale" or "held to maturity." Trading investments are investments acquired primarily to obtain profits from fluctuations in short-term prices and are recorded at fair value. The difference between current and previous fair value is added to, or subtracted from, the value of the investment and credited or charged to earnings. "Available for sale" investments are those investments that we intend, and are able, to hold for at least six months and are recorded on the statement of financial position at fair value with changes to the values of these securities recorded in a separate equity account labeled as "unrealized gains and losses"; when a portion of the gains or losses is realized, such amount is transferred to the consolidated income statement. "Held to maturity" investments are investments acquired and that we intend, and are able, to hold until maturity, and are recorded at amortized cost.

The following table presents the book value of our investments in debt securities and equity securities, net of allowance for investment securities losses, at the dates indicated.

	For the year ended December 31,			
	2015	%	2014	%
	(in Ps billions, except percentages)			
Debt securities				
Peso-denominated				
Securities issued or secured by the Republic of Colombia(1)	6,742.3	37.9	5,389.4	35.1
Securities issued or secured by the Colombian Central Bank	—	—	—	—
Securities issued or secured by other Colombian government entities	1,224.2	6.9	1,207.0	7.9

	For the year ended December 31,			
	2015	%	2014	%
	(in Ps billions, except percentages)			
Securities issued or secured by other financial entities[(2)]	555.0	3.1	477.4	3.1
Other securities[(2)]	99.8	0.6	129.4	0.8
Total peso-denominated	8,621.2	48.5	7,203.1	46.9
Foreign currency-denominated				
Securities issued or secured by the Republic of Colombia	146.2	0.8	107.4	0.7
Securities issued or secured by foreign central banks	807.2	4.5	433.3	2.8
Securities issued or secured by other Colombian government entities	395.8	2.2	287.7	1.9
Securities issued or secured by other financial entities[(2)]	2,967.6	16.7	2,868.4	18.7
Securities issued by foreign governments	2,041.8	11.5	1,526.9	9.9
Other securities[(3)]	668.9	3.8	976.5	6.4
Total foreign currency-denominated	7,027.4	39.5	6,200.2	40.4
Total debt securities, net	15,648.6	88.0	13,403.4	87.2
Equity securities, net	2,127.4	12.0	1,962.4	12.8
Total investment securities, net	17,776.00	100.00	15,365.78	100.00

(1) Includes Colombian Government-issued treasures (*Títulos de Tesorería*) or "TES".

(2) Reflects investments made in debt securities issued by private financial entities.

(3) Reflects investments made in debt securities issued by multilateral institutions and non-financial companies.

At December 31, 2015 and 2014, we held securities issued by foreign governments as set forth in the following table.

For the year ended December 31,	Issuer	Investment amount – book value		
		(in Ps billions)	(in U.S.$ thousands)	%
2015				
	Brazil	—	—	—
	Costa Rica	846.8	268.9	41.5
	Mexico	—	—	—
	Panama	496.5	157.7	24.3
	United States of America	34.1	10.8	1.7
	El Salvador	134.9	42.8	6.6
	Chile	—	—	—
	Guatemala	106.3	33.8	5.2
	Nicaragua	1.5	0.5	0.1
	Honduras	421.7	133.9	20.7
	Total 2015	2,041.8	648.3	100.00
2014				
	Brazil	7.4	3.1	0.5
	Costa Rica	565.8	236.5	37.1
	Mexico	—	—	—
	Panama	379.9	158.8	24.9
	United States of America	50.9	21.3	3.3
	El Salvador	49.4	20.6	3.2
	Guatemala	126.6	52.9	8.3
	Nicaragua	1.7	0.7	0.1
	Peru	—	—	—
	Honduras	345.1	144.3	22.6
	Total 2014	1,526.9	638.2	100.00

Investment securities portfolio maturity

The following table summarizes the maturities and weighted average nominal yields of our debt investment securities at December 31, 2015.

	For the year ended December 31, 2015									
	Maturity less than 1 year		Maturity between 1 and 5 years		Maturity between 5 and 10 years		Maturity more than 10 years		Total	
	Balance	Yield %(1)	Balance	Yield %(1)	Balance	Yield %(1)	Balance	Yield %(1)	Balance	Yield %(1)
	(in Ps billions, except yields)									
Debt securities										
Peso-denominated										
Securities issued or secured by the Colombian Government	264.0	6.1%	2,777.6	7.6%	2,586.3	8.4%	1,114.3	8.9%	6,742.3	8.1%
Securities issued or secured by the Colombian Central Bank	—	0.0%	—	0.0%	—	0.0%	—	0.0%	—	0.0%
Securities issued or secured by Colombian government entities	1,145.7	2.3%	7.7	9.2%	70.8	7.9%	—	0.0%	1,224.2	2.7%
Securities issued or secured by other financial entities	99.5	6.5%	431.9	7.4%	23.4	10.8%	0.2	3.2%	555.0	7.4%
Other securities	2.4	6.9%	4.3	7.1%	92.9	8.5%	0.2	5.7%	99.8	8.4%
Total peso-denominated	1,511.6	3.3%	3,221.6	7.5%	2,773.3	8.5%	1,114.7	8.9%	8,621.2	7.3%
Foreign currency-denominated										
Securities issued or secured by the Colombian Government	17.9	0.0%	83.6	3.6%	44.7	4.3%	—	0.0%	146.2	3.4%
Securities issued or secured by foreign central banks	678.0	5.9%	119.3	5.8%	10.0	8.0%	—	0.0%	807.2	5.9%
Securities issued or secured by Colombian government entities	—	0.0%	52.5	4.4%	343.2	5.5%	—	0.0%	395.8	5.3%
Securities issued by foreign governments	706.5	3.3%	1,185.6	4.6%	149.7	5.3%	—	0.0%	2,041.8	4.2%
Securities issued or secured by other financial entities	566.7	2.4%	1,950.2	3.4%	450.7	6.9%	—	0.0%	2,967.6	3.7%
Other securities	27.0	3.0%	142.9	5.8%	499.0	7.7%	0.0	4.4%	668.9	7.1%
Total foreign currency-denominated	1,996.1	3.9%	3,534.0	4.0%	1,497.3	6.6%	0.0	4.4%	7,027.4	4.5%
Total debt securities, net	3,507.69		6,755.66		4,270.61		1,114.68		15,648.65	
Equity securities, net									2,127.4	
Total investment securities, net	3,507.69		6,755.66		4,270.61		1,114.68		17,776.00	

(1) Yield was calculated using the internal rate of return, or "IRR," at December 31, 2015.

At December 31, 2015, we had the following investments in securities of issuers, which amounts exceeded 10% of our equity.

	For the year ended December 31, 2015		
	Issuer	Book value	Market value
		(in Ps billions)	
Securities issued or secured by the Colombian Central government	Ministry of Finance	6,888.5	7,307.7
Securities issued or secured by Colombian government entities	Finagro	1,135.1	1,129.5
Securities issued by other financial entities	Titularizadora Colombiana S.A. (1)	60.9	60.9
Total		8,084.4	8,498.1

(1) Titularizadora Colombiana S.A. is a corporation that focuses on mortgage loan securitization and is owned by International Finance Corporation, an affiliate of the World Bank, and certain Colombian mortgage lenders.

Loan portfolio

The following table presents our loan portfolio classified into commercial, consumer, microcredit and mortgage loans for the years indicated.

	For the year ended December 31,			
	2015	%	2014	%
	(in Ps billions, except percentages)			
Domestic				
Commercial				
General purpose loans[1]	26,998.2	28.7	23,646.7	32.7
Loans funded by development banks	1,402.9	1.5	1,218.8	1.7
Working capital loans	7,321.1	7.8	6,581.2	9.1
Credit cards	307.6	0.3	313.1	0.4
Overdrafts	120.4	0.1	101.5	0.1
Leases	3,256.2	3.5	2,816.3	3.9
Repo and interbank	2,072.9	2.2	638.4	0.9
Total commercial	41,479.3	44.1	35,316.1	48.8
Consumer				
Credit cards	2,204.4	2.3	2,017.1	2.8
Personal loans	6,209.9	6.6	5,559.8	7.7
Automobile and vehicle loans	883.7	0.9	780.9	1.1
Overdrafts	27.8	0.0	32.7	0.0
Loans funded by development banks	0.0	—	0.0	—
General purpose loans	2.0	0.0	1.4	0.0
Working capital loans	0.0	—	0.0	—
Leases	23.5	0.0	15.8	0.0
Total consumer	9,351.4	10.0	8,407.7	11.6
Microcredit	385.6	0.4	353.0	0.5
Mortgages	1,968.2	2.1	1,473.3	2.0
Total domestic	53,184.6	56.6	45,550.2	62.9

	For the year ended December 31,			
	2015	%	2014	%
	(in Ps billions, except percentages)			
Foreign				
Commercial				
General purpose loans[1]	11,114.1	11.8	6,798.8	9.4
Loans funded by development banks	0.0	—	0.0	—
Working capital loans	5,512.3	5.9	4,259.0	5.9
Credit cards	0.0	—	0.0	—
Overdrafts	334.0	0.4	226.2	0.3
Leases	642.5	0.7	432.0	0.6
Repo and interbank	1,527.1	1.6	777.1	1.1
Total commercial	19,130.0	20.4	12,493.1	17.2
Consumer				
Credit cards	7,177.6	7.6	4,815.0	6.6
Personal loans	5,461.2	5.8	3,529.9	4.9
Automobile and vehicle loans	2,294.0	2.4	1,536.2	2.1
Overdrafts	52.5	0.1	37.0	0.1
Loans funded by development banks	0.0	—	0.0	—
General purpose loans	0.0	—	0.0	—
Working capital loans	0.0	—	0.0	—
Leases	153.6	0.2	93.0	0.1
Total consumer	15,139.0	16.1	10,011.1	13.8
Microcredit	0.0	—	0.0	—
Mortgages	8,659.7	9.2	6,137.5	8.5
Total foreign	42,928.6	45.7	28,641.7.7	39.5
Total portfolio	96,113.2	102.3	74,191.8	102.4
Loan impairment allowance	(2,134.6)	—2.3	(1,768.1)	—2.4
Total portfolio, net	93,978.6	100.0	72,423.7	100.0

(1) General purpose commercial loans primarily include short-term loans *(créditos de tesorería*), trade finance loans, project finance loans and loans for capital expenditures.

We classify our loan portfolio into the following categories:

- *Commercial loans*: Commercial loans are granted to companies or individuals to carry out economic activities.

- *Consumer loans*: Consumer loans are granted to individuals for the purchase of consumer goods or to pay for non-commercial or non-business services.

- *Microcredit loans*: Microcredit loans are issued for the purpose of encouraging the activities of SMEs and are subject to the following requirements: the maximum amount of the loan is equal to 25 times the minimum wage (*salario mínimo mensual legal vigente*), or "SMMLV," without the balance of one single borrower exceeding such amount at any time, and the main source of payment for the corresponding obligation must be the revenues obtained from the activities of the borrower's micro business. The borrower's outstanding indebtedness may not exceed 120 times the SMMLV.

- *Mortgages*: Mortgages are loans granted to individuals for the purchase of new or used housing or to build a home, all in accordance with Law 546 of 1999. These loans include loans that are denominated in UVR or Colombian pesos, are guaranteed by a senior mortgage on the property and that are financed with a total repayment term of five to 30 years.

Maturity and interest rate sensitivity of loans and leases

The following table presents the maturities of our loan portfolio at December 31, 2015.

	For the year ended December 31, 2015				
	Due in one year or less	Due from one to five years	Due after five years	Total	%
	(in Ps billions, except percentages)				
Domestic					
Commercial					
General purpose loans	9,282.2	13,957.8	3,758.2	26,998.2	28.1
Loans funded by development banks	344.6	693.9	364.4	1,402.9	1.5
Working capital loans	6,324.2	598.3	398.5	7,321.1	7.6
Credit cards	209.1	98.6	0.0	307.6	0.3
Overdrafts	120.4	0.0	0.0	120.4	0.1
Leases	1,026.8	1,445.4	784.1	3,256.2	3.4
Repo and interbank	2,072.9	0.0	0.0	2,072.9	2.2
Total commercial	19,380.0	16,794.1	5,305.3	41,479.3	43.2
Consumer					
Credit cards	1,482.2	722.3	0.0	2,204.4	2.3
Personal loans	1,927.7	3,776.3	505.9	6,209.9	6.5
Automobile and vehicle loans	251.1	601.2	31.4	883.7	0.9
Overdrafts	27.8	0.0	0.0	27.8	0.0
Loans funded by development banks	0.0	0.0	0.0	0.0	—
General purpose loans	1.6	0.5	0.0	2.0	0.0
Working capital loans	0.0	0.0	0.0	0.0	—
Leases	6.0	17.2	0.3	23.5	0.0
Total consumer	3,696.4	5,117.5	537.5	9,351.4	9.7
Microcredit	205.8	179.6	0.2	385.6	0.4
Mortgages	161.8	542.1	1,264.3	1,968.2	2.0
Total domestic portfolio	23,444.1	22,633.2	7,107.3	53,184.6	55.3
Foreign					
Commercial					
General purpose loans	1,727.4	3,065.0	6,321.7	11,114.1	11.6
Loans funded by development banks	0.0	0.0	0.0	0.0	—
Working capital loans	4,751.2	661.8	99.3	5,512.3	5.7
Credit cards	0.0	0.0	0.0	0.0	—
Overdrafts	327.0	7.0	0.0	334.0	0.3
Leases	32.9	516.1	93.6	642.5	0.7
Repo and interbank	1,527.1	0.0	0.0	1,527.1	1.6
Total commercial	8,365.6	4,249.9	6,514.5	19,130.0	19.9
Consumer					
Credit cards	6,934.6	197.0	46.1	7,177.6	7.5
Personal loans	166.3	1,821.6	3,473.3	5,461.2	5.7
Automobile and vehicle loans	28.5	1,179.6	1,085.9	2,294.0	2.4
Overdrafts	51.3	1.2	0.0	52.5	0.1
Loans funded by development banks	0.0	0.0	0.0	0.0	—
General purpose loans	0.0	0.0	0.0	0.0	—
Working capital loans	0.0	0.0	0.0	0.0	—
Leases	6.7	69.6	77.3	153.6	0.2
Total consumer	7,187.4	3,269.0	4,682.6	15,139.0	15.8
Microcredit	0.0	0.0	0.0	0.0	—
Mortgages	7.8	148.5	8,503.4	8,659.7	9.0
Total foreign portfolio	15,560.7	7,667.3	19,700.5	42,928.6	44.7
Total loan portfolio	39,004.8	30,300.5	26,807.8	96,113.2	100.0

The following table presents the interest rate sensitivity of our loan portfolio due after one year and within one year or less at December 31, 2015.

	For the year ended December 31, 2015	
	(in Ps billions)	%
Loans with maturity of one year or less		
Variable rate:		
Domestic	17,147.1	17.8%
Foreign	2,299.7	2.4%
Total	19,446.8	20.2%
Fixed rate:		
Domestic	6,297.0	6.6%
Foreign	13,261.0	13.8%
Total	19,558.0	20.3%
Total loans with maturity of one year or less	39,004.8	40.6%
Loans with maturity of more than one year		
Variable rate:		
Domestic	21,026.7	21.9%
Foreign	6,980.3	7.3%
Total	28,007.0	29.1%
Fixed rate:		
Domestic	8,713.8	9.1%
Foreign	20,387.6	21.2%
Total	29,101.4	30.3%
Total loans with maturity of more than one year	57,108.3	59.4%
Total loan portfolio	96,113.2	100%

Loan portfolio by economic activity

The following table summarizes our loan portfolio, at the dates indicated, by the principal activity of the borrower using the International Standard Industrial Classification of All Economic Activities. Where we have not assigned a code to a borrower, classification of the relevant loan has been made based on the purpose of the loan as described by the borrower.

	For the year ended December 31,			
	2015	%	2014	%
	(in Ps billions, except percentages)			
Agricultural	2,765.9	2.9	2,276.5	3.1
Mining products and oil	1,446.3	1.5	1,490.9	2.0
Food, beverage and tobacco	4,788.3	5.0	3,583.9	4.8
Chemical production	3,496.6	3.6	3,379.5	4.6
Other industrial and manufacturing products	2,767.9	2.9	2,410.0	3.2
Government	1,177.9	1.2	994.6	1.3
Construction	4,514.4	4.7	4,205.5	5.7
Trade and tourism	981.6	1.0	745.5	1.0
Transportation and communications	5,618.3	5.8	4,221.1	5.7
Public services	3,785.9	3.9	3,053.6	4.1
Consumer services(1)	38,341.7	39.9	28,385.7	38.3
Commercial services(2)	25,620.0	26.7	18,534.4	25.0
Other	808.3	0.8	910.8	1.2
Total loan portfolio	**96,113.2**	**100.0**	**74,191.8**	**100.0**

(1) Consumer services include loans to individuals, such as consumer loans (credit cards, vehicle, personal and others) and mortgage loans.

(2) Commercial services include wholesale trade and retail, consulting and business support services, health and social services, moneylending and other activities.

Credit categories

The following table presents our loan portfolio, for the purpose of credit risk evaluation, categorized in accordance with the regulations of the Superintendency of Finance, in effect at the relevant dates.

	Loan portfolio by type of loan	
	At December 31,	
	2015	2014
	(in Ps billions)	
Domestic		
Commercial loans	41,479.3	35,316.1
Commercial loans	39,406.4	34,677.7
Repo and interbank	2,072.9	638.4
Consumer loans	9,351.4	8,407.7
Microcredit loans	385.6	353.0
Mortgages	1,968.2	1,473.3
Total domestic loan portfolio	53,184.6	45,550.2
Loan impairment allowance	(1,606.0)	(1,360.2)
Total domestic loan portfolio, net	51,578.5	44,190.0.
Foreign		
Commercial loans	19,130.0	12,493.1
Commercial loans	17,602.9	11,715.9
Repo and interbank	1,527.1	777.1
Consumer loans	15,139.0	10,011.1
Microcredit loans	0.0	0.0
Mortgages	8,659.7	6,137.5
Total foreign loan portfolio	42,928.6	28,641.7
Loan impairment allowance	(528.6)	(407.9)
Total foreign loan portfolio, net	42,400.0	28,233.8
Total loan portfolio, net	93,978.6	72,423.7

Past due loans classified as Performing and Non-Performing loans

The following table presents our performing loans (31 days past due) and our non-performing loans (more than 90 days past due).

	Past due loans	
	At December 31,	
	2015	2014
Performing past due loans		
Commercial loans	163.5	155.7
Consumer loans	208.2	192.5
Microcredit loans	16.3	14.4
Mortgages	14.4	8.2
Total performing past due loans	402.4	370.7
Non Performing Past Due loans		
Commercial loans	642.7	506.9
Consumer loans	262.0	258.1
Microcredit loans	27.8	30.0
Mortgages	21.1	7.7
Total non performing past due loans	953.6	802.7
Total domestic Past due loans	1,356.02	1,173.38

	Past due loans	
	At December 31,	
	2015	2014
Foreign		
Performing past due loans		
Commercial loans	44.8	97.8
Consumer loans	316.0	224.0
Microcredit loans	—	—
Mortgages	104.6	93.3
Total performing past due loans	465.4	415.1
Non Performing Past Due loans		
Commercial loans	100.5	66.2
Consumer loans	228.0	153.1
Microcredit loans	0.0	0.0
Mortgages	101.7	86.0
Total non performing past due loans	430.2	305.2
Total foreign Past due loans	895.6	720.3
Total past due loans	2,251.6	1,893.7

Risk categories

The Superintendency of Finance prescribes the minimum risk classifications for loans and financial leases. Management assigns loans and financial leases to these classifications on the basis of models developed by management and reviewed by the Superintendency of Finance. These models incorporate both subjective and objective criteria.

Category A — "*Normal risk*": Loans and financial leases in this category are appropriately serviced. The debtor's financial statements or its projected cash flows, as well as all other credit information available to us, reflect adequate paying capacity.

Category B — "*Acceptable risk, above normal*": Loans and financial leases in this category are acceptably serviced and guaranty-protected, but there are weaknesses which may potentially affect, on a transitory or permanent basis, the debtor's paying capacity or its projected cash flows, to the extent that, if not timely corrected, 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 insufficient cash flow, which may compromise the normal collection of the obligations.

Category D — "*Significant risk*": Loans and financial leases in this category have the same deficiencies as loans in category C, but to a larger extent; consequently, the probability of collection is highly doubtful.

Category E — "*Risk of non-recoverability*": Loans and financial leases in this category are deemed uncollectible.

The following tables present the breakdown of our loan portfolio by risk classification in effect at December 31 of each year.

	For the year ended December 31,			
	2015	%	2014	%
	(in Ps billions, except percentages)			
Domestic				
"A" Normal risk	49,926.6	93.9	42,932.4	94.3
"B" Acceptable risk, above normal	1,029.2	1.9	986.0	2.2
"C" Appreciable risk	1,244.9	2.3	806.9	1.8

	For the year ended December 31,			
	2015	%	2014	%
	(in Ps billions, except percentages)			
"D" Significant risk	609.5	1.1	543.9	1.2
"E" Risk of non-recoverability	374.3	0.7	280.9	0.6
Total domestic loan portfolio	53,184.6	100.0	45,550.2	100.0
Domestic loan portfolio classified as "C," "D" and "E" as a percentage of total domestic loan portfolio		4.2%		3.6%
Foreign				
"A" Normal risk	40,129.7	93.5	26,309.6	91.9
"B" Acceptable risk, above normal	859.6	2.0	873.2	3.0
"C" Appreciable risk	1,517.3	3.5	1,121.2	3.9
"D" Significant risk	265.9	0.6	199.3	0.7
"E" Risk of non-recoverability	156.1	0.4	138.3	0.5
Total foreign loan portfolio	42,928.6	100.0	28,641.7	100.0
Foreign loan portfolio classified as "C," "D" and "E" as a percentage of total foreign loan portfolio		4.5%		5.1%
Total loan portfolio	96,113.2	100.0	74,191.8	100.0

Past due loans

The following table presents information with respect to our secured and unsecured loan portfolios at least 31 days past due.

	For the year ended December 31,			
	2015	%	2014	%
	(in Ps billions, except percentages)			
Secured				
Past due 31 to 360 days				
Commercial	203.6	0.2	221.1	0.3
Consumer	69.0	0.1	52.3	0.1
Microcredit	9.6	0.0	8.1	0.0
Mortgages	184.7	0.2	155.2	0.2
Total 31 to 360 days	466.9	0.5	436.6	0.6
Total past due more than 360 days	191.1	0.2	144.0	0.2
Total current	40,373.9	43.0	29,983.9	41.4
Total secured loan portfolio	41,032.0	43.7	30,564.5	42.2
Unsecured[(1)]				
Past due 31 to 360 days				
Commercial	247.0	0.3	235.4	0.3
Consumer	842.0	0.9	674.5	0.9
Microcredit	19.3	0.0	18.9	0.0
Mortgages	0.0	0.0	0.0	0.0
Total 31 to 360 days	1,108.4	1.2	928.9	1.3
Total past due more than 360 days	485.1	0.5	384.2	0.5
Total current	53,487.6	56.9	42,314.2	58.4
Total unsecured loan portfolio	55,081.2	58.6	43,627.3	60.2
Total loan portfolio, gross	96,113.2	102.3	74,191.8	102.4
Loan impairment allowance	(2,134.6)	(2.3)	(1,768.1)	(2.4)
Total loan portfolio, net	93,978.6	100.0	72,423.7	100.0

(1) Includes loans with personal guarantees.

Non-performing loans, performing loans, and performing troubled debt restructured loans

Performing and non performing troubled debt restructured loans

The following table presents our performing troubled debt restructured loan portfolio classified into domestic and foreign loans, the gross interest income that would have been recorded in the period that ended if the loans had been current in accordance with their original terms and had been outstanding throughout the period or since origination and the amount of interest income on those loans that was included in net income for the period.

	At and for the year ended December 31, 2015		
	Amount of loans	Gross interest income	Interest income included in net income for the period
		(in Ps billions)	
Domestic	1,388.7	144.5	140.8
Foreign	480.7	73.2	72.7
Total performing troubled debt restructured loan portfolio	1,869.5	217.7	213.5

The following table presents a summary of our troubled debt restructured loan portfolio, classified into domestic and foreign loans, accounted for on a performing basis in effect at the end of each period.

	For the year ended December 31,	
	2015	2014
	(in Ps billions)	
Domestic	1,388.7	1,230.2
Foreign	480.7	378.3
Total troubled debt restructured loan portfolio(1)	1,869.5	1,608.5

(1) Restructured loans are loans that have been modified due to an impairment of the conditions of the beneficiary.

Movements in loan impairment allowances

Loan impairment Allowance

We record allowance for loan and financial losses in accordance with IFRS. For further information regarding the regulation and methodologies for the calculation of such allowances, see note 11 to our audited consolidated financial statements.

The following table presents the changes in the allowance for loan and financial lease losses during the periods indicated.

	For the year ended December 31,	
	2015	2014
	(in Ps billions)	
Domestic		
Balance at beginning of period	1,360.2	1,202.9
Provisions for loan losses	780.9	711.6
Write-offs	(535.4)	(554.5)
Effect of difference in exchange rate	0.3	0.2
Reversals of provisions	0	0
Balance at end of year (domestic)	1,606.0	1,360.2

	For the year ended December 31,	
	2015	2014
	(in Ps billions)	
Foreign		
Balance at beginning of period	407.9	326.3
Provisions for loan losses	517.7	316.0
Write-offs	(521.6)	(308.5)
Effect of difference in exchange rate	124.6	74.0
Reversals of provisions	0.0	0.0
Balance at end of year (foreign)	528.6	407.9
Balance at end of year total[(1)]	2,134.6	1,768.1

(1) Includes allowance balance for accrued interest receivable.

Recoveries of charged-off loans are recorded on the statement of income of our subsidiaries under "recovery of charged-off assets" and are not included in provisions for loan losses.

The following table presents the allocation of our allowance for loan losses by category of loan and financial lease losses.

	For the year ended December 31,	
	2015	2014
	(in Ps billions)	
Domestic		
Commercial	1,028.2	826.9
Consumer	515.6	479.4
Microcredit	47.2	44.4
Mortgages	15.0	9.5
Total domestic	1,606.0	1,360.2
Foreign		
Commercial	119.8	113.3
Consumer	385.4	270.1
Microcredit	0.0	0.0
Mortgages	23.4	24.5
Total foreign	528.6	407.9
Total loan impairment allowance	2,134.6	1,768.1

The following table presents the allocation of our allowance for loan losses by type of loan.

	For the year ended December 31,			
	2015	%	2014	%
	(in Ps billions, except percentages)			
Domestic				
Commercial				
General purpose loans	700.3	32.8	575.8	32.6
Loans funded by development banks	44.0	2.1	35.2	2.0
Working capital loans	164.3	7.7	120.8	6.8
Credit cards	31.9	1.5	24.3	1.4
Overdrafts	11.5	0.5	12.5	0.7
Leases	76.3	3.6	58.3	3.3
Total commercial	1,028.2	48.2	826.9	46.8
Consumer				
Credit cards	182.7	8.6	169.3	9.6
Personal loans	304.9	14.3	282.0	15.9
Automobile and vehicle loans	21.9	1.0	22.6	1.3
Overdrafts	4.6	0.2	4.3	0.2

	For the year ended December 31,			
	2015	%	2014	%
	(in Ps billions, except percentages)			
Loans funded by development banks	0.0	—	0.0	—
General purpose loans	0.0	—	0.0	—
Working capital loans	0.0	—	0.0	—
Leases	1.5	0.1	1.3	0.1
Total consumer	515.6	24.2	479.4	27.1
Microcredit	47.2	2.2	44.4	2.5
Mortgages	15.0	0.7	9.5	0.5
Total domestic	1,606.0	75.2	1,360.2	76.9
Foreign				
Commercial				
General purpose loans	86.0	4.0	85.5	4.8
Loans funded by development banks	0.0	—	0.0	—
Working capital loans	25.9	1.2	20.9	1.2
Credit cards	0.0	—	0.0	—
Overdrafts	4.0	0.2	4.5	0.3
Leases	3.8	0.2	2.4	0.1
Total commercial	119.8	5.6	113.3	6.4
Consumer				
Credit cards	262.5	12.3	207.4	11.7
Personal loans	110.8	5.2	52.1	2.9
Automobile and vehicle loans	7.5	0.4	6.0	0.3
Overdrafts	4.1	0.2	4.3	0.2
Loans funded by development banks	0.0	—	0.0	—
General purpose loans	0.0	—	0.0	—
Working capital loans	0.0	—	0.0	—
Leases	0.5	0.0	0.4	0.0
Total consumer	385.4	18.1	270.1	15.3
Microcredit	0.0	—	0.0	—
Mortgages	23.4	1.1	24.5	1.4
Total foreign	528.6	24.8	407.9	23.1
Total loan impairment allowance	2,134.6	100.0	1,768.1	100.0

Write-offs

The following table presents the allocation of our write-offs by type of loan for the years indicated.

	For the year ended December 31,	
	2015	2014
	(in Ps billions)	
Domestic		
Commercial and consumer:		
General purpose loans	301.5	324.2
Loans funded by development banks	7.6	8.0
Working capital loans	3.3	22.0
Credit cards	170.3	146.8
Personal loans	—	—
Automobile and vehicle loans	10.4	12.4
Overdrafts	5.6	7.6
Leases	4.9	4.2
Total commercial and consumer	503.5	525.3
Microcredit	31.9	28.8
Mortgages and other	—	0.4
Total domestic	535.4	554.5

	For the year ended December 31,	
	2015	2014
	(in Ps billions)	
Foreign		
Commercial and consumer:		
General purpose loans	32.7	15.6
Loans funded by development banks	—	—
Working capital loans	16.2	4.6
Credit cards	366.4	224.6
Personal loans	68.3	32.8
Automobile and vehicle loans	7.4	5.6
Overdrafts	15.7	9.6
Leases	1.2	0.5
Total commercial and consumer	507.9	293.3
Microcredit	—	—
Mortgages and other	13.7	15.2
Total foreign	521.6	308.5
Total write-offs	1,057.0	862.9

The ratio of write-offs to average outstanding loans for the periods indicated was as follows.

	For the year ended December 31,	
	2015	2014
	(in percentages)	
Ratio of write-offs to average outstanding loans	1.3%	1.3%

Loans are subject to charge-offs when all possible collection mechanisms have been exhausted and when they are one hundred percent (100%) provisioned.

Write-offs do not, however, eliminate the obligation of our subsidiaries to continue to engage in collection efforts to accomplish recovery. Our board of directors is the only administrative body with legal authority to approve write-offs of transactions deemed uncollectible. The recovery of charged-off loans is accounted for as income in our consolidated statement of income.

Potential problem loans

In order to carefully monitor the credit risk associated with clients, we have established a committee that meets monthly to identify potential problem loans, which are then included on a watch list. In general, these are loans due by clients that could face difficulties complying with their repayment obligations, but who otherwise have had a good payment history. These potential difficulties could be related to factors such as a decline in economic activity, financial weakness or any other event that could affect the client's business. We also monitor the credit risk associated with these clients.

Potential problem loans are primarily those classified as "B" under the Superintendency of Finance's credit classification and provisioning guidelines. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Risk management—Credit classification and provisioning." At December 31, 2015, Ps 1,888.8 billion, or 2.0%, of our gross loan portfolio was classified as potential problem loans under these guidelines.

Separately, Grupo Aval monitors loans granted by us and other Grupo Aval banks to a single borrower. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Risk management—Credit risk".

Cross-border outstanding loans and investments

We do not have any cross-border outstanding loans and investments to a borrower in any country that exceeded 0.75% of our total assets. The following table presents information with respect to our cross-border outstanding loans and investments at December 31, 2015 and 2014. See "—Loan portfolio" above for a description of cross-border outstanding by type of foreign borrower.

	For the year ended December 31,	
	2015	2014
	(in Ps billions)	
Loans		
Commercial		
Costa Rica	3,548.3	2,304.6
El Salvador	1,270.6	924.9
Guatemala	4,360.3	2,813.6
Honduras	2,237.9	1,484.6
Nicaragua	2,016.2	1,294.2
Panama	4,169.7	2,894.0
Consumer		
Costa Rica	2,222.6	1,395.4
El Salvador	937.1	567.1
Guatemala	658.2	381.4
Honduras	454.7	294.2
Nicaragua	773.1	483.2
Panama	2,915.5	2,074.0
Mortgages		
Costa Rica	3,531.1	2,312.5
El Salvador	894.7	652.7
Guatemala	1,163.5	863.3
Honduras	732.6	563.9
Nicaragua	378.2	269.1
Panama	1,959.5	1,476.1
Credit Cards		
Costa Rica	1,954.5	1,205.1
El Salvador	938.4	754.8
Guatemala	1,327.8	894.2
Honduras	1,047.2	701.3
Nicaragua	370.6	257.0
Panama	1,377.0	872.7
México	162.1	129.1
Total per country		
Costa Rica	11,256.5	7,217.7
El Salvador	4,040.8	2,899.5
Guatemala	7,509.9	4,952.5
Honduras	4,472.4	3,044.0
Nicaragua	3,538.0	2,303.5
Panama	10,421.8	7,316.7
México	162.1	130.7
Investments		
Australia	—	—
Brazil	738.1	700.3
British Virgin Islands	60.3	58.1
Barbados	0.5	9.9
Canada	—	—
Cayman Islands	356.6	309.3
Chile	193.6	381.1
Costa Rica	1,090.0	1,071.0
El Salvador	155.8	51.8
France	—	7.3
Germany	9.6	7.3
Guatemala	707.2	386.8

	For the year ended December 31,	
	2015	2014
	(in Ps billions)	
Honduras	497.3	415.1
Ireland	—	2.5
Luxembourg	34.6	48.0
Mexico	28.8	148.9
Netherlands	16.7	24.7
Nicaragua	129.1	5.4
Panama	884.2	628.2
Peru	264.3	509.6
Spain	—	16.1
United Kingdom	12.7	24.3
United States of America	881.1	610.1
Puerto Rico	16.1	12.2
BAC San José Liquid Fund (*BAC San José Fondo Líquido – Riesgo País Mixto*)	—	—
Multilateral – Bank Information Center (*Centro de Información sobre la Banca*)	—	—
Inversiones Bursatiles Credom. Riesgo País Mixto	—	—
Multilateral – Bladex (*Foreign Trade Bank of Latin America*)	—	—
Multilateral – Andean Development Corporation (*Corporación Andina de Fomento*)	3.3	7.4
Multilateral – Central American Bank for Economic Integration	0.3	5.3
Total investments	6,080.3	5,440.4

Deposits

The principal components of our deposits are customer demand (checking and saving accounts) and time deposits. Our retail customers are the principal source of our demand and time deposits. The following table presents the composition of our deposits at December 31, 2015 and 2014.

	For the year ended December 31,	
	2015	2014
	(in Ps billions)	
Domestic		
Interest-bearing deposits:		
Checking accounts	2,794.2	3,726.3
Time deposits	22,452.2	19,799.3
Savings deposits	20,552.2	16,251.8
Total	45,798.6	39,777.4
Non-interest-bearing deposits:		
Checking accounts	7,161.9	6,425.2
Other deposits(1)	58.9	39.6
Total	7,220.9	6,464.8
Total domestic deposits	53,019.4	46,242.2
Foreign		
Interest-bearing deposits:		
Checking accounts	12,002.2	8,027.7
Time deposits	16,287.1	11,905.9
Savings deposits	7,613.2	5,303.0
Total	35,902.5	25,236.6

	For the year ended December 31,	
	2015	2014
	(in Ps billions)	
Non-interest-bearing deposits:		
Checking accounts	2,919.7	2,071.0
Other deposits[(1)]	202.6	103.1
Total	3,122.3	2,174.0
Total foreign deposits	39,024.7	27,410.6
Total deposits	92,044.2	73,652.8

(1) Consists of deposits from correspondent banks, cashier checks and collection services.

The following table presents time deposits, by amount and maturity at December 31, 2015.

	For the year ended December 31, 2015		
	Peso-denominated	Foreign currency-denominated	Total
		(in Ps billions)	
Domestic			
Up to 3 months	2,453.3	5,772.8	8,226.1
From 3 to 6 months	1,150.1	1,086.5	2,236.6
From 6 to 12 months	3,724.9	966.8	4,691.7
More than 12 months	5,063.0	254.7	5,317.7
Time deposits less than U.S.$100,000[(1)]	1,871.9	108.3	1,980.1
Total domestic	14,263.1	8,189.1	22,452.2
Foreign[(2)]	0.0	16,287.1	16,287.1
Total	14,263.1	24,476.3	38,739.3

(1) U.S.$100,000 is the equivalent of Ps 314,947,000 (translated at the representative market rate of Ps 3,149.47 to U.S.$1.00 at December 31, 2015).

(2) Represents operations outside of Colombia.

Return on equity and assets

The following table presents certain selected financial ratios for the periods indicated.

	At December 31,	
	2015	2014
	(in percentages)	
ROAA: Return on average assets[(1)]	1.9	2.0
ROAE: Return on average equity attributable to controlling interest[(2)]	15.3	15.3
Average equity attributable to controlling interest as a percentage of average total assets	9.1	9.1
Period-end equity as a percentage of period-end total assets	11.5	12.8
Dividend payout ratio[(3)]	32.4	33.6

Source: Company calculations based on Banco de Bogotá data.

(1) For methodology used to calculate ROAA, see note (2) to the table under “Summary—Summary financial and operating data—Other financial and operating data.”

(2) For methodology used to calculate ROAE, see note (3) to the table under “Summary—Summary financial and operating data—Other financial and operating data.”

(3) Dividend payout ratio (dividends declared on shares, divided by net income).

Short-term borrowings

The following table presents our short-term borrowings, consisting mainly of interbank and overnight funds, including repurchase agreements, for the periods indicated.

	At December 31,			
	2015		2014	
	Amount	Nominal weighted average rate	Amount	Nominal weighted average rate
	(in Ps billions, except percentages)			
Short-term borrowings				
Interbank borrowings and overnight funds				
End of period	6,275.8	—	3,244.3	—
Average during period	4,760.1	5.1%	3,785.4	3.9%
Interest paid during the period	243.8	—	147.4	—

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of our financial condition and results of operations should be read in conjunction with our audited consolidated financial statements at December 31, 2015, 2014 and January 1, 2014 and for the years ended December 31, 2015 and 2014, and the related notes thereto, and with the other financial information included in this offering memorandum as well as the information under "Presentation of Financial and Other Information" and "Selected Financial and Operating Data." The preparation of the financial statements required the use of assumptions and estimates that affect the amounts recorded as assets, liabilities, revenue and expenses in the years and periods addressed and are subject to certain risks and uncertainties. Our future results may vary substantially from those indicated because of various factors that affect our business, including, among others, those identified under "Forward-Looking Statements" and "Risk Factors" and other factors discussed in this offering memorandum. Our audited consolidated financial statements at December 31, 2015, 2014 and January 1,2014 and for the years ended December 31, 2015 and 2014 and the related notes thereto, are each included in this offering memorandum and have been prepared in accordance with IFRS.

Overview

Banco de Bogotá is Colombia's oldest financial institution, with more than 140 years of operating experience. As of December 31, 2015, Banco de Bogotá was the most efficient bank in the Colombian banking system on an unconsolidated basis under Colombian IFRS, with an efficiency ratio of 37.2%. As of the same date, it was the second largest bank in Colombia with a market share of 14.6% in terms of deposits and 13.6% in terms of loans. Our pension and severance fund administrator, Porvenir, was the leading pension fund administrator in Colombia in terms of funds under management and had, as of December 31, 2015, the largest share of earnings in the pension and severance fund management market in Colombia. Our merchant bank, Corficolombiana, is the largest merchant bank in Colombia. Through our BAC Credomatic operations, we are the largest banking group in the Central American market based on aggregate assets as of December 31, 2015. For the year ended December 31, 2015, our ROAE was 15.3% and the ROAA was 1.9% on a consolidated basis. We achieved a net interest margin of 5.1% on a consolidated basis in 2015.

Banco de Bogotá is a subsidiary of Grupo Aval, which is Colombia's largest banking group based on total assets. Banco de Bogotá is the largest financial institution within Grupo Aval's portfolio as measured by assets, and the largest contributor to net income before taxes and non-controlling interest. Grupo Aval employs a multi-brand strategy, allowing each of its four banks, Banco de Occidente, Banco Popular, Banco AV Villas and us, to focus on particular types of customers, geographic regions and products. Grupo Aval's banks are encouraged to compete among themselves and with other market participants, while operating within central strategic guidelines established by Grupo Aval.

Banco de Bogotá is a full-service bank with coverage throughout Colombia and a comprehensive portfolio of services and products, distributed through a network of 711 branches and 1,747 automated teller machines, or "ATMs," as of December 31, 2015. While Banco de Bogotá serves segments in the market through differentiated service and product offerings, it is particularly focused on commercial lending with a market share of 18.0% of commercial loans as of December 31, 2015. Through its focus on expanding its consumer banking business, Banco de Bogotá has consistently increased its share of the consumer loans market, and as of December 31, 2015 held a 9.4% market share in that segment.

Principal factors affecting our financial condition and results of operations

Colombian economic conditions

The Colombian economy has expanded in recent years, driven by strong growth in areas such as capital investment, domestic consumption and exports. Colombian GDP grew at a CAGR of 4.6% in the five-year period ended December 31, 2015. Our operations are primarily concentrated in Colombia, such that our results are linked to the country's economic performance. Following the global financial crisis, GDP growth reached a peak of 6.6% in 2011, but business and consumer confidence deteriorated moderately due to global concerns related to the European debt crisis and GDP growth slowed down to 4.0% in 2012.

For 2013, the Colombian Central Bank's GDP growth forecast was initially in a range of 2.5% to 4.5%, with 4.0% growth as the most likely scenario. With the annual inflation rate dropping to 1.83% by February 2013, below the target range of 2.0% to 4.0% and the lowest since 1955, the Central Bank cut its policy rate by 50 basis points to 3.25% in March 2013, completing 100 basis points since December 2012 when the policy rate was 4.25%. In April 2013, the Central Bank revised its 2013 GDP growth forecast upwards to a range of 3.0% to 5.0% with 4.3% growth as the most likely scenario, while inflation began to pick up gradually. However, during the summer of 2013, the U.S. Federal Reserve signaled its intention to gradually scale back its asset purchases (quantitative easing) by the end of the year, which resulted in a significant tightening of global financial conditions; this situation weakened the short-term economic outlook, especially for developing economies. At the same time, the Colombian economy was affected by a major nationwide strike, led by farmers, truckers and miners, which lasted one month. In July 2013, the Central Bank again revised its 2013 GDP growth forecast downwards to a range of 3.0% to 4.5%, with 4.0% growth as the most likely scenario. Nonetheless, the recovery of the local economy was already well underway, led by consumer spending and construction. The economy expanded 4.9% in 2013, exceeding the Central Bank's central forecast.

The economy continued strengthening throughout the first half of 2014, with annual growth accelerating to 5.5% compared to the first half of 2013. As a result, the Central Bank's GDP growth forecast for that year was revised upwards from a range of 3.3% to 5.3%, with 4.3% growth as the most likely scenario, to a range of 4.2% to 5.8%, with 5.0% growth as the most likely scenario. However, growth expectations for 2015 deteriorated due to the sharp decline in oil prices since August 2014. Oil accounted for more than half of Colombian exports, therefore the economy began to experience a large negative terms-of-trade shock in the following quarters. Consequently, the Central Bank decided to revise its 2014 GDP growth forecast downwards in January 2015 to a range of 4.5% to 5%, with 4.8% growth as the most likely scenario, which ended up being slightly higher than the official final growth figure of 4.6%, and for 2015 it was expecting the economy to expand between 2% and 4%, with 3.6% growth as the most likely scenario.

Nonetheless, oil prices continued to drop further throughout 2015, reaching levels not seen since 2004 by the end of the year and constituting a decline of more than 70% since the beginning of the sell-off in the third quarter of 2014. Simultaneously, global financial conditions tightened considerably throughout the year, mainly due to anticipation of the first interest rate hike by the U.S. Federal Reserve in more than 9 years, which took place in December 2015, and due to increased concerns about a sharper slowdown of the Chinese economy. As a result of these large external shocks, the growth outlook for the Colombian economy deteriorated further and the Central Bank cut its 2015 GDP growth forecast in July 2015 to a range of 1.8% to 3.4%, with 2.8% growth as the most likely scenario. Actual GDP growth for 2015 was 3.1%. We expect that weak GDP growth will slow growth of lending in our Colombian operations in 2016, which will in turn limit increases in net interest income.

Our clients include companies in the oil sector such as producers, pipeline operators and suppliers. Even though oil sector companies currently represent approximately 3.0% of our overall loan portfolio, we expect the current decline in international oil prices and the slowdown in the economy described above to cause a deterioration in the credit profiles of certain of our borrowers in 2016, including those in the oil and affiliated sectors, which would result in an increase in non-performing loans, a deterioration in our delinquency ratios, and increased loan loss provisions.

The Colombian government publicly announced that a new tax reform will be presented in the second half of 2016, in order to obtain additional funds and close potential deficits, especially considering the more challenging medium-term outlook for the oil sector. As of the date of this offering memorandum, there was no draft of such reform. This potential new tax reform may result in higher levels of taxation that can significantly affect our results of operations or financial condition.

The Colombian peso depreciated 52% against the U.S. dollar in 2015. We are subject to impacts on our statement of income and/or statement of financial position derived from fluctuations in the rate of exchange of the Colombian peso, in particular, against the U.S. dollar, the currency in which most of our foreign long-term debt is denominated, and between the U.S. dollar and each of the currencies in our Central American operations, as 4.6% of our average consolidated assets for the year ended December 31, 2015 and 5.2% of our average consolidated liabilities for the year ended December 31, 2014 are foreign currency-denominated. On a consolidated basis, we have U.S.$1,511.7 million (Ps 4.8 trillion) of long-term debt denominated in U.S. dollars as of December 31, 2015. On March 9, 2016, Moody's downgraded our standalone baseline credit assessment to "Baa1" from "Baa3" and our long-term foreign currency subordinated debt rating to "Ba2" from "Ba1" and placed us on review for further downgrade invoking a decrease in our adjusted capital ratio driven by the depreciation of the Colombian peso in 2015. Moody's stated that our core capital adequacy provides limited capacity to continue to support our historically robust loan growth or absorb losses in the event of stress making us more vulnerable to any determination in asset risk or earnings performance. On April 28, 2016, Fitch placed certain of our ratings on negative watch for downgrade noting a decrease in our capital ratios resulting from the depreciation of the Colombian peso in 2015 which boosted our USD denominated risk-weighted assets. Fitch also reasoned that the change in our accounting standards to IFRS contributed to a decrease in our capital ratios.

Labor markets

During the twelve months ended December 31, 2015, the Colombian unemployment rate decreased to an annual average of 8.9% from 9.1% at December 31, 2014, according to DANE. This was the lowest rate recorded for a calendar year since the publication of employment statistics in 2001. The participation rate (*i.e.*, economically active population divided by working age population), a measure of labor supply, increased to an annual average of 64.7% at December 31, 2015, compared to 64.2% at December 31, 2014; while the employment rate (*i.e.*, employed population divided by working age population), a measure of labor demand, rose to historic highs, increasing to an annual average of 59% at December 31, 2015 from 58.4% at December 31, 2014. The high and stable employment rate is derived primarily from increased employment in the trade, construction, services and manufacturing sectors, while formal employment has recently increased substantially due to the reduction of labor costs enacted in the 2012 tax reform.

During the twelve months ended February 29, 2016, the Colombian unemployment rate held steady at 9.1%, when compared to the same period in the prior year, according to DANE. The participation rate increased to an annual average of 64.9% at February 29, 2016, compared to 64.3% at February 28, 2015, while the employment rate increased to an annual average of 59.0% from 58.5% in the same period.

Interest rates

Since the implementation of an inflation-targeting regime in 1999, the Colombian Central Bank has reduced its overnight lending rate from 26.0% in 1999 to 6.0% at the end of 2005, and to 3.0% at the end of 2010. It increased moderately to 4.75% at December 31, 2011 and to 5.25% at June 30, 2012, and decreased again to 4.25% at December 31, 2012 and 3.25% at December 31, 2013. Most recently, the Central Bank increased it to 4.5% from April 2014 to August 2014, kept it unchanged for the next 12 months, and increased it again to 5.75% from September 2015 to December 2015. During 2016 the Central Bank has increased its interest rate to 6.5%.

A significant portion of our assets are linked to the DTF rate; accordingly, changes in the DTF rate affect our financial subsidiaries' net interest income. As the economy recovered and the output gap began to close, the Colombian Central Bank increased its interest rate throughout 2011, starting in February of that year, and through to the first quarter of 2012. As the economy began to slow down more than expected, due to the intensification of the economic crisis in Europe during 2012, the Colombian Central Bank decreased the interest rate by 100 basis points during the second half of that year, lowering it to 4.25% at December 31, 2012. Additional cuts of 100 basis points took place during 2013, bringing the policy rate to 3.25% at December 31, 2013. The policy rate has increased by 125 basis points since then, to 4.50% at August 29, 2014, as the rate of inflation increased during the first half of 2014 towards the Central Bank's 3% target, and as the recovery of economic activity consolidated. It remained unchanged at 4.50% during the next 12 months, as inflation continued to accelerate while the economic outlook for 2015 deteriorated due to the collapse in oil prices. However, inflation began to rise more rapidly in the second half of 2015, mainly driven by the impact of the El Niño weather phenomenon on food and energy prices and by higher prices of imported goods due to the sharp depreciation of the exchange rate. As a result, the Central Bank began to tighten monetary policy in September 2015, hiking its policy rate by 125 basis points to 5.75% at December 2015. The average DTF rate was 4.21% during 2011, 5.35% during 2012, 4.24% during 2013, 4.07% during 2014, and 4.58% during 2015. It is expected that in 2016, the average DTF rate will be higher to the 2015 average, as more tightening in monetary policy is expected, at least during the first half of the year.

Inflation

Lower interest rates and stable inflation generally lead to increased consumer confidence and increased consumer demand for credit. Colombian Central Bank independence, and the adoption of an inflation-targeting regime and a free-floating fees since 1999, have contributed to declining inflation rates and increased price stability in Colombia. The inflation rate increased to 3.2% in 2010 and to 3.7% in 2011, both within the Colombian Central Bank's target band of 2.0% to 4.0%, before falling to 2.4% for 2012 and to 1.9% for 2013, the lowest annual rate since 1954, mainly due to the effects of a series of regulatory and supply shocks during the preceding 12 months. Inflation accelerated to 3.7% at December 31, 2014 as the effects of these shocks waned, coupled with stronger domestic demand throughout the first three quarters of 2014, and as the peso depreciated substantially against the U.S. dollar in the fourth quarter due to the large decline in oil prices. Inflation continued to accelerate to 6.8% at December 31, 2015, mainly driven by the impact of the El Niño weather phenomenon on food and energy prices and by the pass-through effects of a sharper depreciation of the peso as a result of continued weakness in oil prices and increased turmoil in global financial markets. However, although the Colombian Central Bank estimates that inflation may stay above its target range during all of 2016 (the inflation rate increased to 7.6% in February 2016), it has stated that the effects of currency depreciation and El Niño are expected to be temporary and should start to dissipate in the second half of the year, while the slowdown of economic activity should help reduce inflation to between 4% and 5% by the end of the year and within its target range in 2017. The Colombian Central Bank's preemptive approach with respect to monetary policy has resulted in a decrease in inflation expectations in the past few years.

Credit volumes

Credit volumes in Colombia have grown since 2005, mainly driven by the above-mentioned factors, including lower inflation rates, decreasing interest rates and consistent economic growth. In 2010, the pace of bank credit volume growth gradually increased, along with a moderate recovery of economic activity and fueled by historic low interest rates. At December 31, 2011, year-over-year bank credit volume growth was 22.1% (including three financing companies and one cooperative bank that converted to commercial banks during the previous 12 months, as reported by the Superintendency of Finance) and 20.5% when adjusted to include securitized mortgage loan data, as reported by Titularizadora Colombiana S.A. At December 31, 2012, bank credit volume growth was 15.6% and 14.9% when adjusted for securitized mortgage loan data. At December 31, 2013, bank credit volume growth was 13.8% and 12.8% when adjusted for securitized mortgage loan data. At December 31, 2014, bank credit volume growth was 15.5% and 15.2% when adjusted for securitized mortgage loan data. At December 31, 2015, bank credit volume growth was 15.3% and 15.1% when adjusted for securitized mortgage loan data, both as reported by the Superintendency of Finance (note that as of 2015, this figure incorporates IFRS reporting). We believe that Colombia offers significant opportunities to expand our business due to the country's strong economic fundamentals and low penetration rates of domestic credit to the private sector as a percentage of GDP for banking and other financial services and products in 2014 of 52.7% as compared to 69.1% for Brazil and 109.4% for Chile and 31.1% for Mexico, as reported in the World Bank Development Indicators (note that Peru has been excluded from this comparison due to lack of availability in the World Bank Development Indicators' database).

At December 31, 2012, Colombia's bank loans-to-GDP ratio was 34.9%, at December 31, 2013, it was 37.1%, at December 31, 2014 it was 37.9% and at December 31, 2015 it was 43.9% (note that as of 2015, this figure incorporates IFRS reporting). See "Industry—Colombia—Credit volumes."

Reserve requirements

The Colombian Central Bank's reserve requirements significantly affect our financial subsidiaries' results of operations. The raising or lowering of these requirements directly affects our financial subsidiaries' results by increasing or decreasing the funds available for lending.

Colombian banks are required to maintain a determined level of reserves depending on the volume and mix of their deposits. These are reflected in the line item "cash and cash equivalents" on our consolidated balance sheet. During 2008, this level of cash reserves, referred to as the general minimum deposit requirement, was first increased by the Colombian Central Bank from 8.3% to 11.5% for checking accounts and savings deposits and from 2.5% to 6.0% for time deposits. On October 24, 2008, it was decreased to 11.0% for checking accounts and savings deposits and 4.5% for time deposits. The reserve requirements have not changed since October 2008.

Tax policies

Changes in Colombian tax policies can significantly affect our results of operations. For 2015, the Colombian government estimated a consolidated public sector deficit of 2.8% of GDP and a government deficit of 3.0% of GDP, while for 2016 the government deficit is expected to widen to 3.6% of GDP due to the ongoing decline in oil-related revenues and a further slowdown in economic activity.

In order to address weaknesses in fiscal accounts, the Colombian government enacted several laws to strengthen the fiscal regulatory regime, along with reforms on taxes and oil and mining royalties. The improvement in the fiscal regulatory regime requires expenses to grow in line with revenues and savings from excess oil revenues, with the goal of reducing Colombian government public debt to below 30% of GDP by 2026. There can be no assurance that this goal will be achieved.

On December 23, 2014, the Congress of Colombia enacted Law 1739, which added a new net worth tax on the wealth of corporate entities, or the "Wealth Tax", and the extra charge on the income tax for equality, or "CREE." Law 1739 of 2014 introduced modifications to various aspects of tax regulation in Colombia and introduced, among other things, a Wealth Tax (*Impuesto a la Riqueza*) calculated over the net assets under accounting fiscal basis. During 2015, 2016 and 2017 in the case of companies and 2015, 2016, 2017 and 2018 in the case of individuals, this *Impuesto a la Riqueza*, or Wealth Tax, will be calculated over net equity as determined on January 1 of each of the respective years (subject to certain exclusions such as equity investments) according to tax accounting bases at rates between 0.4% to 1.5%, adjusted yearly.

Under Colombian IFRS, this new tax obligation can be recorded against retained earnings instead of net income for the respective year. Under IFRS, this tax obligation impacts net income.

The Government has publicly announced that it will present to Congress a proposal for a new tax reform in the second half of 2016, which should become effective at the start of 2017.

Central American economic conditions

According to the IMF, for the year ended December 31, 2015, Central America was expected to post a combined GDP of U.S.$220.2 billion, ranking as the sixth largest economy in Latin America after Brazil (nominal GDP of U.S.$1,799.6 billion), Mexico (nominal GDP of U.S.$1,161.5 billion), Argentina (nominal GDP of U.S.$578.7 billion), Colombia (nominal GDP of U.S.$274.2 billion), and Chile (nominal GDP of U.S.$240 billion).

Because BAC's and our other Central American businesses' operations are concentrated in Central America, their results are linked to the region's economic performance. According to the IMF, Central America's GDP was estimated to have expanded at a rate of 3.9% in 2015, above the expected real growth rate for Colombia of 2.5%, and is expected to grow at an annual average real growth rate of 4.4% between 2016 and 2018, compared to Colombia's expected average real growth rate of 3.2% during the same period. The recent stronger growth rates in Central America versus Colombia result from those countries being net importers of oil and having economies closely linked to the US economy, via remittances. Similar to the discussion above for Colombian economic conditions, any slowdown in the Central American economy will result in a slow down in our growth rates and could increase our delinquency ratios and provisions. We expect that weak GDP growth will slow growth of lending in our Central operations in 2016, which will in turn limit increases in net interest income. In addition, the current decline in international oil prices and any slowdown in the Central American economy may cause a deterioration in the credit profiles of certain of our borrowers in 2016, including those in the oil and affiliated sectors, which would result in an increase in non-performing loans, a deterioration in our delinquency ratios, and increased loan loss provisions.

During the last several years, countries in Central America have increased their efforts to promote fiscal prudence and foreign investment. Countries such as Costa Rica, El Salvador, Guatemala and Nicaragua have signed agreements with the IMF under which their respective governments receive credit, subject to adopting fiscal discipline in their economic policies.

We believe that Central America offers a stable market that is expected to further converge toward an integrated economy as a result of the ongoing implementation of free trade agreements. The United States-Dominican Republic-Central America Free Trade Agreement, or "DR-CAFTA," gradually eliminates barriers to trade and investment among Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua and the United States. The agreement allows Central American countries access to markets in the United States and establishes common regulatory standards among these countries. DR-CAFTA covers most types of trade and commercial exchange between these countries and the United States.

Critical Accounting Policies

Our audited consolidated financial statements, prepared in accordance with IFRS, are dependent upon and sensitive to accounting methods, assumptions and estimates that we use as a basis for its preparation. We have identified critical accounting estimates and related assumptions and uncertainties inherent in our accounting policies (that are fully described in Note 3 to our audited consolidated financial statements), which we believe are essential to an understanding of the underlying financial reporting risks. Additionally we have identified the effect that these accounting estimates, assumptions and uncertainties have on our audited consolidated financial statements.

Use of estimates

IFRS involves the use of assumptions and estimates that may significantly affect the reported amounts of assets, liabilities and results of operations and any accompanying financial information.

Management considers financial projections in the preparation of the financial statements as further described below. The accounting judgments and estimates we make in these contexts require us to calculate variables and make assumptions about matters that are highly uncertain based upon macroeconomic, financial and industry-specific assumptions. However, actual results may differ significantly from such estimates.

Variations in the assumptions regarding exchange rates, rates of inflation, level of economic activity and consumption, creditworthiness of our current and potential customers, aggressiveness of our current or potential competitors and technological, legal or regulatory changes could also result in significant differences from financial projections used by us for valuation and disclosure of items under IFRS.

Allowance for impairment losses on loans and receivables

We regularly revise our loan portfolio to evaluate impairment. We perform judgments for determining if there is observable data indicating an objective evidence of a decrease in the estimated cash flows to be received from the loan portfolio. The calculation process includes analyses of specific, historical and subjective components. The methodologies we utilize include the following elements: a) a detailed periodical analysis of the loan portfolio, b) a credit classification system by risk levels, c) a periodical review of the summary of provisions for losses of loans, d) identification of loans to be evaluated individually due to impairment, e) consideration of internal factors such as our size, organizational structure, loan portfolio structure, loan administration process, analysis of overdue portfolio and experiences of historical losses, f) consideration of risks inherent to different types of loans, and g) consideration of external factors, including local, regional and national, as well as economic factors.

Throughout the calculation process, for loans individually considered significant using the discounted cash flows method, our management makes assumptions regarding the amount to be recovered for each client and the time in which such amount will be recovered. Any variation in such estimate may generate significant variations in the amount of the allowance for impairment. During the calculation of provisions for loans considered individually significant, based on their guarantee, management performs estimates of the fair value of such guarantee, using independent expert appraisers. Any variation in the price finally obtained by the recovery of the guarantee may generate significant variations in the amount of the allowance for impairment losses.

For those loans which are not individually significant, we carry out a collective assessment of impairment, with financial assets grouped together by segments having similar characteristics, using statistical assessment techniques based on the analysis of historical losses to determine an estimate of percentage of losses which have been incurred in such assets as of the date of the financial statements, but which have not been identified on an individual basis.

We consider the accounting estimates used in this evaluation to be part of our critical accounting policies because: (1) we make qualitative judgments and assumptions regarding the quality of our loan portfolio to determine allowances for impairment of loans and receivables; (2) our methods are dependent on the existence and magnitude of certain factors, which do not necessarily indicate future losses; and (3) we apply a discount percentage to each loan (based on its assigned risk category) that may not accurately reflect the future probability of loss.

Contingent liabilities

We asses and record an estimate for contingencies, in order to cover probable losses due to labor, civil and commercial suits, and tax objections or other issues according to circumstances that, based on the opinion of the external legal counsels and/or in-house lawyers, are considered likely of loss and can be reasonably quantified. The provisions must be justifiable, quantifiable and reliable. A contingency is a condition, situation or set of circumstances that exist, which involve questions regarding a potential gain or loss by an economic entity, and which will be resolved when one or more future events occur or fail to occur.

Our advisors, including lawyers and actuaries, assist us and our banks in evaluating probabilities and estimating amounts, which are recorded and updated at the end of each period.

We consider the estimates used in assessing contingent liabilities to be part of our critical accounting policies because of the high level of judgment that is necessary to assess the probability of their occurrence. Our judgment may not necessarily coincide with the outcome of the proceedings.

Impairment of available-for-sale financial assets

We determine that available-for-sale investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. In making this judgment, we evaluate, among other factors, the volatility in the security price. In addition, impairment may be appropriate when there is evidence of changes in technology or a deterioration in the financial health of the investee, industry and sector performance, or operating or financing cash flows.

Deferred income tax

We evaluate the realization of the deferred income tax asset throughout time. The deferred tax asset represents recoverable income taxes through future deductions from taxable profits and they are recorded in the financial position statement. The deferred tax assets are recoverable to the extent that the realization of the relating tax benefits is likely. Future tax revenues and the amount of the tax benefits that are probable in the future are based on medium-term work plans prepared by management. The business plan is based on the expectations of management, which are believed to be reasonable under the circumstances.

Fair value measurements and disclosures of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (*i.e.* an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, we take into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

When there is no market price available for an identical instrument, we measure fair value on the basis of other valuation techniques that are commonly used by the financial markets that maximize the use of relevant observable inputs and minimize the use of unobservable inputs as explained in note 5 to our audited consolidated financial statements included in this offering memorandum.

The availability of observable prices or inputs varies by product and market, and may change over time. The level of management judgment required in establishing fair value of financial instruments for which there is a quoted price in an active market is minimal. Similarly, there is little subjectivity or judgment required for instruments valued using valuation models that are standard across the industry and where all parameter inputs are quoted in active markets. The level of subjectivity and degree of management judgment required are more significant for those instruments valued using specialized and sophisticated models and those where some or all of the parameter inputs are not observable

In making appropriate valuation adjustments, we follow methodologies that consider factors such as liquidity and credit risk (both counterparty credit risk in relation to financial assets and our own credit risk in relation to financial liabilities, which are at fair value through profit or loss).

We are required to disclose the valuation methods used to determine fair value measurements. Specifically, segmentation is required between those valued using quoted market prices in an active market (Level 1), valuation techniques based on observable inputs (Level 2) and valuation techniques using significant unobservable inputs (Level 3). Such disclosure is provided in note 5 to our audited consolidated financial statements included elsewhere in this offering memorandum.

Valuation of biological assets

Valuation of biological assets, which we own in late performance crops are determined based on reports prepared internally by the entities, by experts in the development of such crops and in the preparation of valuation models. Due to the nature of such crops and the lack of comparable market data, the fair value of these assets is determined based on models of discounted cash flow of future net cash flows of each crop, taking into account the estimated future quantities of products to be harvested, current prices of such products and the estimated costs during growth, maintenance and harvest in a future, discounted at the risk-free interest rates adjusted by risk premiums which are required in such circumstances.

Initial recognition of transactions with related parties

The International Financial Reporting Standard 9 "Financial Instruments" requires initial recognition of financial instruments based on their fair values; judgment is applied in determining if transactions are carried out at market values with interest rates when there is no active market for such transactions. The terms and conditions of the transactions with related parties are disclosed in Note 36 to our audited consolidated financial statements.

Recent IFRS pronouncements

New standards and amendments applicable January 1, 2015

The following standards and interpretations apply for the first time to financial reporting periods commencing on or after January 1, 2015. The application of these accounting standards did not have any material effects on our consolidated financial statements.

Annual Improvements to IFRSs 2010-2012 and 2011-2013 cycles. Effective date July 1, 2014.

In December 2013, the IASB has made the following amendments:

- IFRS 1 – confirms that first-time adopters can adopt standards that are not yet mandatory, but do not have to do so.
- IFRS 3 – clarifies that an obligation to pay contingent consideration is classified as financial liability or equity under the principles in IAS 32 and that all non-equity contingent consideration (financial and non-financial) is measured at fair value at each reporting date.
- IFRS 3 – clarifies that IFRS 3 does not apply to the accounting for the formation of any joint arrangement
- IFRS 8 – requires disclosure of the judgments made by management in aggregating operating segments and clarifies that a reconciliation of segment assets must only be disclosed if segment assets are reported.
- IFRS 13 confirms that short-term receivables and payables can continue to be measured at invoice amounts if the impact of discounting is immaterial.
- IFRS 13 – clarifies that the portfolio exception in IFRS 13 (measuring the fair value of a group of financial assets and financial liabilities on a net basis) applies to all contracts within the scope of IAS 39 or IFRS 9
- IAS 16 and IAS 38 – clarifies how the gross carrying amount and accumulated depreciation are treated where an entity measures its assets at revalued amounts
- IAS 24 – where an entity receives management personnel services from a third party (a management entity), the fees paid for those services must be disclosed by the reporting entity, but not the compensation paid by the management entity to its employees or directors.
- IAS 40 – clarifies that IAS 40 and IFRS 3 are not mutually exclusive when distinguishing between investment property and owner-occupied property and determining whether the acquisition of an investment property is a business combination.

Defined Benefit Plans: Employee Contributions (Amendments to IAS 19). Effective date July 1, 2014.

The amendments clarify the accounting for defined benefit plans that require employees or third parties to contribute towards the cost of the benefits. Under the previous version of IAS 19, most entities deducted the contributions from the cost of the benefits earned in the year the contributions were paid. However, the treatment under the 2011 revised standard was not so clear. It could be quite complex to apply, as it requires an estimation of the future contributions receivable and an allocation over future service periods.

Forthcoming requirements

As of April 30, 2015, the following standards and interpretations had been issued but were not mandatory for annual reporting periods ending December 31, 2015. We are currently analyzing the possible effects of these new standards and interpretations; notwithstanding, management does not expect these pronouncements to have any material effects on our consolidated financial statements.

IFRS 9 Financial Instruments and associated amendments to various other standards. Effective date January 1, 2018.

IFRS 9 replaces the multiple classification and measurement models in IAS 39 *Financial instruments: Recognition and* measurement with a single model that has initially only two classification categories: amortized cost and fair value.

Classification of debt assets will be driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A debt instrument is measured at amortized cost if: a) the objective of the business model is to hold the financial asset for the collection of the contractual cash flows, and b) the contractual cash flows under the instrument solely represent payments of principal and interest.

All other debt and equity instruments, including investments in complex debt instruments and equity investments, must be recognized at fair value.

All fair value movements on financial assets are taken through the statement of income, except for equity investments that are not held for trading, which may be recorded in the statement of income or in reserves (without subsequent recycling to profit or loss).

For financial liabilities that are measured under the fair value option entities will need to recognize the part of the fair value change that is due to changes in the their own credit risk in other comprehensive income rather than profit or loss.

The new hedge accounting rules (released in December 2013) align hedge accounting more closely with common risk management practices. As a general rule, it will be easier to apply hedge accounting going forward. The new standard also introduces expanded disclosure requirements and changes in presentation.

IFRS 15 Revenue from contracts with customers and associated amendments to various other standards. Effective date January 1, 2018.

The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts.

The new standard is based on the principle that revenue is recognized when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards.

These accounting changes may have flow-on effects on the entity's business practices regarding systems, processes and controls, compensation and bonus plans, contracts, tax planning and investor communications.

Entities will have a choice of full retrospective application, or prospective application with additional disclosures.

Accounting for Acquisitions of Interests in Joint Operations – Amendments to IFRS 11. Effective date January 1, 2016.

The amendments to IFRS 11 clarify the accounting for the acquisition of an interest in a joint operation where the activities of the operation constitute a business. They require an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a business.

Clarification of Acceptable Methods of Depreciation and Amortization – Amendments to IAS 16 and IAS 38. Effective date January 1, 2016.

The amendments clarify that a revenue-based method of depreciation or amortization is generally not appropriate.

Equity method in separate financial statements – Amendments to IAS 27. Effective date January 1, 2016.

The IASB has made amendments to IAS 27 *Separate Financial Statements* which will allow entities to use the equity method in their separate financial statements to measure investments in subsidiaries, joint ventures and associates.

Sale or contribution of assets between an investor and its associate or joint venture – Amendments to IFRS 10 and IAS 28. Effective date January 1, 2016.

The IASB has made limited scope amendments to IFRS 10 *Consolidated financial statements* and IAS 28 *Investments in associates and joint ventures*. The amendments clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures. They confirm that the accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a 'business' (as defined in IFRS 3 Business Combinations).

Agriculture: Bearer Plants – Amendments to IAS 16 and IAS 41. Effective date January 1, 2016.

IAS 41 *Agriculture* now distinguishes between bearer plants and other biological asset. Bearer plants must be accounted for as property plant and equipment and measured either at cost or revalued amounts, less accumulated depreciation and impairment losses.

A bearer plant is defined as a living plant that:

- is used in the production or supply of agricultural produce
- is expected to bear produce for more than one period, and
- has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales.

Agricultural produce growing on bearer plants remains within the scope of IAS 41 and is measured at fair value less costs to sell with changes recognized in profit or loss as the produce grows.

Annual Improvements to IFRSs 2012-2014 cycle. Effective date January 1, 2016.

The latest annual improvements clarify:

- IFRS 5 – when an asset (or disposal group) is reclassified from 'held for sale' to 'held for distribution' or vice versa, this does not constitute a change to a plan of sale or distribution and does not have to be accounted for as such
- IFRS 7 – specific guidance for transferred financial assets to help management determine whether the terms of a servicing arrangement constitute 'continuing involvement' and, therefore, whether the asset qualifies for derecognition
- IFRS 7 – that the additional disclosures relating to the offsetting of financial assets and financial liabilities only need to be included in interim reports if required by IAS 34

- IAS 19 – that when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important and not the country where they arise

- IAS 34 – what is meant by the reference in the standard to 'information disclosed elsewhere in the interim financial report' and adds a requirement to cross-reference from the interim financial statements to the location of that information.

Disclosure Initiative - Amendments to IAS 1. Effective date January 1, 2016.

The amendments to IAS 1 *Presentation of Financial Statements* are made in the context of the IASB's Disclosure Initiative, which explores how financial statement disclosures can be improved. The amendments provide clarifications on a number of issues, including: Materiality, Disaggregation and subtotals, Notes, OCI arising from investments accounted for under the equity. According to the transitional provisions, the disclosures in IAS 8 regarding the adoption of new standards/accounting policies are not required for these amendments.

Results of operations

Source of income

Banco de Bogotá generates revenue in Colombia and Central America from several sources. Our main source of income is the net interest income that we principally earn by borrowing funds from customers at certain rates and lending them to customers at higher rates.

We also derive income from trading activities as follows: (1) interest and dividends from investments in fixed income and equity securities; (2) investment gains from fixed income, equity and derivative positions; and (3) the spread on derivative transactions entered into by us to hedge market risk exposure.

In addition, we earn fee and commission income from the different banking and financial services our subsidiaries provide, including fiduciary services, leasing services, payment and collection services, credit and debit cards, and insurance.

Banco de Bogotá also earns income from the activities of Porvenir, one of the largest pension and severance fund managers in Colombia, which derives its revenue mainly from customers' fee-based contributions for pension management, and Corficolombiana, our merchant bank, which generates revenues mainly from its equity and fixed income portfolios, as well as from gains on merchant banking investments, investment banking fees and treasury operations. Porvenir and Corficolombiana are controlled by us.

Results of operations for the year ended December 31, 2015 compared to the year ended December 31, 2014

Banco de Bogotá

Overview

Banco de Bogotá's net income attributable to controlling interest for the year ended December 31, 2015 increased by 22.1%, or Ps 342.3 billion, to Ps 1,894.0 billion compared to the year ended December 31, 2014. The increase is explained by a 25.8% or Ps 1,024.8 billion increase in net interest income, a 23.1% or Ps 591.3 billion increase in net income from commissions and fees and a 26.5% or Ps 472.9 billion increase in other income (expense). These increases were partially offset by a 30.7% or Ps 1,240.8 billion increase in other expenses, a 26.7% or Ps 264.1 billion increase in net impairment loss on financial assets, a 42.2% or Ps 113.5 billion decrease in net trading income and a 6.2% or Ps 80.4 billion increase in income tax expense. During 2015 the wealth tax affected the income statement through the administrative and other expenses line by Ps 211.2 billion (see "Supervision and Regulation—Tax reforms"). In absence of the wealth tax, net income before tax expense would have been Ps 4,228.7 billion (Ps 681.8 billion higher than that of 2014). Excluding the effect of the depreciation of the Colombian peso against the U.S. dollar, net income attributable to controlling interest from our operations would have decreased.

Net income attributable to controlling interest, excluding LB Panama's operations increased by 16.8% or Ps 152.6 billion to Ps 1,059.0 billion for the year ended December 31, 2015 as compared to the year ended December 31, 2014.

The following discussion describes the principal drivers of Banco de Bogotá's consolidated results of operations for the year ended December 31, 2015 compared to the year ended December 31, 2014. Further detail is provided in the discussion of the results of operations for LB Panama, Porvenir and Corficolombiana.

	Banco de Bogotá Consolidated			
	Year ended December 31,		Change December 2015 vs December 2014	
	2015	2014	#	%
	(in Ps billions)			
Interest income	8,783.3	6,800.1	1,983.3	29.2
Interest expense	(3,788.7)	(2,830.2)	(958.5)	33.9
Net interest income	**4,994.6**	**3,969.8**	**1,024.8**	**25.8**
Impairment loss on loans and accounts receivable, net	(1,331.8)	(1,056.2)	(275.6)	26.1
Impairment loss on other financial assets, net	(20.9)	(12.0)	(8.9)	74.1
Recovery of charged-off asset	100.4	80.1	20.4	25.4
Net impairment loss on financial assets	**(1,252.2)**	**(988.1)**	**(264.1)**	**26.7**
Net income from commissions and fees	3,146.6	2,555.2	591.3	23.1
Net trading income	155.6	269.1	(113.5)	(42.2)
Total other income (expense)	2,254.6	1,781.7	472.9	26.5
Total other expenses	(5,281.6)	(4,040.8)	(1,240.8)	30.7
Income before income tax expense	**4,017.6**	**3,546.9**	**470.7**	**13.3**
Income tax expense	(1,378.5)	(1,298.2)	(80.4)	6.2
Net Income	**2,639.0**	**2,248.7**	**390.3**	**17.4**
Net income attributable to:				
Controlling interest	1,894.0	1,551.7	342.3	22.1
Non-controlling interest	745.1	697.0	48.0	6.9

Net interest income

	Year ended December 31,		Change, 2015 vs. 2014	
	2015	2014	#	%
	(in Ps billions)			
Interest income:				
Commercial loans and leases	3,678.7	2,833.9	844.8	29.8
Consumer loans and leases	3,599.5	2,717.3	882.2	32.5
Mortgage loans and leases	676.8	462.8	214.0	46.2
Microcredit loans and leases	104.8	100.7	4.1	4.1
Interbank and overnight funds	140.6	196.7	(56.1)	(28.5)
Interest on loans and leases	8,200.4	6,311.4	1,889.0	29.9
Interest on investment in debt securities	582.9	488.7	94.2	19.3
Total interest income	**8,783.3**	**6,800.1**	**1,983.3**	**29.2**
Interest expense:				
Checking accounts	(166.8)	(149.3)	(17.5)	11.7
Time deposits	(1,618.5)	(1,172.0)	(446.5)	38.1
Savings deposits	(710.2)	(585.2)	(125.0)	21.4
Total interest expense on deposits	**(2,495.5)**	**(1,906.5)**	**(589.0)**	**30.9**
Borrowings from banks and others	(497.1)	(371.7)	(125.4)	33.7
Interbank and overnight funds (expenses)	(243.8)	(147.4)	(96.5)	65.5
Long-term debt (bonds)	(460.7)	(336.9)	(123.7)	36.7
Borrowings from development entities	(91.6)	(67.8)	(23.9)	35.3
Total interest expense	**(3,788.7)**	**(2,830.2)**	**(958.5)**	**33.9**
Net interest income	**4,994.6**	**3,969.8**	**1,024.8**	**25.8**

Banco de Bogotá's net interest income increased by 25.8% or Ps 1,024.8 billion to Ps 4,994.6 billion in 2015 as compared to 2014. The increase in net interest income was mainly due to a 29.2% or Ps 1,983.3 billion increase in interest income, partially offset by a 33.9% or Ps 958.5 billion increase in interest expense. Of the Ps 1,024.8 billion increase in net interest income, Ps 194.7 billion are explained by Colombian operations and Ps 830.0 billion by Central American operations, when translated to pesos. Net interest income for our Central American operations, excluding the effect of the depreciation of the Colombian peso against the U.S. dollar, increased by 9.0% or Ps 216.3 billion for the year ended December 31, 2015.

The 31.8% or Ps 1,945.1 billion increase in interest income from loans and leases (excluding interest from interbank and overnight funds) for Banco de Bogotá's consolidated operation in 2015 as compared to 2014 was a result of a 24.7% or Ps 16,367.2 billion increase in the average balance of loans and leases to Ps 82,644.7 billion driven by a combination of organic growth in Colombia and in Central America and the impact of the depreciation of the Colombian peso against the U.S. dollar. The increase in the average balance resulted in a Ps 1,657.6 billion increase in interest income and a 53 basis points increase in the average yield on loans and leases (excluding interbank and overnight funds) from 9.2% in 2014 to 9.8% in 2015 resulted in an additional Ps 287.5 billion increase in interest income.

Banco de Bogotá's consolidated interest income from investments in debt securities (which includes available for sale and held-to-maturity fixed income securities) increased by 19.3% or Ps 94.2 billion and it was mainly a result of a 12.4% or Ps 1,350.6 billion increase in the average balance of investments that resulted in a Ps 61.8 billion increase in interest income. In addition, there was a 28 basis points increase in the average yield of investment securities from 4.5% in 2014 to 4.7% in 2015, which resulted in a Ps 32.4 billion increase in interest income from investment securities.

Total interest income for Banco de Bogotá's Colombian operations increased by 17.7% or Ps 729.3 billion to Ps 4,838.8 billion in 2015, driven by an increase of Ps 626.4 billion in interest income from loans and leases (including interest from interbank and overnight funds), and a Ps 102.9 billion increase in interest on investments in debt securities.

Interest income from loans and leases (excluding interest from interbank and overnight funds) for Banco de Bogotá's Colombian operations increased by 19.0% or Ps 697.2 billion. The increase reflects a 14.3% or Ps 6,003.6 billion increase in average balance of loans and leases (excluding interbank and overnight funds), which resulted in a Ps 552.2 billion increase in interest income. In addition, there was an increase of 36 basis points in the average yield on loans and leases from 8.7% in 2014 to 9.1% in 2015, which resulted in a Ps 145.0 billion increase in interest income. The increase in Banco de Bogotá's average yield on loans and leases reflects an increasing rate environment in Colombia where the average DTF went from 4.1% in 2014 to 4.6% in 2015.

The Ps 697.2 billion increase in interest income from loans and leases (excluding interest from interbank and overnight funds) for Banco de Bogota's Colombian operations is mainly explained by a 24.9% or Ps 551.6 billion increase in interest income from commercial loans and leases (excluding interest from interbank and overnight funds). The increase in interest income from commercial loans and leases is explained by a 13.4% or Ps 4,369.8 billion increase in the average balance of commercial loans and leases, which resulted in a Ps 326.7 billion increase in interest income. In addition, there was a 69 basis points increase in average yield, which resulted in a Ps 224.8 billion increase in interest income. On the other hand, interest income from interbank and overnight funds for Banco de Bogotá's Colombian operations decreased by 43.7% or Ps 70.8 billion to Ps 91.1 billion.

Interest income on investments in debt securities for Banco de Bogotá's Colombian operations increased by 36.9% or Ps 102.9 billion. The increase is explained by a 90 basis points increase in the average yield on investments from 3.9% in 2014 to 4.8% in 2015, which resulted in a Ps 66.0 billion increase in interest income. In addition, there was an 11.4% or Ps 812.7 billion increase in the average balance of investment securities from Ps 7,129.3 in 2014 to Ps 7,942.0 billion in 2015, which resulted in a Ps 36.9 billion increase in interest income.

When translated into pesos, total interest income for the Central American operations increased by 46.6% or Ps 1,254.0 billion, driven by an increase of Ps 1,262.7 billion in interest income from loans and leases (including interest from interbank and overnight funds), and a Ps 8.7 billion decrease in interest on investment securities.

Interest income from loans and leases (excluding interest from interbank and overnight funds) for Banco de Bogotá's Central American operations increased by 51.0% or Ps 1,247.9 billion. The increase was mainly explained by a 42.7% or Ps 10,363.6 billion increase in average balance of loans and leases, which resulted in a Ps 1,105.3 billion increase in interest income. Excluding the effects of the depreciation of the Colombian peso against the U.S. dollar, average loans and leases would have increased 10.8%. In addition, there was a 59 basis points increase in the average yield on loans and leases from 10.1% in 2014 to 10.7% in 2015, which resulted in a Ps 142.6 billion increase in interest income. Excluding the effect of peso devaluation, interest income from loans and leases (excluding interest from interbank and overnight funds) would have grown 9.9% and the average yield on loans and leases (excluding interbank and overnight funds) would have decreased 8 basis points to 9.46% in 2015. For an analysis of the evolution of the Central American average yield on interest earning assets excluding the impact of the depreciation of the Colombian peso against the U.S. dollar, see the LB Panama discussion ("—Banco de Bogotá subsidiary analysis—LB Panama—Net interest income").

Interest income from investment in debt securities for Banco de Bogotá's Central American operation decreased by 4.1%, or Ps 8.7 billion, to Ps 201.3 billion for the year ended December 31, 2015, as the result of a decrease in the average yield, from 5.5% for 2014 to 4.6% for 2015, resulting in a Ps 33.6 billion decrease in interest income. Partially offsetting this was a 14.2% or Ps 537.9 billion increase in average balance of investment in debt securities from Ps 3,797.2 billion in 2014 to Ps 4,335.1 billion in 2015, which resulted in a 25.0 billion increase in interest income.

The 33.9% or Ps 958.5 billion increase in total interest expense for Banco de Bogotá's consolidated operation is explained by a 23.9% or Ps 19,865.6 billion increase in the average balance of total interest-bearing liabilities from Ps 83,118.9 billion in 2014 to Ps 102,984.5 billion in 2015 that resulted in a Ps 615.3 billion increase in interest expense, and by an increase of 27 basis points in the average cost of funding, from 3.4% in 2014 to 3.7% in 2015, which resulted in an additional Ps 343.2 increase in interest expense. Total interest expense for Banco de Bogotá's interest-bearing deposits increased by 30.9% or Ps 589.0 billion to 2,495.5 billion in 2015, mainly driven by a 21.2% or Ps 12,844.4 billion increase in the average balance of interest-bearing deposits, from Ps 60,513.1 billion in 2014 to Ps 73,357.5 billion in 2015, which resulted in a Ps 351.6 billion increase in interest expense. In addition, a 25 basis points increase in the average cost of funds, from 3.2% in 2014 to 3.4% in 2015 generated a Ps 237.4 billion increase in interest expense.

Total interest expense for Banco de Bogotá's Colombian operations increased 27.8% or Ps 534.5 billion, driven by a 16.9% or Ps 8,764.6 billion increase in the average balance of total interest-bearing liabilities to Ps 60,532.3 billion resulting in a Ps 266.9 billion increase in interest expense, and a 35 basis points increase in the average cost of funding from 3.7% in 2014 to 4.1% in 2015, consistent with the increasing rate environment in Colombia, which resulted in a Ps 267.7 billion increase in interest expense.

When translated into pesos, total interest expense for Central American operations increased by 46.7% or Ps 424.0 billion, explained by a 35.4% or Ps 11,101.1 billion increase in the average balance of total interest-bearing liabilities that resulted in a Ps 348.4 billion increase in interest expense. Also contributing to the increase in interest expense was a 24 basis points increase in the average cost of funding from 2.9% to 3.1% that resulted in a Ps 75.5 billion increase in interest expense. The increase in the average balance of Central American total interest-bearing liabilities was driven by impact of the depreciation of the Colombian peso against the U.S. dollar and, to a lesser extent, organic growth. Excluding the effect of peso devaluation interest expense from interest-bearing liabilities would have grown 6.9% and the average rate paid on interest-bearing liabilities would have decreased by 2 basis points from 2.80% in 2014 to 2.78% in 2015. For an analysis of the evolution of the Central American average balance of interest-bearing liabilities and its costs excluding the impact of the depreciation of the Colombian peso against the U.S. dollar, see the LB Panama discussion ("—Banco de Bogotá subsidiary analysis—LB Panama—Net interest income").

Average total interest-earning assets (calculated as (i) gross loans including interbank and overnight funds, and (ii) available for sale and held-to-maturity fixed income investments) for Banco de Bogotá's Colombian operation increased by 15.1%, or Ps 7,524.6 billion, to Ps 57,309.4 billion for the year ended December 31, 2015, while net interest income grew by 8.9% to Ps 2,382.5 billion. The above resulted in a 24 basis points reduction in net interest margin (calculated as previously described) from 4.4% in 2014 to 4.2% in 2015. The spread between the yield earned on loans and leases (excluding interbank and overnight funds) and the rate paid on deposits remained basically unchanged at 5.2%.

Average total interest-earning assets (calculated as (i) gross loans including interbank and overnight funds, and (ii) available for sale and held-to-maturity fixed income investments) for Banco de Bogotá's Central American operation increased by 38.2%, or Ps 11,083.2 billion, to Ps 40,120.2 billion for the year ended December 31, 2015, while net interest income grew by 46.6% to Ps 2,612.1 billion. The above resulted in a 37 basis points increase in net interest margin (calculated as previously described) from 6.1% in 2014 to 6.5% in 2015. The spread between the yield earned on loans and leases (excluding interbank and overnight funds) and the rate paid on deposits increased 40 basis points from 7.5% in 2014 to 7.9% in 2015. For an analysis of the evolution of the Central American net interest margin, excluding the impact of the depreciation of the Colombian peso against the U.S. dollar, see the LB Panama discussion ("—Banco de Bogotá subsidiary analysis—LB Panama—Net interest income").

Banco de Bogotá's consolidated operation's average total interest-earning assets (calculated as (i) gross loans including interbank and overnight funds, and (ii) available for sale and held-to-maturity fixed income investments) increased by 23.6%, or Ps 18,607.8 billion, to Ps 97,429.6 billion in 2015 and the net interest income increased by 25.8%, or Ps 1,024.8 billion to Ps 4,994.6 billion in 2015, which resulted in a 9 basis points increase in the net interest margin from 5.0% in 2014 to 5.1% in 2015. The spread between the yield earned on loans and leases and the rate paid on deposits increased 28 basis points from 6.1% in 2014 to 6.4% in 2015. These results are mainly explained by the Central American operation's increase in the yield of interest-earning assets that was partly offset by an increase in rates paid on interest-bearing liabilities.

Impairment loss on financial assets

	Year ended December 31,		Change, 2015 vs. 2014	
	2015	2014	#	%
	Total Income/Expense	Total Income/Expense		
	(in Ps billions)			
Impairment loss on financial assets:				
Impairment loss on loans and leases, net	(1,264.5)	(989.5)	(275.0)	27.8
Impairment loss on accrued interest and other receivables, net	(67.3)	(66.7)	(0.5)	0.8
Impairment loss on investments in debt and equity securities	0.4	(0.5)	0.9	(184.3)
Impairment loss on foreclosed assets	(21.3)	(11.5)	(9.8)	85.2
Recovery of charged-off assets	100.4	80.1	20.4	25.4
Recovery of impairment loss on investments in debt and equity securities	0.0	0.0	0.0	N.A.
Recovery of impairment loss on foreclosed assets	0.0	0.0	0.0	N.A.
Net impairment loss on financial assets	**(1,252.2)**	**(988.1)**	**(264.1)**	**26.7**

	Year ended December 31,				Change, 2015 vs. 2014	
	2015		2014			
	Loans at least 31 days past due	Delinquency Ratio(1)	Loans at least 31 days past due	Delinquency Ratio(1)	Loans at least 31 days past due	Delinquency Ratio
					#	%
	(in Ps billions)					
Colombian Operations:						
Commercial loans and leases	806	2.0%	663	1.9%	144	0.1%
Consumer loans and leases	470	5.0%	451	5.4%	20	(0.3%)
Mortgage loans and leases	35	1.8%	16	1.1%	20	0.7%
Microcredit loans and leases	44	11.4%	44	12.6%	0	(1.1%)
Total Colombian Operations	**1,356**	**2.7%**	**1,173**	**2.6%**	**183**	**0.0%**
Central American Operations:						
Commercial loans and leases	145	0.8%	164	1.4%	(19)	(0.6%)
Consumer loans and leases	544	3.6%	377	3.8%	167	(0.2%)
Mortgage loans and leases	206	2.4%	179	2.9%	27	(0.5%)
Microcredit loans and leases	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Total Central American Operations	**896**	**2.2%**	**720**	**2.6%**	**175**	**(0.4%)**
Total loans and leases	**2,252**	**2.4%**	**1,894**	**2.6%**	**358**	**(0.2%)**

(1) Calculated as 31 days past due loans divided by total gross loans and leases (excluding interbank and overnight funds)

Net impairment loss on financial assets for Banco de Bogotá's consolidated operations increased by 26.7% or Ps 264.1 billion in 2015 as compared to 2014, driven primarily by a 27.8% or Ps 275.0 billion increase in impairment loss on loans and leases, net and a Ps 9.8 billion increase in impairment loss on foreclosed assets. These increases were partially offset by a Ps 20.4 billion increase in recoveries of charged-off assets.

The increase in net impairment loss on loans and leases was driven by (i) an increase in the balance of loans and leases of 27.1% which was partially impacted by the devaluation of the currency, (ii) lower recoveries of impairment losses on loans and leases in Banco de Bogotá's Central American operations, and (iii) a slight deterioration in credit quality as Colombia's operations delinquency ratio (measured as loans 31 days past due as a percentage of total gross loans excluding interbank and overnight funds) increased by 4 basis points. The ratio of net impairment loss on loans and leases to average loans and leases remained basically unchanged at 1.6%, both for 2014 and 2015.

Net impairment loss on financial assets for Banco de Bogotá's Colombian operations increased by 8.2% or Ps 54.6 billion from 668.2 billion in 2014 to Ps 722.8 billion in 2015, mainly explained by a 10.2% or Ps 69.0 billion increase in impairment loss on loans and leases and a Ps 10.2 billion increase in impairment loss on foreclosed assets that were partially offset by a Ps 24.2 billion increase in recoveries of charged-off assets. Delinquency ratios in Colombia presented a 4 basis points deterioration due mainly to a 72 basis points deterioration in delinquency on mortgage loans that was partly offset by a 33 basis points improvement in delinquency on consumer loans.

When translated into pesos, net impairment loss on financial assets for the Central American operations mainly increased by 65.5% or 209.5 billion to 529.4 billion in 2015. The increase is mainly explained by a Ps 206.0 billion increase in impairment loss on loans and leases. Excluding the effect of peso devaluation, net impairment loss on financial assets would have grown 19.0% or Ps 84.4 billion. For an analysis of the evolution of the Central American net impairment loss on financial assets, excluding the impact of the depreciation of the Colombian peso against the U.S. dollar, see the LB Panama discussion ("—Banco de Bogotá subsidiary analysis—LB Panama—Impairment").

Write-offs for Banco de Bogotá's consolidated operations increased by 22.5% or Ps 194.1 billion to Ps 1,057.0 billion in 2015 as compared to 2014, and its ratio of Write-offs to average balance of loans and leases (excluding interbank and overnight funds) ratio remained stable at 1.3% for both 2014 and 2015.

Banco de Bogotá's consolidated coverage ratio for loans 31 days past due was 94.8% in 2015, with a ratio of 118.4% for its Colombian operations and 59.0% for its Central American operations.

The recovery of charged-off assets increased by 25.4% or Ps 20.4 billion, driven by increases of Ps 24.2 billion in the recoveries of Banco de Bogotá's Colombian operations, that were offset by a decrease of Ps 3.9 billion in recoveries from the Central American operation.

Net income from commissions and fees

	Year ended December 31,		Change, 2015 vs. 2014	
	2015	2014	#	%
	(in Ps billions)			
Income from commissions and fees:				
Banking fees	2,425.6	1,781.5	644.1	36.2
Bonded warehouse services	112.4	132.2	(19.8)	(14.9)
Trust activities	167.6	157.9	9.7	6.1
Pension and severance fund management	786.0	757.0	29.1	3.8
Total income from commissions and fees	**3,491.6**	**2,828.5**	**663.1**	**23.4**
Expenses for commissions and fees	(345.0)	(273.3)	(71.8)	26.3
Net income from commissions and fees	**3,146.6**	**2,555.2**	**591.3**	**23.1**

Net income from commissions and fees for Banco de Bogotá's consolidated operation increased by 23.1% or Ps 591.3 billion in 2015 as compared to 2014, with Ps 46.4 billion resulting from Colombian operations and Ps 544.9 billion resulting from Central American operations.

The Ps 46.4 billion increase resulting from Banco de Bogotá's Colombian operations, was mainly driven by a Ps 70.6 billion increase in commissions from banking fees, a Ps 19.7 billion increase in fees from pension and severance fund management ("—Banco de Bogotá subsidiary analysis—Porvenir—Net income from commissions and fees"), and an increase of Ps 9.7 billion in fees from trust activities. These increases were partially offset by a Ps 33.8 billion increase in expenses for commissions and fees and a Ps 19.8 billion decrease in fees from bonded warehouse services.

Of the Ps 544.9 billion increase resulting from Central American operations, Ps 573.5 billion are explained by an increase in banking fees and Ps 9.3 billion by increases in pension and severance fund management. These increases were partially offset by an increase of Ps 37.9 billion in expenses for commissions and fees. For an analysis of the evolution of the Central American net income from commissions and fees, excluding the impact of the depreciation of the Colombian peso against the U.S. dollar, see the LB Panama discussion ("—Banco de Bogotá subsidiary analysis—LB Panama—Net income from commissions and fees").

Net trading income

Banco de Bogotá's consolidated net trading income includes (i) net trading income from investment securities held for trading through profit or loss, that reflects the interest and gains/losses from mark-to-market valuation, in each case from equity and fixed income investment securities held for trading through profit or loss, and (ii) net trading income from derivatives, which reflects the gains/losses from mark-to-market valuation on derivatives different from that considered under hedge accounting. During 2015, Banco de Bogotá's Consolidated net trading income came in at Ps 155.6 billion, 42.2% or Ps 113.5 billion lower than the Ps 269.1 billion obtained in 2014. Of such decrease Ps 182.3 billion resulted from the Colombian operation and were partially offset by a Ps 68.8 billion increase from the Central American operation, when translated to pesos. Of the Ps 113.5 billion decrease in net trading income Ps 97.8 billion resulted from a decrease in net trading income from investment securities held for trading through profit or loss and Ps 15.6 billion resulted from a decrease in net trading income from derivatives.

Total income from valuation on trading and hedging derivatives decreased Ps 15.6 billion from a loss of Ps 21.1 billion to a loss of Ps 36.7 billion in 2015.

The Ps 97.8 billion decrease in net trading income, for Banco de Bogotá's consolidated operations, from investment securities held for trading through profit or loss was mainly driven by a reduction in the average yield which went from 7.0% in 2014 to 5.4% in 2015, resulting in a Ps 69.3 billion decrease in income. Furthermore, the average balance of Banco de Bogotá's consolidated fixed income and equity investments held for trading through profit or loss decreased by 12.9%, or Ps 532.5 billion, to Ps 3,593.4 billion, and resulted in an additional Ps 28.5 billion decrease in income.

For the Colombian operation, net trading income from investment securities held for trading through profit or loss decreased by 48.7% or Ps 162.1 billion from Ps 333.0 billion in 2014 to Ps 170.9 billion in 2015. The decrease was mainly explained by a reduction in the average yield which went from 8.8% in 2014 to 5.6% in 2015, resulting in a Ps 121.5 billion decrease in income. Furthermore, the average balance of the Colombian operations' consolidated fixed income and equity investments held for trading through profit or loss decreased by 19.2%, or Ps 727.9 billion, to Ps 3,062.9 billion, and resulted in an additional Ps 40.6 billion decrease in income.

For the Central America operation, when translated to pesos, net trading income from investment securities held for trading through profit or loss increased Ps 64.3 billion from a loss of Ps 42.8 billion in 2014 to a gain of Ps 21.5 billion in 2015. The increase was mainly explained by an increase in yield from negative 12.8% in 2014 to 4.0% in 2015, resulting in a Ps 56.4 billion increase in income. Furthermore, there was an increase in the average balance of fixed income and equity investments held for trading through profit or loss of Ps 195.3 billion, to Ps 530.5 billion that resulted in a Ps 7.9 billion increase in income.

Total income from investment securities

Banco de Bogotá's securities portfolio is classified in the following categories (i) equity and fixed income investments held for trading through profit or loss (described in this section as net trading income in investment securities held for trading through profit or loss), (ii) available for sale fixed income investments and (iii) held-to-maturity fixed income investments ((ii) and (iii) are described above in the net interest income section as interest income from investment in debt securities). Banco de Bogotá manages its investment portfolio in a comprehensive and integral manner that considers individual return of each one of these three categories and the total return of the investment securities portfolio.

Total income from investment securities for Banco de Bogotá Consolidated (comprised of income on investment in debt securities and net trading income from investment securities held for trading through profit or loss) was Ps 775.3 billion for 2015, 0.5% or Ps 3.6 billion lower than the Ps 778.9 billion for 2014. This was primarily the result of a decrease of 29 basis points in the average yield on total investment securities from 5.2% in 2014 to 4.9% in 2015, generating a Ps 43.6 billion decrease in interest income, that was partially offset by a Ps 818.1 billion increase in the average balance of total investment securities (calculated as (i) fixed income and equity investments held for trading through profit or loss, (ii) available for sale and (iii) held-to-maturity fixed income investments) from Ps 15,052.4 billion in 2014 to Ps 15,870.5 billion in 2015, resulting in a Ps 40.0 billion increase in interest income.

When including the investment securities held for trading through profit or loss, Banco de Bogotá's consolidated average total interest earning assets (calculated as (i) gross loans including interbank and overnight funds, (ii) available for sale and held-to-maturity fixed income investments, and (iii) fixed income and equity investments held for trading through profit or loss) would have increased by 21.8% or Ps 18,075.2 billion to Ps 101,023.0 billion in 2015 and the net interest income plus net trading income from investment securities held for trading through profit or loss would have increased by 21.8%, or Ps 926.9 billion to Ps 5,187.0 billion in 2015, which resulted in a net interest margin of 5.1% for both years.

Other income

	Year ended December 31,		Change, 2015 vs. 2014	
	2015	2014	#	%
	(in Ps billions)			
Foreign exchange gains (losses), net	480.4	340.2	140.3	41.2
Gains on sales of investments, net	67.1	78.1	(11.0)	(14.1)
Income from sales of non-current assets held for sale	16.6	0.0	16.6	N.A.
Equity method	204.8	107.0	97.7	91.3
Dividend income	28.6	103.5	(74.8)	(72.3)
Income from non-financial sector, net	937.4	710.1	227.3	32.0
Net income from financial instruments designated at fair value	153.1	172.9	(19.8)	(11.4)
Other	366.7	269.9	96.8	35.8
Total other income (expense)	**2,254.6**	**1,781.7**	**472.9**	**26.5**

Total other income (expense) for Banco de Bogotá's consolidated operation increased by 26.5% or Ps 472.9 billion in 2015 as compared to 2014, mainly due to a Ps 227.3 billion increase in income from the non-financial sector, a Ps 140.3 billion increase in foreign exchange gains (losses), net, a Ps 97.7 billion increase in the equity method, a Ps 16.6 billion increase in income from sales of non-current assets held for sale and a Ps 96.8 billion increase in other income (includes Ps 65.5 billion recovery of a part of 2014 CREE surcharge provision). These increases were partially offset by a Ps 74.8 billion decrease in dividend income.

The Ps 227.3 billion increase in income from non-financial sector, net, mainly reflects the net operating income of the consolidated entities of Banco de Bogotá that are different from financial institutions. For an analysis of the income from the non-financial companies of Corficolombiana, see the Corficolombiana discussion ("—Banco de Bogotá subsidiary analysis—Corficolombiana—Other income (expense)").

The above mentioned increase in income from foreign exchange gains (losses), net of Ps 140.3 billion was mainly driven by a Ps 120.5 billion increase in Banco de Bogotá's Colombian operations and a Ps 19.7 billion increase in LB Panama operation.

Of the Ps 96.8 billion increase in other income in 2015 as compared to 2014, Ps 100.9 billion are attributable to the Colombian operation, and Ps 4.1 billion are attributable to a decrease in the Central American operation.

Other expenses

	Year ended December 31,		Change, 2015 vs. 2014	
	2015	2014	#	%
	(in Ps billions)			
Losses from sales of non-current assets held for sale	(0.0)	(25.3)	25.3	(100.0)
Personnel expenses	(2,217.7)	(1,700.2)	(517.6)	30.4
Salaries and employee benefits	(2,077.4)	(1,600.0)	(477.4)	29.8
Bonus plan payments	(103.4)	(78.3)	(25.1)	32.0
Termination payments	(36.9)	(21.8)	(15.1)	69.2
Administrative and other expenses	(2,384.8)	(1,936.3)	(448.6)	23.2
Depreciation and amortization	(364.3)	(265.7)	(98.6)	37.1
Wealth tax	(211.2)	0.0	(211.2)	N.A.
Other expenses	(103.6)	(113.3)	9.8	(8.6)
Charitable and other donation expenses	(4.7)	(4.1)	(0.6)	14.3
Other	(98.9)	(109.3)	10.4	(9.5)
Total other expenses	**(5,281.6)**	**(4,040.8)**	**(1,240.8)**	**30.7**

Total other expenses for Banco de Bogotá's consolidated operation increased by Ps 1,240.8 billion, or 30.7%, in 2015 as compared to 2014, with Ps 338.2 billion explained by Colombian operations and Ps 902.6 billion explained by Central American operations, when translated to pesos.

Of the Ps 338.2 billion increase in total other expenses resulting from Colombian operations, Ps 211.2 billion are attributable to the wealth tax expense, Ps 89.0 billion to the increase in administrative and other expenses and Ps 71.3 billion to the increase in personnel expenses. Partially offsetting this increase was a Ps 25.0 billion decrease in other expenses. In absence of the wealth tax, other expenses resulting from Colombian operations would have increased by 5.5% or Ps 127.0 billion.

Of the Ps 902.6 billion increase in total other expenses resulting from Central American operations, when translated to pesos, Ps 446.3 billion are attributable to an increase personnel expenses, Ps 359.5 billion to an increase in administrative and other expenses, Ps 82.2 billion to an increase in depreciation and amortization and Ps 15.3 billion to other expenses. The increase in Central America's expenses is driven by a combination of organic growth and the impact of the depreciation of the Colombian peso against the U.S. dollar. Excluding the effect of peso devaluation total other expenses would have grown 10.9% or Ps 258.2 billion. For an analysis of the evolution of the Central American operation's other expenses excluding the impact of the depreciation of the Colombian peso against the U.S. dollar, see the LB Panama discussion ("—Banco de Bogotá subsidiary analysis—LB Panama—Other expenses").

The increase in personnel expenses is associated to a 4.3% increase in headcount, mainly in BAC Credomatic's operation, that occurred during the year to support the growth of the loan portfolio. The number of employees went from 45,453 employees in 2014 to 47,399 employees in 2015. Furthermore, there was a 24.5% increase in yearly salaries and employee benefits per employee from Ps 35.2 million in 2014 to 43.8 million in 2015. Excluding the devaluation, salaries and employee benefits would have increased 5.6%.

The consolidated efficiency ratio of Banco de Bogotá's operations (calculated as personnel and administrative and other expenses divided by net interest income, fees and other services income, net trading income and other income excluding other) deteriorated from 43.8% in 2014 to 45.2% in 2015. The ratio of personnel and administrative and other expenses as a percentage of average assets was 3.3% in 2014 and 3.4% in 2015.

The efficiency ratio for the Colombian operation improved 7 basis points from 38.2% in 2014 to 38.1% in 2015. The ratio of personnel and administrative and other expenses as a percentage of average assets improved 15 basis points from 2.7% in 2014 to 2.6% in 2015.

The efficiency ratio for the Central American operation, when translated to pesos, deteriorated 48 basis points from 54.2% in 2014 to 54.7% in 2015. The cost to average assets ratio deteriorated from 3.9% to 4.3%. For an analysis of the evolution of the Central American operation's efficiency ratio excluding the impact of the depreciation of the Colombian peso against the U.S. dollar, see the LB Panama discussion ("—Banco de Bogotá subsidiary analysis—LB Panama—Other expenses").

Income tax expense

Income tax expense for Banco de Bogotá's consolidated operation increased by 6.2%, or Ps 80.4 billion, to Ps 1,378.5 billion in 2015. Banco de Bogotá's consolidated operation effective tax rate (calculated as income tax expense divided by income before income tax expense excluding dividends and the equity method, as both are non-taxable income, and the equity tax as it is a non-deductible expense) improved from 38.9% in 2014 to 34.5% in 2015. The improvement in the effective tax rate is a consequence of the greater proportional impact of the Central American operations on our net income, as Central America's average tax rate is lower than in our Colombian operations.

Net income attributable to non-controlling interest

Net income attributable to non-controlling interest increased by 6.9%, or Ps 48.0 billion, to Ps 745.1 billion in 2015 as compared with 2014. The ratio of net income attributable non-controlling interest to net income decreased from 31.0% in 2014 to 28.2% in 2015. This decrease is explained by the fact that net income in subsidiaries in which Banco de Bogotá's holds higher stake, such as LB Panama, contributed higher net income versus the net income generated by those subsidiaries in which Banco de Bogotá holds a lower stake, such as Porvenir, Corficolombiana and Corficolombiana's investments. The ratio of net income attributable to non-controlling interest to net income for the Colombian operation decreased from 43.4% in 2014 to 41.3% in 2015, mainly attributable to Corficolombiana (see the Corficolombiana discussion ("—Banco de Bogotá subsidiary analysis—Corficolombiana").

Banco de Bogotá Subsidiary Analysis

Banco de Bogotá's results of operations are significantly affected by the results of operations of its subsidiaries, Corficolombiana, Porvenir and LB Panama. In order to fully disclose the effect of these subsidiaries on Banco de Bogotá, the following is an analysis of the results of operations of each of Corficolombiana, Porvenir and LB Panama in the year ended December 31, 2015 compared to the year ended December 31, 2014.

Corficolombiana

Net income

	For the year ended December 31,		Change December 2015 vs December 2014	
	2015	2014	#	%
		in Ps billions)		
Interest income	334.4	237.1	97.3	41.0
Interest expense	(608.0)	(483.8)	(124.2)	25.7
Net interest income	**(273.6)**	**(246.7)**	**(26.9)**	**(10.9)**
Impairment loss on loans and accounts receivable, net	(8.5)	(17.1)	8.6	(50.4)
Impairment loss on other financial assets, net	(0.0)	(0.7)	0.7	(101.0)
Recovery of charged-off assets	0.5	1.3	(0.7)	(57.8)
Net impairment loss on financial assets	**(7.9)**	**(16.5)**	**8.6**	**(52.1)**
Net income from commissions and fees	43.3	49.5	(6.2)	(12.6)
Net trading income	(131.2)	109.7	(240.9)	(219.5)
Total other income (expense)	1,628.4	1,317.0	311.5	23.7
Total other expenses	(170.4)	(158.5)	(11.9)	7.5
Income before income tax expense	**1,088.6**	**1,054.5**	**34.2**	**3.2**
Income tax expense	(330.9)	(315.1)	(15.8)	5.0
Net Income	**757.7**	**739.4**	**18.4**	**2.5**
Net income attributable to:				
Controlling interest	445.9	479.5	(33.6)	(7.0)
Non-controlling interest	311.8	259.9	52.0	20.0

Corficolombiana's net income attributable to controlling interest decreased by 7.0%, or Ps 33.6 billion to Ps 445.9 billion in 2015 as compared to 2014. In contrast, Corficolombiana's net income increased by Ps 18.4 billion, or 2.5% to Ps 757.7 billion in 2015 as compared to 2014. The reason why net income increased and net income attributable to controlling interest decreased is because investments in which Corficolombiana has a lower controlling ownership performed better than those in which it has a higher controlling stake. The most significant driver of the increase in net income was an increase in other income (expense) by Ps 311.5 billion mainly from higher income from non-financial sector, net.

Partially offsetting such results were (i) a Ps 240.9 billion decrease in Corficolombiana's net trading income, (ii) a Ps 26.9 billion decrease in net interest income (which includes the interest expenses from non-financial subsidiaries), (iii) a Ps 11.9 billion increase in other expenses mainly due to the payment of the wealth tax (Ps 33.0 billion) (See "Supervision and Regulation – Tax reforms"), and (iv) a Ps 15.8 billion increase in income tax expense driven by the CREE surcharge of 5 percentage points, as per the tax reform of December 2014.

Net interest income

	Year ended December 31,		Change, 2015 vs. 2014	
	2015	2014	#	%
	(in Ps billions)			
Interest income:				
Commercial loans and leases	103.5	91.3	12.2	13.4
Consumer loans and leases	0.1	0.1	0.0	(31.9)
Mortgage loans and leases	0.0	0.0	0.0	N.A.
Microcredit loans and leases	0.0	0.0	0.0	N.A.
Interbank and overnight funds	80.1	118.6	(38.5)	(32.4)
Interest on loans and leases	183.7	210.0	(26.3)	(12.5)
Interest on investments in debt securities	150.7	27.1	123.6	456.2
Total interest income	**334.4**	**237.1**	**97.3**	**41.0**
Interest expense:				
Checking accounts	(0.0)	(0.5)	0.5	(99.7)
Time deposits	(172.0)	(152.3)	(19.6)	12.9
Savings deposits	(24.9)	(24.9)	0.0	(0.1)
Total interest expense on deposits	**(196.9)**	**(177.7)**	**(19.1)**	**10.8**
Borrowings from banks and others	(68.1)	(62.5)	(5.6)	8.9
Interbank and overnight funds (expenses)	(133.7)	(90.7)	(43.1)	47.5
Long-term debt (bonds)	(202.7)	(146.7)	(56.0)	38.1
Borrowings from development entities	(6.6)	(6.1)	(0.5)	8.5
Total interest expense	**(608.0)**	**(483.8)**	**(124.2)**	**25.7**
Net interest income	**(273.6)**	**(246.7)**	**(26.9)**	**10.9**

Corficolombiana's net interest income recorded a Ps 273.6 billion loss in 2015 and a Ps 246.7 billion loss in 2014. The loss in net interest income is partially explained by the fact that Corficolombiana's consolidated non-financial subsidiaries interest income and interest expense are included in Corficolombiana's net interest income, while their operating income is included in other income (expense) as income from the non-financial sector, net. Aggregated interest expense from non-financial subsidiaries was Ps 288.2 billion in 2015 and Ps 218.4 billion in 2014, while aggregated interest income was Ps 52.5 billion in 2015 and Ps 109.8 billion in 2014. In absence of the interest income and expense from non-financial subsidiaries, net interest income would have been a Ps 138.0 billion loss in 2014 and Ps 37.9 billion loss in 2015.

The decrease in net interest income by Ps 26.9 billion, is mainly explained by a Ps 124.2 billion increase in interest expense, and a Ps 38.5 billion decrease in interest on interbank and overnight funds. Partially offsetting these decreases was a Ps 123.6 billion increase in interest on investments in debt securities and a Ps 12.2 billion increase in interest income on commercial loans and leases.

The increase in total interest expenses by Ps 124.2 billion to Ps 608.0 billion in 2015 as compared to 2014, was mainly driven by an increase in average rate paid on funding from 5.4 % in 2014 to 6.1% in 2015, which resulted in a Ps 68.0 billion increase in interest expense. In addition, the average balance of interest-bearing liabilities increased by 10.2% or Ps 916.9 billion to Ps 9,914.6 billion in 2015 as compared to 2014, which resulted in a Ps 56.2 billion increase in interest expense.

The Ps 124.2 billion increase in interest expenses reflected (i) a Ps 69.8 billion increase the aggregated interest expense from non-financial subsidiaries and (ii) a Ps 54.4 billion increase in the interest expense of financial subsidiaries.

The Ps 69.8 billion increase in interest expense from non-financial subsidiaries was mainly due to an increase in the average paid rate from 6.1% in 2014 to 7.3% in 2015, which resulted in a Ps 41.9 billion increase in interest expense. In addition, the average balance of non-financial subsidiaries increased by 10.7%, or Ps 381.1 billion, to Ps 3,946.6 billion in 2015 as compared to 2014, which resulted in a Ps 27.8 billion increase in interest expense. These increases are associated with a higher interest rate environment in Colombia (higher DTF and inflation in 2015 as compared to 2014), and longer duration of the funding of new infrastructure projects mainly through Promigas and its subsidiaries.

The increase in interest expense on long term debt by Ps 56.0 billion came from non-financial subsidiaries and was caused in part by a Ps 288.2 billion increase in debt associated with the needs of working capital to fund the aforementioned new infrastructure projects.

The Ps 54.4 billion increase in interest expenses from financial subsidiaries was mainly due to an increase in the average balance of 9.9%, or Ps 535.9 billion to Ps 5,968.0 billion in 2015 as compared to 2014, which resulted in a Ps 28.7 billion increase in interest expense. Contributing to this result was an increase in the average paid rate from 4.9% in 2014 to 5.4% in 2015, which resulted in a Ps 25.7 billion increase in interest expense.

Interest expense on interbank and overnight funds increased by Ps 43.1 billion. This increase is attributable to Corficolombiana's financial subsidiaries.

Interest earned on interbank and overnight funds decreased by Ps 38.5 billion from Ps 118.6 billion in 2014 to Ps 80.1 billion in 2015.

The aforementioned decreases were partially offset by (i) a Ps 123.6 billion increase in interest on investments in debt securities and (ii) a Ps 12.2 billion increase in interest income on commercial loans and leases.

The increase in interest income on investment in debt securities of Ps 123.6 billion was driven by Corficolombiana's decision to increase its exposure to fixed income during 2015 after reducing it during 2014. Corficolombiana's balances of fixed income investments, classified as available for sale and held to maturity, at December 31, 2014 and 2015 were Ps 1,690.0 billion and Ps 2,977.3 billion, respectively.

The increase in interest on commercial loans and leases of Ps 12.2 billion is explained by a higher average balance of Ps 116.3 billion from Ps 823.0 billion in 2014 to Ps 939.3 billion in 2015, which resulted in a Ps 12.8 billion increase in interest income. This increase was partially offset by a slight decrease in the average yield from 11.1% in 2014 to 11.0% in 2015, which resulted in a Ps 0.6 decrease in interest income.

Impairment loss on financial assets

Corficolombiana's net impairment loss on financial assets decreased by Ps 8.6 billion to 7.9 billion in 2015 from Ps 16.5 in 2014. This decrease was mainly driven by a Ps 5.0 billion recovery from loans and leases in Leasing Corficolombiana in 2015.

Net income from commissions and fees

	Year ended December 31,		Change, 2015 vs. 2014	
	2015	2014	#	%
	(in Ps billions)			
Income from commissions and fees				
Banking fees	20.4	20.1	0.4	1.8
Bonded warehouse services	0.0	0.0	0.0	N.A.
Trust activities	40.9	38.0	2.9	7.5
Pension and severance fund management	0.0	0.0	0.0	N.A.
Income from commissions and fees	**61.3**	**58.1**	**3.2**	**5.5**
Expenses for commissions and fees	(18.0)	(8.6)	(9.4)	109.8
Net income from commissions and fees	**43.3**	**49.5**	**(6.2)**	**(12.6)**

Net income from commissions and fees decreased by Ps 6.2 billion, or 12.6% to Ps 43.3 billion in 2015 as compared to Ps 49.5 billion in 2014. This decrease is mainly attributable to a Ps 9.4 billion increase in expenses for commissions and fees partially offset by a Ps 3.2 billion increase in income from commissions and fees.

The increase in expenses for commissions and fees of Ps 9.4 billion is mainly explained by an increase in banking fees paid for the structuring and financing of investment projects.

The increase in income from commissions and fees of Ps 3.2 billion is explained by an increase of Ps 2.9 billion in income on fees from trust activities due to a better performance at Fiduciaria Corficolombiana, which increased its fee income from Ps 38.0 billion in 2014 to Ps 40.9 billion in 2015.

Net trading income

Corficolombiana's net trading income includes (i) net trading income from investment securities held for trading through profit or loss, that reflects the interest and gains/losses from mark-to-market valuation, in each case from equity and fixed income investment securities held for trading through profit or loss, and (ii) net trading income from derivatives, which reflects the gains/losses from mark-to-market valuation on derivatives different from that considered under hedge accounting. Total net trading income decreased by Ps 240.9 billion from Ps 109.7 billion in 2014 to a loss of Ps 131.2 billion in 2015, driven by a Ps 166.0 billion decrease in net trading income from investment securities held for trading through profit or loss and a Ps 74.9 billion decrease in net trading income from derivatives.

Net trading income from derivatives decreased Ps 74.9 billion from a loss of Ps 94.3 billion in 2014 to a loss of Ps 169.2 billion in 2015.

Corficolombiana's net trading income from investment securities held for trading through profit or loss came to Ps 38.0 billion during 2015, 81.4% or Ps 166.0 billion lower than the Ps 204.1 billion during 2014. The Ps 166.0 billion decrease in net trading income is explained by (i) a Ps 160.0 billion decrease in income from fixed income held for trading portfolio, and (ii) a Ps 6.0 billion decrease in income from equity investment securities held for trading through profit or loss.

The decrease in the net trading income from investment securities held for trading through profit or loss of Ps 166.0 billion was mainly driven by a decrease in yield from 12.9% in 2014 to 3.5% in 2015, which resulted in a decrease in income of Ps 148.9 billion. In addition, the average balance of Corficolombiana's investment securities held for trading through profit or loss decreased from Ps 1,584.8 billion in 2014 to Ps 1,092.6 billion in 2015, resulted in a Ps 17.1 billion decrease in net trading income.

Total income from investment securities

Corficolombiana's securities portfolio is classified in the following categories (i) equity and fixed income investments held for trading through profit or loss (described in this section as net trading income in investment securities held for trading through profit or loss), (ii) available for sale fixed income investments and (iii) held to maturity fixed income investments ((ii) and (iii) are described above in the net interest income section as interest income from investment on debt securities). Corficolombiana manages its investment portfolio in a comprehensive and integral manner that considers individual return of each one of these three categories and the total return of the investment securities portfolio.

Total income from investment securities (comprised of income on investments in debt securities and net trading income from investment securities held for trading through profit or loss) was Ps 188.7 billion for 2015, 18.4% or Ps 42.5 billion lower than the Ps 231.2 billion registered during 2014. This decrease is explained by a decrease in average balance of total investment securities (calculated as (i) fixed income and equity investments held for trading through profit or loss, (ii) available for sale fixed income investments and (iii) held to maturity fixed income investments) from Ps 3,538.0 billion in 2014 to Ps 3,426.2 billion in 2015, which resulted in a Ps 6.2 billion decrease in income. In addition there was a decrease in average yield on investment securities from 6.5% in 2014 to 5.5% in 2015, which resulted in a Ps 36.3 billion decrease in income.

Other income (expenses)

	Year ended December 31,		Change, 2015 vs. 2014	
	2015	2014	#	%
	(in Ps billions)			
Foreign exchange gains (losses), net	191.2	103.5	87.7	84.7
Gains on sales of investments, net	4.1	1.1	3.1	293.2
Income from sales of non-current assets held for sale	0.7	0.0	0.7	N.A.
Equity method	206.3	107.1	99.1	92.5
Dividend income	26.1	100.6	(74.5)	(74.1)
Income from non-financial sector, net	1,031.1	786.3	244.8	31.1
Net income from financial instruments designated at fair value	153.1	172.9	(19.8)	(11.4)
Other	15.8	45.4	(29.6)	(65.2)
Total other income (expenses)	**1,628.4**	**1,317.0**	**311.5**	**23.7**

Total other income (expenses) increased by Ps 311.5 billion, or 23.7% to Ps 1,628.4 billion in 2015 as compared to Ps 1,317.0 billion in 2014, mainly driven by a Ps 244.8 billion increase in income from non-financial sector, net due to higher operating income in some of the Corficolombiana's non-financial subsidiaries, a Ps 99.1 billion increase in income from equity method and a Ps 87.7 billion increase in foreign exchange gains (losses), net. Partially offsetting these increases was a Ps 74.5 billion decrease in dividend income, a Ps 29.6 billion decrease in other income and a Ps 19.8 billion decrease in net income from financial instruments designated at fair value (which are the concession arrangements rights).

The income from non-financial sector, net increased by Ps 244.8 billion to Ps 1,031.1 in 2015 from Ps 786.3 billion in 2014. This increase was mainly driven by a higher operating income in some of Corficolombiana's subsidiaries such as Promigas, Hoteles Estelar and Unipalma.

Income from equity method increased by Ps 99.1 billion, to Ps 206.3 billion in 2015 from Ps 107.1 billion in 2014. This increase is explained by (i) an increase of Ps 66.9 billion from Concesionaria Ruta del Sol, (ii) an increase of Ps 23.4 billion from Gases del Caribe and (iii) an increase of Ps 7.7 billion from Calidda S.A.

Income on foreign exchange gains (losses), net increased by Ps 87.7 billion to Ps 191.2 billion in 2015 from Ps 103.5 billion in 2104.

These increases were partially offset by a Ps 74.5 billion decrease in dividend income to Ps 26.1 billion in 2015 from Ps 100.6 billion in 2014. The decline in dividends reflects higher dividend payment during 2014 from investments such as the Empresa de Energía de Bogotá and Gas Natural by Ps 43.9 billion and Ps 7.4 billion, respectively.

Net income from financial instruments designated at fair value, which are the fair value of concessions arrangements with the Government through Promigas and its subsidiaries, decreased by Ps 19.8 billion to Ps 153.1 billion in 2015 as compared to 2014. This decrease is attributable to a change in the valuation discount rate that increased from 7.9% in 2014 to 8.8% in 2015.

Other income, which mainly includes income on sales of foreclosed assets, property, plant and equipment and recoveries on other expenses, decreased by Ps 29.6 billion in 2015 as compared to 2014.

Other expenses

	Year ended December 31,		Change, 2015 vs. 2014	
	2015	2014	#	%
	(in Ps billions)			
Losses from sales of non-current assets held for sale	(0.0)	(2.0)	2.0	(100.0)
Personnel expenses	(66.1)	(61.1)	(5.0)	8.3
Salaries and employee benefits	(63.6)	(58.4)	(5.2)	9.0
Bonus plan payments	(2.1)	(2.5)	0.3	(13.8)
Termination payments	(0.4)	(0.2)	(0.2)	63.3
Administrative and other expenses	(57.8)	(63.8)	6.0	(9.4)
Depreciation and amortization	(5.8)	(4.5)	(1.4)	30.4
Wealth tax	(33.0)	0.0	(33.0)	N.A.
Other expenses	(7.6)	(27.2)	19.6	(72.0)
Charitable and other donation expenses	(0.4)	(0.4)	0.0	4.3
Other	(7.2)	(26.8)	19.6	(73.1)
Total other expenses	**(170.4)**	**(158.5)**	**(11.9)**	**7.5**

Corficolombiana's total other expenses increased by Ps 11.9 billion to Ps 170.4 billion in 2015 as compared to 2014, mainly explained by the payment of the wealth tax for Ps 33.0 billion in 2015 (see "Supervision and Regulation – Tax reforms"). Contributing to this increase was an increase in personnel expenses of Ps 5.0 billion. Partially offsetting these increases, was a Ps 19.6 billion decrease in other expenses and a Ps 6.0 billion decrease in administrative and other expenses.

The Ps 5.0 billion increase in personnel expenses is explained by a Ps 5.2 billion increase in salaries and employee benefits, by a Ps 0.2 billion increase in termination payments and by a Ps 0.3 billion decrease in bonus plan payments. The 5.2 billion increase in salaries and employee benefits was mainly due to a 3.7% increase in aggregated employees from financial subsidiaries and holding company from 946 at December 31, 2014 to 981 at December 31, 2015. Yearly salaries and employee benefits per capita went from Ps 61.7 million in 2014 to Ps 64.8 million in 2015.

Partially offsetting these increases, was a Ps 19.6 billion decrease in other expenses, which includes mainly sales of property, plants and equipment, fines and penalties derived from customers claims and others.

Income tax expense

Income tax expense increased by 5.0%, to Ps 330.9 billion in 2015 from Ps 315.1 billion in 2014, Corficolombiana's effective tax rate (calculated as income tax expense divided by income before income tax expense, minus the equity method income and dividends, plus wealth tax) remained stable in 37.2% for both 2014 and 2015, as such, the increase reflected a higher taxable net income base.

Net income attributable to non-controlling interest

Net income attributable to non-controlling interest increased by 20.0%, or Ps 52.0 billion in 2015 as compared to 2014. This increase is explained mainly by the fact that subsidiaries in which Corficolombiana holds a lower ownership, such as Promigas and Unipalma, performed better than those in which holds a higher controlling stake.

Porvenir

Porvenir generates income primarily from fees on its customers' pension contributions, which consist predominantly of monthly mandatory contributions. It also generates net interest income and net trading income, composed almost entirely of investment income from the appreciation of Porvenir's proprietary trading portfolio, which can be divided into two components: (i) income from its stabilization reserve, which is the legally required proprietary stake (1% of assets under management) in its funds that are subject to a minimum return guarantee mainly mandatory pension and severance funds; and (ii) income from Porvenir's investment portfolio, which includes income from fixed income securities and money market instruments. As a result, Porvenir's revenue is mainly affected by the number of contributors, their salaries, any changes in applicable fee rates and the rate of return of its assets under management and its proprietary investment portfolio.

Net income

	Year ended December 31,		Change December 2015 vs December 2014	
	2015	2014	#	%
	(in Ps billions)			
Interest income	69.2	26.4	42.7	161.7
Interest expense	(28.1)	(20.9)	(7.2)	34.7
Net interest income	**41.0**	**5.5**	**35.5**	**640.3**
Impairment loss on loans and accounts receivable, net	(22.9)	(29.5)	6.5	(22.1)
Impairment loss on other financial assets, net	(0.0)	(0.0)	0.0	N.A.
Recovery of charged-off assets	0.0	0.0	0.0	N.A.
Net impairment loss on financial assets	**(22.9)**	**(29.5)**	**6.5**	**(22.1)**
Net income from commissions and fees	667.3	652.3	15.0	2.3
Net trading income	122.1	147.0	(25.0)	(17.0)
Total other income (expense)	(73.0)	(51.1)	(21.9)	42.8
Total other expenses	(314.8)	(289.3)	(25.5)	8.8
Income before income tax expense	**419.6**	**435.0**	**(15.4)**	**(3.5)**
Income tax expense	(165.0)	(152.3)	(12.8)	8.4
Net Income	**254.6**	**282.7**	**(28.1)**	**(10.0)**
Net income attributable to:				
Controlling interest	254.0	282.2	(28.2)	(10.0)
Non-controlling interest	0.6	0.6	0.0	4.7

Porvenir's net income attributable to controlling interest decreased by 10.0%, or Ps 28.2 billion, to Ps 254.0 billion in 2015 as compared to 2014. The most significant drivers of Porvenir's results were (i) an increase in other expenses by Ps 25.5 billion, (ii) a decrease in net trading income by Ps 25.0 billion, (iii) a decrease in other income (expense) by Ps 21.9 billion and (iv) and an increase in income tax expense by Ps 12.8 billion. These results were partially offset by (i) an increase in net interest income by Ps 35.5 billion, (ii) an increase in net income from commissions and fees by Ps 15.0 billion, and (iii) a decrease in net impairment loss on financial assets of Ps 6.5 billion. The Ps 25.5 billion increase in other expenses is mainly explained by the payment of wealth tax for Ps 14.9 billion (see "Supervision and Regulation–Tax reforms"), an expense for Ps 20.9 billion due to the yearly update in Porvenir's actuarial calculations for provisions of uncapitalized accounts ("*cuentas descapitalizadas*"), which are those accounts that show a lesser value than the amount required to fund a legal monthly minimum pension plan, partially offset by a decrease in administrative and other expenses by Ps 11.1 billion.

Net interest income

Net interest income increased by Ps 35.5 billion, to Ps 41.0 billion in 2015 as compared to 2014, mainly driven by a Ps 41.6 billion increase in interest on investments in debt securities that was partially offset by an increase in interest expense of Ps 7.2 billion in 2015.

The Ps 41.6 billion increase in interest income from investments in debt securities, from Ps 26.4 billion in 2014 to 69.2 billion in 2015, is explained by the fact that average balance of fixed income investments available for sale increased by 133.6%, or Ps 172.3 billion, from Ps 129.0 billion in 2014 to Ps 301.3 billion in 2015, which resulted in a Ps 5.6 billion increase in interest income. Porvenir's rate of return on its investment portfolio increased from 16.6% in 2014 to 20.9% in 2015, which resulted in a Ps 36.0 billion in interest income.

Total interest expense increased by Ps 7.2 billion mainly driven by the impact of the devaluation on the U.S. $186.1 million loan taken by Porvenir to fund the acquisition of AFP Horizonte in 2013.

Impairment loss on financial assets

Porvenir's net impairment loss on financial assets decreased by Ps 6.5 billion, or 22.1% from Ps 29.5 billion in 2014 to Ps 22.9 billion in 2015 mainly due to a decrease in the impairment losses on "*unidades negativas*" (negative units), which result from customers switching from another pension fund manager to Porvenir. Porvenir's impairment loss on financial assets only includes losses on accounts receivable since Porvenir does not engage in lending activities.

Net income from commissions and fees

	Year ended December 31,		Change, 2015 vs. 2014	
	2015	2014	#	%
	(in Ps billions)			
Net income from commissions and fees:				
Banking fees	0.0	0.2	(0.2)	(91.6)
Bonded warehouse services	0.0	0.0	0.0	N.A.
Trust activities	0.0	0.0	0.0	N.A.
Pension and severance fund management	763.1	739.8	23.4	3.2
Income from commissions and fees	**763.1**	**740.0**	**23.1**	**3.1**
Expenses for commissions and fees	(95.9)	(87.7)	(8.2)	9.3
Net income from commissions and fees	**667.3**	**652.3**	**15.0**	**2.3**

Net income from commissions and fees consists primarily of commissions earned on the administration of mandatory pension funds, severance funds, voluntary pension funds and third-party liability pension funds. Porvenir's total fees and other services income, net increased by Ps 15.0 billion, or 2.3%, to Ps 667.3 billion in 2015 as compared to Ps 652.3 billion in 2014.

Pension and severance fund management fees, which include fees from administration of mandatory, voluntary and third-party liability pension funds, and severance funds increased by Ps 23.4 billion to Ps 763.1 billion in 2015.

This increase was primarily driven by a Ps 13.9 billion, or 2.7%, increase in fee income from the administration of mandatory pension funds from Ps 524.5 billion in 2014 to Ps 538.4 billion in 2015. Such results are explained by an increase in the number of customers from 6.8 million as of December 31, 2014 to 7.3 million as of December 31, 2015.

Fee income from severance fund management increased by Ps 13.6 billion from Ps 113.7 billion in 2014 to Ps 127.4 billion in 2015. This increase was mainly due to an increase in the severance funds customers from 3.2 million as of December 31, 2014 to 3.6 million as of December 31, 2015.

Partially offsetting these increases, was a Ps 2.9 billion decrease in revenues received from the administration of third-party liability pension funds from Ps 11.1 billion in 2014 to Ps 8.2 billion in 2015, and a Ps 1.3 billion decrease in fee income associated with the management of voluntary pension funds and other fees from Ps 90.5 billion in 2014 to Ps 89.2 billion in 2015.

Expenses for commissions and fees increased by Ps 8.2 billion, from Ps 87.7 billion in 2014 to Ps 95.9 billion in 2015, mainly driven by a higher number of social security transactions.

Net trading income

Porvenir's net trading income includes (i) net trading income from investment securities held for trading through profit or loss, that reflects the interest and gains/losses from mark-to-market valuation, in each case from equity and fixed income investment securities held for trading through profit or loss, and (ii) net trading income from derivatives, which reflects the gains/losses from mark-to-market valuation on derivatives different from that considered under hedge accounting. Total net trading income decreased by Ps 25.0 billion from Ps 147.0 billion in 2014 to Ps 122.1 billion in 2015, driven by a Ps 55.6 billion decrease in net trading income from investment securities held for trading through profit or loss, from Ps 90.3 billion in 2014 to 34.8 billion in 2015 and a Ps 30.6 billion increase in net trading income from derivatives, from Ps 56.7 billion in 2014 to 87.3 billion in 2015.

The decrease in the net trading income from investment securities held for trading through profit or loss of Ps 55.6 billion was mainly driven by a decrease in yield from 9.3% in 2014 to 3.3% in 2015, which resulted in a decrease in income of Ps 58.3 billion. Partially offsetting this result, the average balance of Porvenir's investment securities held for trading through profit or loss increased from Ps 970.7 billion in 2014 to Ps 1,053.9 billion in 2015, resulted in a Ps 2.7 billion increase in net trading income.

Total income from investment securities

Porvenir's securities portfolio is classified in the following categories (i) equity and fixed income investments held for trading through profit or loss (described in this section as net trading income in investment securities held for trading through profit or loss), (ii) available for sale fixed income investments and (iii) held to maturity fixed income investments ((ii) and (iii) are described above in the net interest income section as interest income from investment in debt securities). Porvenir manages its investment portfolio in a comprehensive and integral manner that considers individual return of each one of these three categories and the total return of the investment securities portfolio.

Total income from investment securities (comprised of income on investment securities and net trading income from investment securities held for trading through profit or loss) was Ps 97.8 billion for 2015, 12.5% or Ps 14.0 billion lower than the Ps 111.8 billion for 2014. This result is mainly explained by a decrease in the average yield of total investment securities from 10.2% in 2014 to 7.2% in 2015, which resulted in a Ps 32.4 billion decrease in income, partially offset by a Ps 255.4 billion increase in average balance of total investment securities (calculated as (i) fixed income and equity investments held for trading through profit or loss, (ii) available for sale fixed income investments, and (iii) held to maturity fixed income investments), resulting in a Ps 18.4 billion increase in income.

Other income (expense)

Total other income (expense) decreased by Ps 21.9 billion, or 42.8%, from a loss of Ps 51.1 billion in 2014 to a loss of Ps 73.0 billion in 2015. This decrease was primarily due to a Ps 53.9 billion decrease in foreign exchange gains (losses), net from a Ps 84.3 billion loss in 2014 to Ps 138.2 billion loss in 2015. This result was partially offset by a Ps 31.2 billion increase in other income attributable to provisions recovered as a result of customers switching from one pension fund manager to another and recoveries of insurance claims and others, and a Ps 1.1 billion increase from gains on sales of investments, net.

Other expenses

	Year ended December 31,		Change, 2015 vs. 2014	
	2015	2014	#	%
	(in Ps billions)			
Losses from sales of non-current assets held for sale	(0.0)	(0.0)	0.0	N.A.
Personnel expenses	(113.8)	(109.9)	(3.9)	3.5
Salaries and employee benefits	(112.7)	(106.0)	(6.6)	6.3
Bonus plan payments	(0.7)	(3.0)	2.4	(78.3)
Termination payments	(0.4)	(0.8)	0.4	(45.6)
Administrative and other expenses	(148.3)	(159.4)	11.1	(7.0)
Depreciation and amortization	(13.9)	(10.5)	(3.4)	32.4
Wealth tax	(14.9)	—	(14.9)	N.A.
Other expenses	(24.0)	(9.5)	(14.5)	152.8
Charitable and other donation expenses	(1.3)	(0.4)	(0.9)	202.5
Other	(22.7)	(9.1)	(13.6)	150.4
Total other expenses	**(314.8)**	**(289.3)**	**(25.5)**	**8.8**

Porvenir's total other expenses increased by Ps 25.5 billion, or 8.8% to Ps 314.8 billion in 2015 as compared to 2014. This increase was mainly driven by (i) the payment of the wealth tax (Ps 14.9 billion), (ii) an increase in other expenses by Ps 14.5 billion, explained by a Ps 20.9 billion expense for the yearly update in their actuarial calculations for provisions of uncapitalized accounts ("*cuentas descapitalizadas*") and a Ps 6.4 billion decrease in other expenses, and (iii) an increase in personnel expenses by Ps 6.6 billion. Partially offsetting these increases was a Ps 11.1 billion decrease in administrative and other expenses. Porvenir's efficiency to income ratio (calculated as personnel and administrative and other expenses divided by net income, fees and other services income, other income excluding other) slightly deteriorated from 37.0% in 2014 to 37.4% in 2015.

The number of employees of Porvenir remained stable at 2,692 for both years 2014 and 2015. Yearly salaries and employee benefits per capita increased by 6.3% from Ps 39.4 million in 2014 to Ps 41.8 million in 2015.

Income tax expense

Income tax expense increased by 8.4%, or Ps 12.8 billion, to Ps 165.0 billion in 2015 as compared to 2014. Porvenir's effective tax rate (calculated as income tax expense divided by income before tax expense minus equity method minus dividends, plus wealth tax) increased from 35.0% in 2014 to 38.0% in 2015, mainly driven by the CREE surcharge of 5 percentage points, as per the tax reform of December, 2014.

Net income attributable to non-controlling interest

Net income attributable to non-controlling interest remained at Ps 0.6 billion for both years 2014 and 2015.

LB Panama

Given that LB Panama's functional currency is USD, it is important to bear in mind that its consolidated results for 2015 in Colombian Pesos reflect both the entity's performance in its functional currency and the depreciation of the Colombian peso against the U.S. dollar, which was 31.6% in the year ended December 31, 2015.

The following tables present the results of LB Panama in Colombian Pesos and also include an adjusted 2014 column in which we applied 2015 average exchange rate to adjust for the impact of the devaluation of the Colombian Peso. Furthermore, and in order to discuss the performance of the company in its functional currency, the analysis presented herein explains the trends of the line items as adjusted for the impact of the devaluation of the Colombian Peso.

Net income

	For the year ended December 31,		Change December 2015 vs December 2014		For the year ended December 31, 2014 (adjusted)*	Change December 2015 vs December 2014 *	
	2015	2014	#	%		#	%
	(in Ps billions)				(in Ps billions)		
Interest income	3,944.5	2,690.5	1,254.0	46.6	3,641.8	302.8	8.3
Interest expense	(1,332.4)	(908.4)	(424.0)	46.7	(1,246.0)	(86.4)	6.9
Net interest income	**2,612.1**	**1,782.1**	**830.0**	**46.6**	**2,395.8**	**216.3**	**9.0**
Impairment loss on loans and accounts receivable, net	(518.7)	(312.7)	(206.0)	65.9	(433.3)	(85.4)	19.7
Impairment loss on other financial assets, net	(11.7)	(12.1)	0.4	(3.6)	(17.2)	5.5	(32.2)
Recovery of charged-off assets	1.0	4.9	(3.9)	(79.7)	5.5	(4.5)	(81.9)
Net impairment loss on financial assets	**(529.4)**	**(319.9)**	**(209.5)**	**65.5**	**(445.0)**	**(84.4)**	**19.0**
Net income from commissions and fees	1,479.7	934.8	544.9	58.3	1,281.5	198.3	15.5
Net trading income	29.1	(39.8)	68.8	173.1	29.3	(0.2)	(0.7)
Total other income (expense)	259.9	259.0	0.9	0.4	345.3	(85.4)	(24.7)
Total other expenses	(2,635.8)	(1,733.1)	(902.6)	52.1	(2,377.6)	(258.2)	10.9
Income before income tax expense	**1,215.7**	**883.1**	**332.6**	**37.7**	**1,229.2**	**(13.5)**	**(1.1)**
Income tax expense	(380.8)	(237.1)	(143.8)	60.6	(328.0)	(52.8)	16.1
Net Income	**834.9**	**646.0**	**188.8**	**29.2**	**901.2**	**(66.3)**	**(7.4)**
Net income attributable to:							
Controlling interest	834.9	645.2	189.7	29.4	901.9	(67.0)	(7.4)
Non-controlling interest	(0.1)	0.8	(0.9)	(109.7)	(0.7)	0.7	(89.3)

* 2014 figures are adjusted for the impact of the devaluation of the Colombian Peso on a line by line basis

LB Panama mainly reflects our investment in BAC Credomatic. In addition to its investment in BAC Credomatic, which as of December 31, 2015, amounted to Ps 6,290.3 billion (U.S.$ 1,997.3 billion), as of the same date, LB Panama's unconsolidated balance sheet carried goodwill of Ps 4,087.2 billion (U.S.$ 1,298 million), resulting from the company's acquisition of BAC Credomatic and Banco BAC de Panama. LB Panama's unconsolidated balance sheet also includes a fixed income portfolio of Ps 1,064.3 billion (U.S.$338 million) comprised mainly of investment grade bonds issued by Latin American sovereign and corporate issuers, acquired pursuant to Banco de Bogotá's investment guidelines. As of December 31, 2015, LB Panama had Ps 2,288.4 billion (U.S.$727 million) of indebtedness, including Ps 850.4 billion (U.S.$270 million) incurred to fund a portion of our acquisition of BAC Credomatic and Ps 1,438.1 billion (U.S.$457 million) of additional indebtedness, of which Ps 747.7 billion (U.S.$237 million) is owed to Grupo Aval Limited and Ps 690.4 billion (U.S.$219 million) is owed to Deutsche Bank.

LB Panama's net income attributable to controlling interest for the year ended December 31, 2015 increased by 29.4%, or Ps 189.7 billion, to Ps 834.9 billion. Excluding the effect of the depreciation of the Colombian peso against the U.S. dollar, LB Panama's net income attributable to controlling interest for the year ended December 31, 2015 decreased by 7.4%, or Ps 67.0 billion. Despite an increase of 9.0% or Ps 216.3 billion in net interest income and a 15.5% or Ps 198.3 billion increase in net income from commissions and fees there was an 10.9% or Ps 258.2 billion increase in other expenses, a 19.0% or Ps 84.4 billion increase in net impairment loss on financial assets, a 24.7% or Ps 85.4 billion decrease in other income (expense), a 16.1% or Ps 52.8 billion increase in income tax expense and a 0.7% or Ps 0.2 billion decrease in net trading income.

Net interest income

	Year ended December 31,		Change, 2015 vs. 2014		Year ended December 31, 2014 (adjusted)*	Change, 2015 vs. 2014	
	2015	2014	#	%		#	%
	(in Ps billions)				(in Ps billions)		
Interest income:							
Commercial loans and leases	909.0	615.7	293.2	47.6	846.9	62.0	7.3
Consumer loans and leases	2,255.7	1,465.8	789.8	53.9	2,014.4	241.3	12.0
Mortgage loans and leases	529.1	364.3	164.8	45.2	500.1	29.0	5.8
Microcredit loans and leases	0.0	0.0	0.0	N.A.	0.0	0.0	N.A.
Interbank and overnight funds	49.5	34.7	14.8	42.5	47.1	2.4	5.1
Interest on loans and leases	3,743.3	2,480.6	1,262.7	50.9	3,408.5	334.8	9.8
Interest on investments in debt securities	201.3	209.9	(8.7)	(4.1)	233.3	(32.0)	(13.7)
Total interest income	**3,944.5**	**2,690.5**	**1,254.0**	**46.6**	**3,641.8**	**302.8**	**8.3**
Interest expense:							
Checking accounts	(73.6)	(47.1)	(26.5)	56.4	(64.9)	(8.7)	13.4
Time deposits	(680.7)	(467.6)	(213.0)	45.6	(641.3)	(39.3)	6.1
Savings deposits	(87.4)	(58.1)	(29.3)	50.5	(79.8)	(7.6)	9.5
Total interest expense on deposits	**(841.7)**	**(572.8)**	**(268.9)**	**46.9**	**(786.1)**	**(55.5)**	**7.1**
Borrowings from banks and others	(411.1)	(287.9)	(123.2)	42.8	(394.3)	(16.8)	4.3
Interbank and overnight funds (expenses)	(6.8)	(6.0)	(0.9)	14.5	(8.1)	1.3	(15.8)
Long-term debt (bonds)	(72.8)	(41.8)	(31.0)	74.1	(57.4)	(15.4)	26.7
Borrowings from development entities	(0.0)	(0.0)	(0.0)	N.A.	(0.0)	0.0	N.A.
Total interest expense	**(1,332.4)**	**(908.4)**	**(424.0)**	**46.7**	**(1,246.0)**	**(86.4)**	**6.9**
Net interest income	**2,612.1**	**1,782.1**	**830.0**	**46.6**	**2,395.8**	**216.3**	**9.0**

* 2014 figures are adjusted for the impact of the devaluation of the Colombian Peso on a line by line basis

LB Panama's net interest income in local currency increased by 9.0% or Ps 216.3 billion in 2015 as compared to 2014, reflecting a Ps 302.8 billion increase in total interest income offset in part by a Ps 86.4 billion increase in interest expense.

The increase in total interest income is explained by a Ps 334.8 billion increase in interest income on loans and leases including income from interbank and overnight funds and a Ps 32.0 billion decrease in income on investments in debt securities. Interest income from loans and leases and interbank and overnight funds increased by Ps 332.3 billion and Ps 2.4 billion, respectively.

The increase in interest income on loans and leases (excluding interbank and overnight funds) of Ps 332.3 billion was mainly driven by a 10.8% or Ps 3,804.3 billion increase in LB Panama's average interest-earning loan portfolio from Ps 35,237.1 billion in 2014 to Ps 39,041.4 billion in 2015, which resulted in a Ps 359.9 billion increase in income. The average rate earned on loans and leases showed a slight decline from 9.54% to 9.46%, which resulted in a Ps 27.6 billion decrease in interest income. The increase in interest earned on consumer loans and leases explains 72.6% of the total increase in interest earned on loans and leases. The increase in interest earned on consumer loans and leases of Ps 241.3 billion was mainly driven by a 13.4% or Ps 1,670.9 billion increase in LB

Panama's average interest-earning consumer loan portfolio, credit cards and personal loans particularly, from Ps 12,487.9 billion in 2014 to Ps 14,158.8 billion in 2015, which resulted in a Ps 266.2 billion increase in income. The increase was partially offset by a 20 basis points decrease in the average yield on consumer loans from 16.1% in 2014 to 15.9% in 2015, which resulted in a Ps 24.9 billion decrease in interest income.

Interest income on commercial loans increased 7.3% or Ps 62.0 billion. This increase in interest earned on commercial loans and leases was driven by a 10.7% or Ps 1,598.7 billion increase in LB Panama's average interest earning commercial loan portfolio from Ps 14,914.3 billion in 2014 to Ps 16,513.0 billion in 2015, which resulted in a Ps 88.0 billion increase in income. The increase was partially offset by a 17 basis points decrease in the average yield on commercial loans from 5.7% in 2014 to 5.5% in 2015, which resulted in a Ps 26.0 billion decrease in interest income.

Interest income on mortgage loans increased 5.8% or Ps 29.0 billion. This increase in interest earned on mortgage loans and leases was driven by a 6.8% or Ps 534.6 billion increase in LB Panama's average interest earning mortgage loan portfolio from Ps 7,835.0 billion in 2014 to Ps 8,369.6 billion in 2015, which resulted in a Ps 33.8 billion increase in income. The increase was partially offset by a 6 basis points decrease in the average yield on mortgage loans from 6.4% in 2014 to 6.3% in 2015, which resulted in a Ps 4.8 billion decrease in interest income.

Income from interbank and overnight funds increased by 5.1%, or Ps 2.4 billion, from Ps 47.1 billion in 2014 to Ps 49.5 billion in 2015.

The Ps 32.0 billion decrease to Ps 201.3 billion in 2015 in income on investments in debt securities is mainly explained by a 9.4% or Ps 520.4 billion decrease in the average balance of investments (includes fixed income available for sale and held-to-maturity) from Ps 5,529.2 billion in 2014 to Ps 5,008.8 billion in 2015, which resulted in Ps 20.9 billion decrease in interest income on investments in debt securities. In addition, there was a 20 basis points decrease in the average yield of investments from 4.2% in 2014 to 4.0% in 2015, which resulted in a Ps 11.1 billion additional decrease in interest income.

Total interest expense increased by 6.9% or Ps 86.4 billion in 2015 as compared to 2014, mainly driven by a 7.8% or Ps 3,462.0 billion increase in the average balance of interest-bearing liabilities from Ps 44,523.0 billion in 2014 to Ps 47,985.0 billion in 2015, which resulted in a Ps 96.1 billion increase in interest expense. Partially offsetting the increase was a 2 basis points decrease in the average cost of funds from 2.80% in 2014 to 2.78% in 2015, which resulted in a Ps 9.7 billion decrease in interest expense.

Total interest expense on interest-bearing deposits increased by 7.1% or Ps 55.5 billion mainly driven by a 9.9% or Ps 3,095.5 billion increase in the average balance of interest-bearing deposits from Ps 31,395.4 billion in 2014 to Ps 34,490.9 billion in 2015, which resulted in a Ps 75.5 billion increase interest expense. This was partially offset by a 6 basis points decrease in the average cost of deposits from 2.5% to 2.4% in 2015, which resulted in a Ps 20.0 billion decrease interest expense.

The Ps 55.5 billion increase in interest expense on deposits reflects a Ps 39.3 billion increase in interest expense on time deposits, a Ps 8.7 billion increase in interest expense on checking accounts and a Ps 7.6 billion increase in interest expense on savings deposits. The increase in time deposits explains 70.8% of the total increase in interest expense on deposits. The increase in interest expense on time deposits of Ps 39.3 billion was mainly driven by a 13 basis points increase in the average cost from 4.1% in 2014 to 4.3% in 2015, which resulted in a Ps 20.7 billion increase in interest expense. Furthermore, a Ps 435.9 billion increase in the average balance of time deposits from Ps 15,473.1 in 2015 to 15,908.9 billion in 2015, resulted in a Ps 18.6 billion increase in interest expense.

The Ps 30.9 billion increase in interest expense on other funding (includes borrowings from banks and others, interbank and overnight funds, long-term debt and borrowings from development entities) is explained by a 13 basis points increase in the average rate paid on other funding from 3.5% in 2014 to 3.6% in 2015, which resulted in a Ps 17.5 billion increase in interest expense. In addition, a Ps 366.5 billion increase in the average balance from Ps 13,127.7 billion in 2014 to Ps 13,494.1 billion in 2015 resulted in a Ps 13.3 billion increase in interest expense.

The Ps 30.9 billion increase in interest expense on other funding is explained by a Ps 16.8 billion increase in borrowings from banks and others and a Ps 15.4 billion increase in long term debt. These increases were partially offset by a Ps 1.3 billion decrease in interbank and overnight funds. The increase in borrowings from banks and others was mainly driven by an 8 basis points increase in the average cost from 3.3% in 2014 to 3.4% in 2015, which resulted in a Ps 10.1 billion increase in interest expense. Furthermore, a Ps 196.2 billion increase in the average balance of borrowings from banks and others from Ps 11,929.2 billion in 2014 to Ps 12,125.4 billion in 2015 resulted in a Ps 6.7 billion increase in interest expense. The increase in long-term bonds was mainly driven by a Ps 167.3 billion increase in the average balance from Ps 1,008.7 billion in 2014 to Ps 1,176.0 billion in 2015, which resulted in a Ps 10.4 billion increase in interest expense. In addition, a 50 basis points increase in the average cost of long-term bonds from 5.7% in 2014 to 6.2% in 2015 resulted in a Ps 5.0 billion increase in interest expense.

Average total interest earning assets (calculated as (i) gross loans including interbank and overnight funds, and (ii) available for sale and held to maturity fixed income investments) increased by 7.3%, or Ps 3,096.4 billion, from Ps 42,228.9 billion in 2014 to Ps 45,325.3 billion in 2015 and net interest income increased by 9.0%, or Ps 216.3 billion, from Ps 2,395.8 billion to Ps 2,612.1 billion over the same period, which resulted in a 9 basis points increase in the net interest margin from 5.7% in 2014 to 5.8% in 2015. The interest spread between the average rate on loans and leases (excluding interbank and overnight funds) and the average rate paid on deposits decreased by 1 basis points to 7.0% over the same period.

Impairment loss on financial assets

	Year ended December 31,		Change, 2015 vs. 2014		Year ended December 31, 2014 (adjusted)(*)	Change, 2015 vs. 2014	
	2015	2014	#	%		#	%
	Total Income/ Expense	Total Income/ Expense			Total Income/ Expense		
	(in Ps billions)				(in Ps billions)		
Impairment loss on financial assets:							
Impairment loss on loans and leases, net	(517.7)	(311.7)	(206.0)	66.1	(432.0)	(85.8)	19.9
Impairment loss on accrued interest and other receivables, net	(1.0)	(0.9)	(0.0)	2.3	(1.3)	0.4	(26.8)
Impairment loss on investments in debt and equity securities	(0.0)	(0.0)	(0.0)	(100.0)	(0.0)	0.0	(100.0)
Impairment loss on foreclosed assets	(11.7)	(12.1)	0.4	(3.6)	(17.2)	5.5	(32.2)
Recovery of charged-off assets	1.0	4.9	(3.9)	(79.7)	5.5	(4.5)	(81.9)
Recovery of impairment loss on investment securities	0.0	0.0	0.0	N.A.	0.0	0.0	N.A.
Recovery of impairment loss on foreclosed assets	0.0	0.0	0.0	N.A.	0.0	0.0	N.A.
Net impairment loss on financial assets	**(529.4)**	**(319.9)**	**(209.5)**	**65.5**	**(445.0)**	**(84.4)**	**19.0**

* 2014 figures are adjusted for the impact of the devaluation of the Colombian Peso on a line by line basis

	Year ended December 31,				Change, 2015 vs. 2014	
	2015		2014			
	Loans at least 31 days past due	Delinquency Ratio(1)	Loans at least 31 days past due	Delinquency Ratio(1)	Loans at least 31 days past due	Delinquency Ratio
	(in Ps billions)				#	%
Total loans and leases:	**895.6**	**2.2%**	**720.3**	**2.6%**	**175.3**	**(0.4%)**
Commercial loans and leases	145.2	0.8%	164.0	1.4%	(18.8)	(0.6%)
Consumer loans and leases	544.0	3.6%	377.1	3.8%	167.0	(0.2%)
Mortgage loans and leases	206.3	2.4%	179.2	2.9%	27.1	(0.5%)
Microcredit loans and leases	0.0	N.A.	0.0	N.A.	0.0	N.A.

(1) Calculated as 31 days past due loans divided by total gross loans (excluding interbank and overnight funds)

Net impairment loss on financial assets increased by 19.0% or Ps 84.4 billion in 2015 as compared to 2014. This increase is explained by a Ps 85.8 billion increase in impairment loss on loans and leases, net and a Ps 4.5 billion decrease in recoveries of charged off assets, and was partially offset by a Ps 5.5 billion decrease in impairment loss on foreclosed assets, net.

The increase in impairment loss on loans and leases, net was primarily attributable to growth in the loan portfolio and a lower level of recoveries of impairment loss. The cost of risk measured as impairment loss on loans and leases, net divided by the average balance of loans and leases (excluding interbank and overnight funds) increased slightly from 1.2% in 2014 to 1.3% in 2015. The cost of risk net of recoveries of charged-off assets, measured as impairment loss on loans and leases, net of recoveries of charged-off assets divided by the average balance of loans and leases (excluding interbank and overnight funds) was 1.3% in 2015, compared to 1.2% in 2014. LB Panama's delinquency ratio (measured as loans at least 31 days past due as a percentage of total gross loans, excluding interbank and overnight funds) improved by 42 basis points to 2.2% in 2015 as compared to 2.6% in 2014. The delinquencies ratios for both commercial and consumer loans improved 57 and 17 basis points, from 1.4% and 3.8%, respectively, in 2014 to 0.8% and 3.6%, respectively, as of the end of 2015.

The decrease in impairment loss on foreclosed assets, net was primarily driven by the sale of assets located in Guatemala.

Write-offs increased from Ps 427.4 billion for the year ended December 31 2014 to Ps 521.6 billion for the year ended December 31, 2015 and the ratio of charged-off assets to average loans (excluding interbank and overnight funds) increased from 1.2% in 2014 to 1.3% in 2015. LB Panama's coverage ratio over its past due loans was 59.0% as of December 31, 2015.

Net income from commissions and fees

	Year ended December 31,		Change, 2015 vs. 2014		Year ended December 31, 2014	Change, 2015 vs. 2014	
	2015	2014	#	%	(adjusted)*	#	%
	(in Ps billions)				(in Ps billions)		
Income from commissions and fees:							
Banking services	1,544.3	970.8	573.5	59.1	1,336.0	208.3	15.6
Bonded warehouse services	0.0	0.0	0.0	N.A.	0.0	0.0	N.A.
Trust activities	0.0	0.0	0.0	N.A.	0.0	0.0	N.A.
Pension and severance fund management	22.9	13.6	9.3	68.7	18.7	4.2	22.5
Total Income from commissions and fees	1,567.2	984.4	582.8	59.2	1,354.7	212.5	15.7
Expenses for commissions and fees	(87.5)	(49.5)	(37.9)	76.6	(73.2)	(14.2)	19.5
Net income from commissions and fees	1,479.7	934.8	544.9	58.3	1,281.5	198.3	15.5

* 2014 figures are adjusted for the impact of the devaluation of the Colombian Peso on a line by line basis

Net income from commissions and fees increased by 15.5% or Ps 198.3 billion to Ps 1,479.7 billion in 2015 as compared to 2014. The increase is explained by a Ps 208.3 billion increase in commissions from banking services and a Ps 4.2 billion increase in pension and severance fund management. These increases were driven by higher credit and debit card fees and international services and were partially offset by a Ps 14.2 billion increase in expenses for commissions and fees.

Net trading income

LB Panama's net trading income includes (i) net trading income from investment securities held for trading through profit or loss, that reflects the interest and gains/losses from mark-to-market valuation, in each case from equity and fixed income investment securities held for trading through profit or loss, and (ii) net trading income from derivatives, which reflects the gains/losses from mark-to-market valuation on derivatives different from that considered under hedge accounting. During 2015, LB Panama's net trading income came in at Ps 29.1 billion, 0.7% or Ps 0.2 billion lower than the Ps 29.3 billion obtained in 2014. Of such decrease, a Ps 3.2 billion loss is the result of net trading income from investment securities held for trading through profit or loss that was partially offset by a Ps 3.0 billion increase in net trading income from derivatives.

Total income from valuation on trading and hedging derivatives increased Ps 3.0 billion from Ps 4.6 billion in 2014 to Ps 7.6 billion in 2015.

The decrease in the net trading income from investment securities held for trading through profit or loss was mainly driven by a reduction in its average yield from 5.2% in 2014 to 3.6% in 2015, resulting in a Ps 7.7 billion decrease in income. This decrease was partially offset by a 26.9% or Ps 127.9 billion increase in the average balance of LB Panama's equity and fixed income investments held for trading through profit or loss, which resulted in a Ps 4.6 billion increase in income.

Total income from investment securities

LB Panama's securities portfolio is classified in the following categories (i) equity and fixed income investments held for trading through profit or loss (described in this section as net trading income in investment securities held for trading through profit or loss), (ii) available for sale fixed income investments and (iii) held to maturity fixed income investments ((ii) and (iii) are described above in the net interest income section as interest income from investment in debt securities). LB Panama manages its investment portfolio in a comprehensive and integral manner that considers individual return of each one of these three categories and the total return of the investment securities portfolio.

Total income from investment securities (comprised of income on investments in debt securities and net trading income) in investment securities held for trading through profit or loss was Ps 222.7 billion for 2015, 13.6% or Ps 35.2 billion lower than the Ps 257.9 billion registered during 2014. This was primarily an effect of a Ps 392.5 billion decrease in the average balance of investment securities (calculated as (i) fixed income and equity investments held for trading through profit or loss, (ii) available for sale fixed income investments, and (iii) held to maturity fixed income investments) from Ps 6,004.3 billion in 2014 to Ps 5,611.8 billion in 2015, resulting in a Ps 15.6 billion decrease in interest income. In addition, the average yield on investment securities decreased from 4.3% in 2014 to 4.0% in 2015, generating a Ps 19.6 billion decrease in interest income.

When including the investment securities held for trading LB Panama's average interest-earning assets (calculated as (i) gross loans including interbank and overnight funds, (ii) available for sale and held to maturity fixed income investments, and (iii) fixed income and equity investments held for trading through profit or loss) would have increased by 7.6%, or Ps 3,224.3 billion, from Ps 42,704.0 billion in 2015 to Ps 45,928.2 billion in 2014 and net interest income plus net trading income from investment securities held for trading increased by 8.9%, or Ps 216.1 billion from Ps 2,425.0 billion to Ps 2,641.2 billion over the same period, which resulted in a 7 basis points increase in the net interest margin from 5.7% in 2014 to 5.8% in 2015.

Other income (expense)

	Year ended December 31,		Change, 2015 vs. 2014		Year ended December 31, 2014	Change, 2015 vs. 2014	
	2015	2014	#	%	(adjusted)*	#	%
	(in Ps billions)				(in Ps billions)		
Foreign exchange gains (losses), net	219.8	200.1	19.7	9.9	277.7	(57.9)	(20.8)
Gains on sales of investments, net	7.3	26.5	(19.2)	(72.6)	19.6	(12.3)	(62.8)
Income from sales of non-current assets held for sale	4.5	0.0	4.5	N.A.	0.0	4.5	N.A.
Equity method	0.0	0.0	0.0	N.A.	0.0	0.0	N.A.
Dividend income	0.0	0.0	0.0	N.A.	0.0	0.0	N.A.
Income from non-financial sector, net	0.0	0.0	0.0	N.A.	0.0	0.0	N.A.
Net income from financial instruments designated at fair value	0.0	0.0	0.0	N.A.	0.0	0.0	N.A.
Other	28.3	32.4	(4.1)	(12.8)	48.0	(19.7)	(41.1)
Total other income (expense)	**259.9**	**259.0**	**0.9**	**0.4**	**345.3**	**(85.4)**	**(24.7)**

* 2014 figures are adjusted for the impact of the devaluation of the Colombian Peso on a line by line basis

Total other income (expense) decreased by 24.7% or Ps 85.4 billion to Ps 259.9 billion in 2015. The decrease was mainly driven by a 20.8% or Ps 57.9 billion decrease in foreign exchange gains (losses), net. This decrease is explained by a depreciation of the Costa Rican Colón against the US Dollar.

Other expenses

	Year ended December 31,		Change, 2015 vs. 2014		Year ended December 31, 2014	Change, 2015 vs. 2014	
	2015	2014	#	%	(adjusted)*	#	%
	(in Ps billions)				(in Ps billions)		
Losses from sales of non-current assets held for sale	(0.0)	(0.6)	0.6	(100.1)	(0.0)	(0.0)	551.7
Personnel expenses	(1,325.7)	(879.4)	(446.3)	50.7	(1,203.4)	(122.2)	10.2
Salaries and employee benefits	(1,199.0)	(795.4)	(403.6)	50.7	(1,088.4)	(110.6)	10.2
Bonus plan payments	(91.6)	(64.2)	(27.4)	42.8	(87.7)	(3.9)	4.5
Termination payments	(35.1)	(19.9)	(15.2)	76.5	(27.4)	(7.7)	28.3
Administrative and other expenses	(1,053.5)	(693.9)	(359.5)	51.8	(955.0)	(98.4)	10.3
Depreciation and amortization	(222.3)	(140.1)	(82.2)	58.7	(192.9)	(29.4)	15.2
Equity tax	0.0	0.0	0.0	N.A.	0.0	0.0	N.A.
Other expenses	(34.3)	(19.0)	(15.3)	80.2	(26.2)	(8.1)	31.0
Charitable and other donation expenses	(2.7)	(3.2)	0.5	(16.0)	(4.3)	1.6	(38.0)
Other	(31.6)	(15.8)	(15.8)	99.7	(21.8)	(9.8)	44.7
Total other expenses	**(2,635.8)**	**(1,733.1)**	**(902.6)**	**52.1**	**(2,377.6)**	**(258.2)**	**10.9**

* 2014 figures are adjusted for the impact of the devaluation of the Colombian Peso on a line by line basis

Total other expenses for the year ended December 31, 2015 increased by 10.9% or Ps 258.2 billion to Ps 2,635.8 billion in 2015. This increase is mainly explained by a Ps 122.2 billion increase in personnel expenses, a Ps 98.4 billion increase in administrative and other expenses, a Ps 29.4 billion increase in depreciation and amortization and a Ps 9.8 billion increase in other expenses.

The increase in personnel expenses is associated to the increase in the headcount in BAC Credomatic's operation that occurred during the year to support the growth of the loan portfolio. The number of employees of BAC went from 23,135 employees in 2014 to 24,548 employees in 2015.

The increase in administrative and other expenses is explained by an increase in corporate expenses, and international branding fees, among others.

Because LB Panama's personnel and administrative expenses increased by 10.2% or Ps 220.7 billion, while its operational income increased by 8.7% or Ps 348.8 billion, LB Panama's efficiency ratio (calculated as personnel and administrative and other expenses divided by net interest income, fees and other services income, net trading income and other income excluding other) deteriorated slightly from 53.9% in 2014 to 54.7% in 2015.

Income tax expense

Income tax expense for LB Panama increased by 16.1% or Ps 52.8 billion to Ps 380.8 billion for the year ended December 31, 2015. LB Panama's effective tax rate (calculated as income tax expense divided by income before tax expense minus equity method, minus dividends) increased from 26.7% in 2014 to 31.3% in 2015. The increase in the effective tax rate was mainly driven by an increase in the deferred tax rate in Guatemala.

Net income attributable to non-controlling interest

Net income attributable to non-controlling interest in LB Panama was not material in both 2014 and 2015.

Liabilities and capital resources

The following table sets forth our internal and external sources of consolidated liabilities at December 31, 2015 and 2014.

	At December 31,	
	2015	2014
	(in Ps billions)	
Liabilities and equity:		
Trading Derivatives	874.5	950,5
Deposits	92,044.2	73,652.8
Interbank borrowings and overnight funds	6,275.8	3,244.3
Bank loans and others	20,470.0	13,920.8
Bonds issued	6,999.3	5,485.0
Borrowing from development entities	1,521.4	1,337.3
Hedging derivatives	338.2	571.6
Provisions	583.6	660.1
Deferred tax liabilities	1,265.9	1,073.3
Employee benefits	536.8	510.3
Other liabilities	3,923.0	2,967.7
Total liabilities	134,832.7	104,373.9
Total equity	17,436.6	15,264.0
Total liabilities and equity	152,269.3	119,637.9

Banco de Bogotá's consolidated equity increased by Ps 2,172.6 billion to Ps 17,436.6 billion at December 31, 2015 compared to Ps 15,264.0 billion at December 31, 2014. The increase was due to higher retained earnings which increased by 14.4% to Ps 5,495.7 billion at December 31, 2015 from Ps 4,803.4 billion at December 31, 2014 and other comprehensive income which increased by Ps 831.9 billion to Ps 1,162.1 billion in 2015 from Ps 330.2 billion in 2014.

Capitalization ratios

The following table presents our unconsolidated capitalization ratios and those of our principal competitors at December 31, 2015. For further information on our capital adequacy, see "—Capital adequacy requirements."

	At December 31, 2015			
	Banco de Bogotá	Bancolombia	Davivienda	BBVA Colombia
	(in percentages)			
Tangible equity ratio(1)	19.8	16.2	10.6	7.2
Tier 1 ratio(2)	12.8	7.3	7.6	7.0
Solvency ratio(3)	19.4	15.8	14.2	13.5

Source: Company calculations based on unconsolidated figures under Colombian IFRS on each entity's respective financial statements for the period indicated that are publicly available on the Superintendency of Finance website.

(1) Tangible equity ratio is calculated as equity minus goodwill and other intangible assets, divided by total assets minus goodwill and other intangible assets. See "Selected Financial and Operating Data—Non-IFRS measures."

(2) Tier 1 ratio is calculated as primary capital divided by risk-weighted assets.

(3) Solvency ratio is calculated as primary capital divided by risk-weighted assets. For a definition of technical capital see "—Capital adequacy requirements."

We are required by the Superintendency of Finance to maintain a solvency ratio of at least 9.0% of our total risk-weighted assets and a measure of core solvency for Common Equity Tier 1, which requires higher quality capital and is set at a minimum of 4.5% of risk-weighted assets.

Funding

We fund the majority of our assets with deposits. Other sources of funding include interbank borrowings and overnight funds, and borrowings from development banks and long-term bond issuances.

The following table summarizes our consolidated funding structure at the dates indicated.

	At December 31,		At January 1,
	2015	2014	2014
	(in Ps billions)		
Checking accounts	24,877.9	20,250.1	16,566.0
Time deposits	38,739.3	31,705.2	24,852.2
Savings deposits	28,165.3	21,554.8	22,162.1
Other deposits	261.6	142.7	191.3
Total deposits	92,044.2	73,652.8	63,771.7
Interbank and overnight funds	6,275.8	3,244.3	4,326.5
Borrowings from banks and other	21,991.5	15,258.1	12,195.9
Long-term debt	6,999.3	5,485.0	4,701.7
Total other funding	35,266.6	23,987.5	21,224.1
Total funding	127,310.7	97,640.3	84,995.8

In 2015 our total funding increased by 30.4% mainly as a result of a Ps 18,391.4 billion increase in total deposits and Ps 11,279.1 billion increase in other funding (primarily borrowing from banks and other). In 2014, total funding increased by 14.9%, mainly due a Ps 9,881.1 billion increase in deposits and Ps 2,763.4 in other funding (primarily borrowing from banks and others).

In 2015, deposits and borrowings from banks and others accounted for 72.3% and 17.3% of our total funding sources, respectively. Interbank and overnight funds, and long-term debt accounted for 4.9% and 5.5% of our total funding sources, respectively. In 2014, deposits and borrowings from banks and others accounted for 75.4% and 15.6% of our total funding sources, respectively. Interbank and overnight funds, and long-term debt accounted for 3.3% and 5.6% of our total funding, respectively.

Our funding base also benefits from the highest available local credit ratings for us and each of Porvenir and Corficolombiana, as assigned by BRC Standard and Poor S.A. S.C.V., an affiliate of Standard and Poor's Inc., or "Standard and Poor's". Corficolombiana was assigned by Fitch Ratings Colombia S.A. S.C.V., an affiliate of Moody's Investor Services Inc., or "Fitch", the highest local credit rating.

The ratings of our 5.00% Senior Notes due 2017 and our 5.375% Subordinated Notes due 2023 by Moody's and Fitch are under review. Any adverse change in credit ratings may increase the cost of our funding. See "Risk Factors—Risks relating to our businesses and industry—Risks relating to our banking business—Downgrades in our long-term credit ratings or in the credit ratings of our principal subsidiaries would increase the cost of, or impair access to, funding." We believe that our working capital is sufficient to meet the company's present requirements and that the current level of funding of each of our banks is adequate to support its business.

The following table presents our consolidated funding from deposits at the dates indicated.

	At December 31,	
	2015	2014
	(in Ps billions)	
Interest-bearing deposits:		
Checking accounts	14,796.4	11,754.0
Time deposits	38,739.3	31,705.2
Savings deposits	28,165.3	21,554.8
Total interest-bearing deposits	81,701.0	65,014.0
Non-interest-bearing deposits:		
Checking accounts	10,081.6	8,496.1
Other deposits	261.6	142.7
Total non-interest-bearing deposits	10,343.1	8,638.8
Total deposits	92,044.2	73,652.8

Checking accounts. Our consolidated balance of checking accounts was Ps 24,877.9 billion at December 31, 2015, and Ps 20,250.1 billion at December 31, 2014, representing 19.5% and 20.7% of our total funding requirements, respectively.

Time deposits. Our consolidated balance of time deposits was Ps 38,739.3 billion at December 31, 2015 and Ps 31,705.2 billion at December 31, 2014, representing 30.4% and 32.5% of total funding requirements, respectively.

The following table presents time deposits held at December 31, 2015, by amount and maturity for deposits.

	At December 31, 2015		
	Peso-denominated	**Foreign currency-denominated**	**Total**
		(in Ps billions)	
Up to 3 months	2,453.3	10,078.0	12,531.3
From 3 to 6 months	1,150.0	4,044.5	5,194.6
From 6 to 12 months	3,724.9	5,024.6	8,749.5
More than 12 months	5,063.0	3,225.7	8,288.7
Time deposits less than U.S.$100,000[(1)]	1,871.9	2,103.4	3,975.2
Total	14,263.1	24,476.3	38,739.3

(1) Equivalent to Ps 314.9 million at the representative market rate of December 31, 2015 of Ps 3,149.47 per U.S.$1.00.

Savings deposits. Our consolidated balance of savings deposits was Ps 28,165.3 billion at December 31, 2015 and Ps 21,554.8 billion at December 31, 2014, representing 22.1% of total funding requirements, respectively, in each of those both periods.

Other deposits. Our consolidated balance of other deposits, which consist of deposits from correspondent banks, cashier checks and collection services, was Ps 261.6 billion at December 31, 2015 and Ps 142.7 billion at December 31, 2014, representing 0.2% and 0.1% of total funding requirements, respectively.

Interbank borrowings and overnight funds. Our consolidated balance of interbank borrowings and overnight funds was Ps 6,275.8 billion at December 31, 2015 and Ps 3,244.3 billion at December 31, 2014, representing 4.9% and 3.3% of total funding requirements, respectively.

The following table sets forth our short-term borrowings consisting mainly of interbank borrowings and overnight funds, including repurchase agreements, for the periods indicated.

	At December 31, 2015	
	Amount	**Nominal rate**
	(in Ps billions, except percentages)	
Short-term borrowings		
Interbank borrowings and overnight funds		
End of period	6,275.8	—
Average during period	4,760.1	5.1%
Interest paid during the period	243.8	—

As part of their interbank transactions, our banks maintain a portfolio of government securities and private sector liquid debt instruments used to obtain overnight funds from other financial institutions or investment funds by selling such securities and simultaneously agreeing to repurchase them. Due to the short-term nature of this source of funding, these transactions are volatile and are generally composed of Colombian government securities.

Borrowings from banks and others. Borrowings from banks are provided by correspondent banks and by governmental entities to promote lending to specific sectors of the Colombian economy. This funding, which mainly has fully matched maturities and interest rates with related loans, totaled Ps 21,991.5 billion at December 31, 2015, representing 17.3% of total funding requirements.

Bonds. We issue bonds in the Colombian and international markets. Our consolidated balance of bonds outstanding was Ps 6,999.3 billion at December 31, 2015 and Ps 5,485.0 billion at December 31, 2014 representing 5.5% and 5.6% of our funding requirements, respectively. On December 19, 2011, we issued U.S.$600 million (Ps 1,163.6 billion at the date of issuance and Ps 1,924.9 billion at December 31, 2015) of 5.00% Senior Notes due 2017 and on February 19, 2013 we issued U.S.$500 million (Ps 897.3 billion at the date of the issuance and Ps 1,599.3 billion at December 31, 2015) of 5.375% Subordinated Notes due 2023.

Capital expenditures

We incurred Ps 569.0 billion of capital expenditures in property, plant and equipment in 2015, as compared to Ps 360.5 billion in 2014. Increase in capital expenditures reflects our own-use property, plant and equipment, particularly land, buildings, office equipment, furniture and fixtures, vehicles, equipment and machinery, and computer hardware.

Research and development, patents and licenses, etc.

Other than our technology program, we do not have any significant policies or projects relating to research and development, and we own no patents or licenses. See "Business overview—Other corporate information—Technology."

Off-balance sheet arrangements

In the ordinary course of business, we have entered into various types of off-balance sheet arrangements, including credit lines, letters of credit and financial guarantees. The contractual amount of these instruments represents the maximum possible credit risk should the counterparty draw down the entire commitment or our bank fulfill its entire obligation under the guarantee, and the counterparty subsequently fails to perform according to the terms of the contract. We may hold cash or other liquid collateral to support these commitments, and we generally have legal recourse to recover amounts paid but not recovered from customers under these instruments. Most of these commitments and guarantees expire undrawn. As a result, the total contractual amount of these instruments does not represent future cash requirements, because lines of credit can expire or may not be used in whole or in part. In addition, some of these commitments, primarily those related to consumer financing, are cancelable by our banks upon notice.

The following table presents the maximum potential amount of future payments under these instruments at the dates presented for Banco de Bogotá on a consolidated basis.

	At December 31,	
	2015	**2014**
	(in Ps billions)	
Unused lines of credit	20,471.0	14,494.0
Collateral	2,896.5	1,913.4
Unused letters of credit	805.6	544.1
Overdraft limits	183.5	222.6
Unused credit card limits	13,759.8	8,954.8
Opened lines of credit	2,291.7	2,368.5
Approved loans not disbursed	178.7	35.0
Others	355.2	455.6
Commitments to disburse funds for capital expenses	722.7	502.4
Demands against us	762.1	579.3
Total	21,955.8	15,575.7

Contractual obligations

The following tables present our contractual obligations at December 31, 2015.

	At December 31, 2015				
	Payments due by period				
	Total	Less than 1 year	1 - 3 years	3 - 5 years	More than 5 years
			(in Ps billions)		
Liabilities:					
Long-term debt obligations(1)	6,999.3	944.0	2,638.5	1,070.0	2,346.8
Time deposits(2)	38,739.3	24,688.4	9,200.0	1,655.0	3,195.9
Long-term borrowings from banks and others(1)	20,470.0	9,476.8	3,781.8	2,378.1	4,833.3
Repurchase agreements	5,777.0	5,777.0	—	—	—
Employee benefit plans(3)	536.7	254.6	59.5	86.1	136.4
Total	72,522.4	41,140.8	15,679.8	5,189.3	10,512.5

(1) See note 21 to our audited consolidated financial statements.

(2) See note 20 to our audited consolidated financial statements.

(3) See note 22 to our audited consolidated financial statements.

Risk management

The guiding principles of risk management at Banco de Bogotá are the following:

- collective decision making for commercial lending at the board level;
- extensive and in-depth market knowledge, the result of our market leadership and our experienced, stable and seasoned senior management;
- clear top-down directives with respect to:
- compliance with know-your-customer policies; and
- commercial loan credit structures based on the clear identification of sources of repayment and on the cash-flow generating capacity of the borrower;
- use of common credit analysis tools and loan pricing tools;
- diversification of the commercial loan portfolio with respect to industries and economic groups;
- specialization in consumer product niches;
- extensive use of continuously updated rating and scoring models to ensure the growth of high-credit quality consumer lending;
- use of our extensive market presence in the identification and implementation of best practices for operational risk management; and
- conservative policies in terms of:
- the trading portfolio composition, with a bias towards instruments with lower volatility;
- proprietary trading; and
- the variable remuneration of trading personnel.

Our risk management policies follow guidelines set by our parent, Grupo Aval.

Unless otherwise indicated, risk management figures for Banco de Bogotá consolidate financial data of LB Panama, including BAC Credomatic. BAC Credomatic has in place its own risk management controls for credit risk, market risk and operational risk.

With respect to credit risk, BAC Credomatic has a centralized structure with a Regional Risk Director reporting to the CEO of BAC Credomatic, who chairs the Regional Credit Committee and is responsible for setting out credit policies and procedures applicable at the local (individual country) level and defining growth strategies in accordance with country risk. While local credit-risk managers report to the country head, compliance with the credit policies is reported directly to the Regional Risk Director.

With respect to market risk, BAC Credomatic has Regional Investment Policies and Regional Asset and Liability Management Policies which set out the guidelines for establishing country risk and issuer limits as well as limits on foreign currency positions and general guidelines for the administration of liquidity, interest rate and exchange-rate risks. The establishment and administration of the regional policies is the responsibility of the Regional Asset and Liability Committee, which is comprised of BAC Credomatic board members.

Daily adherence to these policies at BAC Credomatic is carried out with the investment portfolio control management module, which documents the entire investment process. The monitoring of exposures is the responsibility of the Regional Financial Director through the local assets and liabilities committees.

Operating Risk Management at BAC Credomatic is carried out using the conceptual methodology of Basel II guidelines and the elements of The Committee of Sponsoring Organizations of the Treadway Commission, or "COSO", integral risk management. A centralized operating risk management unit ensures that there are in place policies to ensure a standardized treatment of operating risks including methodologies for the timely recognition of the principal exposures, the ownership of operational risks by functional units, accountability throughout the organization and effective procedures to collect information on operational losses. The centralized operating risk committee is also responsible for putting in place an effective business continuity plan.

Credit risk

Our credit-risk management process takes into consideration the requirements of the Superintendency of Finance, the guidelines of Grupo Aval's credit-risk management and the composition of our loan portfolio, which, in turn, is the result of the execution of our strategy.

Commercial lending

At December 31, 2015, 63.1% of our total loan portfolio was composed of commercial loans to corporate SMEs including Interbank and overnight funds.

The credit approval process for commercial loans follows the policies and lending authorities established by Grupo Aval, our parent, and our bank. The highest lending authority, other than the board of directors, is our national credit committee (*Comité Nacional de Crédito*), which has a lending limit of up to ten years and Ps 15.0 billion (approximately U.S.$4.8 million).

Following the approval of a transaction by our national credit committee, information regarding the loan is sent to the Grupo Aval risk management committee if the loan would result in aggregate exposure to the borrower in excess of Ps 5.0 billion. The credit approval process includes the presentation to the Grupo Aval risk management committee of all potential credit exposures per client after taking into account some financial ratios. This committee, which is composed of the vice presidents of credit of each of Grupo Aval's subsidiary banks and the risk management staff of Grupo Aval, meets on a weekly basis to discuss general developments in the industry and economy, risks and opportunities, and the structure of credit transactions, as well as to consult on and evaluate potential business opportunities. The committee consolidates requests for loans across all banks and evaluates our total exposure to potential borrowers. In each case, the committee evaluates the relevant bank's application of its credit analysis policy and it may make recommendations with respect to the structure of the loan (such as guarantees, interest rates, commissions and covenants). The risk management committee will then submit the transaction to the Grupo Aval advisory board.

The Grupo Aval advisory board, which is composed of the presidents of its subsidiary banks and the vice presidents of Grupo Aval, meets every two months to discuss the adoption of policies for risk management and how to accommodate clients with large credit needs, as well as to advise the banks with respect to defaults or other credit risk issues. The advisory board also evaluates transactions submitted to it by the Grupo Aval risk management committee for compliance with applicable policies and makes recommendations to the banks with respect to such loans. The boards of the subsidiary banks, including ours, make the ultimate decisions with respect to such loans.

In order to facilitate the analysis of commercial loans which meet the threshold and are thus reviewed by Grupo Aval, we have developed certain tools, including a standardized "*proyecto de crédito*," a stand-alone document containing all of the information considered necessary for us to make a credit decision. We have also developed financial projection models and pricing models that assist us in analyzing potential loans and comparing the estimated return on a loan with that of a comparable risk-free instrument.

We seek to achieve a profitable, high-quality commercial loan portfolio and an efficient procedure for analyzing potential loans. To that end, we have established policies and procedures for the analysis and approval of potential commercial credit transactions that seek to focus lending on the following principles:

- borrowers whose shareholders and management are, in our opinion, of the highest integrity (taking into account not only an analysis of the borrower's credit profile but also their reputation in the business community and other factors);
- borrowers which participate in key industries;
- borrowers which are leaders or major players in the industries in which they participate;
- transaction structures, including covenants and guarantees, which provide adequate protection; and
- pricing which compensates adequately for capital invested and the market and credit risks incurred.

In addition, we make loans to public sector entities. For purposes of evaluating the extension of credit to public sector entities, we follow three criteria: (1) the loan must be used to finance an investment that has been approved by local authorities; (2) a source of repayment must be clearly identified, such as tax revenues; and (3) the source of repayment so identified must be pledged to secure the loan.

Consumer lending

Consumer lending represented 25.5% of our total loan portfolio at December 31, 2015.

The credit approval process for consumer loans follows the policies and lending authorities established by our bank. The highest lending authority, other than the board of directors, is our national credit committee (*Comité Nacional de Crédito*), which has a lending limit of Ps 15.0 billion (approximately U.S.$4.8 million).

For consumer banking, Banco de Bogotá has successfully integrated Megabanco's operations into its full-service consumer loan portfolio of credit cards, personal loans, automobile loans and overdrafts.

Mortgage lending

Mortgage lending represented 11.1% of our total loan portfolio at December 31, 2015, compared to 10.3% in 2014. Growth of the mortgage loan portfolio came from both our Colombian and Central American consolidated operations. In Colombia, the mortgage lending portfolio went from 3.2% in 2014 to 3.7% in 2015 of total loans. In Central America, the mortgage portfolio represented 20.2% of the total loan portfolio in 2015, down from 21.4% in 2014.

In order to ensure an adequate mortgage loan portfolio quality, we have developed statistical models for the origination and follow-up on new mortgage loans, which has resulted in a very low ratios of past due loans to total loans for recently originated mortgage loans.

Microcredit lending

Microcredit loans represented 0.4% of the total loan portfolio at December 31, 2015.

Credit classification and provisioning

We and our parent continually engage in the determination of risk factors associated with our credit-related assets, through their duration, including restructurings. For such purposes, we and our parent have designed and adopted the System of Credit Risk Administration (*Sistema de Administración de Riesgo de Crédito*), or "SARC," in accordance with Superintendency of Finance guidelines. The SARC has integrated credit policies and procedures for the administration of credit risks, models of reference for the determination and calculation of anticipated losses, provisions for coverage of credit risks and internal control procedures.

We are required to classify our loan portfolio in accordance with the rules of the Superintendency of Finance, which established the following loan classification categories: "AA," "A," "BB," "B," "CC" and "Default," depending on the strength of the credit and, after the loan is disbursed, its past due status.

We review outstanding loan portfolio components under the above-mentioned criteria and classifies individual loans under the risk-rating categories below on the basis of minimum objective criteria, such as balance sheet strength, profitability and cash generation capacity. The classification of new commercial loans is made on the basis of these objective criteria. The criteria are also evaluated on an ongoing basis, together with loan performance, in reviewing the classification of existing commercial loans.

Category	Approval	Commercial loan portfolio	Consumer loan portfolio
"AA"..................	New loans with risk rating at approval of "AA"	Outstanding loans and financial leases with past due payments not exceeding 29 days (i.e., between 0 and 29 days past due). The debtor's financial statements or its projected cash flows, as well as all other credit information available to the financial subsidiaries, reflect excellent paying capacity.	Loans whose risk rating is "AA" according to the methodology of the Consumer Reference Model, or "MRCO," as established by the Superintendency of Finance
"A".....................	New loans with risk rating at approval of "A"	Outstanding loans and financial leases with delayed payments in excess of 30 days but not exceeding 59 days (i.e., between 30 and 59 days past due). The debtor's financial statements or its projected cash flows, as well as all other credit information available to the financial subsidiaries, reflect appropriate paying capacity.	Loans whose risk rating is "A" according to the methodology of the MRCO as established by the Superintendency of Finance
"BB"	New loans with risk rating at approval of "BB"	Outstanding loans and financial leases past due more than 60 days but less than 90 days (i.e., between 60 and 89 days past due). Loans in this category are acceptably serviced and collateralized, but there are weaknesses which may potentially affect, on a transitory or permanent basis, the debtor's ability to pay or its projected cash flows, to the extent that, if not timely corrected, would affect the normal collection of credit or contracts.	Loans whose risk rating is "BB" according to the methodology of the MRCO as established by the Superintendency of Finance

Category	Approval	Commercial loan portfolio	Consumer loan portfolio
"B"	New loans with risk rating at approval of "B"	Outstanding loans and financial leases past due over 90 days but less than 120 days (i.e., between 90 and 119 days past due). The debtor shows insufficient paying capacity of its obligations.	Loans whose risk rating is "B" according to the methodology of the MRCO as established by the Superintendency of Finance
"CC"	New loans with risk rating approval of "CC"	Outstanding loans and financial lessees past due more than 120 days but less than 150 days (i.e., between 120 and 149 days past due). Loans in this category represent grave insufficiencies in the debtors' paying capacity or in the project's cash flow, which may compromise the normal collection of the obligations.	Loans whose risk rating is "CC" according to the methodology of the MRCO as established by the Superintendency of Finance
"Default"	—	Outstanding loans and financial leases past due for 150 days or more. This category is deemed uncollectible. These loans are considered in default.	Consumer loan portfolio past due over 90 days

For new consumer loans, we use our and our parent's internal statistical origination models to develop an initial classification category ("AA," "A," "BB," "B" and "CC"). Once the loan is disbursed, we use formulas provided by the Superintendency of Finance, which incorporate payment performance of the borrower to calculate a score which in turn is used to determine the loan classification.

For financial leases the risk categories are established in the same manner as commercial or consumer loans.

For financial statement reporting purposes, the Superintendency requires that loans and leases be given a risk category on the scale of "A," "B," "C," "D" and "E." As a result, the risk classifications are aligned to the risk categories as follows:

	Risk classification	
Risk category	**Commercial**	**Consumer**
"A"	"AA"	"AA"
		"A" – between 0 and 30 days past due
"B"	"A"	"A" – more than 30 days past due
	"BB"	"BB"
"C"	"B"	"B"
	"CC"	"CC"
"D"	"Default"	"Default" – all other past due loans not classified in "E"
"E"	"Default"	"Default" – past due loans with a Loss given default (LGD) of 100%(1)

(1) LGD is defined as a percentage to reflect the credit loss incurred if an obligor defaults. LGD for debtors depends on the type of collateral and as a percentage would gradually increase depending on the number of days elapsed after being classified in each category.

For our mortgage and microcredit loan portfolios, the risk categories in effect at December 31, 2015, based on past due status, are as follows:

Category	Microcredit	Mortgage
"A" Normal Risk	In compliance or up to date and up to 30 days past due	In compliance or up to 60 days past due
"B" Acceptable Risk	Past due between 31 and 60 days	Past due between 61 and 150 days
"C" Appreciable Risk	Past due between 61 and 90 days	Past due between 151 and 360 days
"D" Significant Risk	Past due between 91 and 120 days	Past due between 361 and 540 days
"E" Uncollectable	Past due over 120 days	Past due over 540 days

Loan loss provisions

Banco de Bogotá regularly revises its loan portfolio to evaluate its impairment; while determining if an impairment should be registered with charge to results of the year, management performs judgments for determining if there are observable data indicating a decrease in the estimated cash flow of the loan portfolio before the decrease in such flow may be identified for a particular loan of the portfolio.

The provision calculation process includes analyses of specific, historical and subjective components. The methodologies utilized by our banking subsidiaries include the following elements:

- A detailed periodical analysis of the loan portfolio
- A credit classification system by risk levels
- A periodical review of the summary of provisions for losses of loans
- Identification of loans to be evaluated individually due to impairment
- Consideration of internal factors such as our size, organizational structure, loan portfolio structure, loan administration process, analysis of overdue portfolio and experiences of historical losses
- Consideration of risks inherent to different types of loans
- Consideration of external factors, including local, regional and national, as well as economic factors

For credits individually considered as significant and impaired, the amount of the loan loss allowance is calculated using the discounted cash flow method. Management of each financial entity makes assumptions regarding the amount to be recovered for each client and the time in which such amount will be recovered. During the calculation of provisions for credits considered individually as significant and impaired, based on their guarantee, management performs estimates of the fair value of such guarantees with the aid of independent expert appraisers.

For loans not considered individually significant, or for those credits individually significant but not impaired, loan loss allowances are calculated collectively using the historical loss rate, periodically updated data reflecting current economic conditions, performance trends of the industry, geographic concentrations of debtors within each portfolio of the segment and any other pertinent information that may affect the repayment.

For quantifying losses incurred in portfolios evaluated collectively the different subsidiaries of Banco de Bogotá have calculation methodologies that take into account four fundamental factors: exposure, probability of default, the period of identification of the loss and the severity.

- Exposure at default – "EAD" is the principal amount owed at the time of payment default of the borrower
- Probability of default – "PD" is the probability that the counterparty defaults its payment obligations of principal and/or interest. The probability of default is associated with the rating/scoring or level of delinquency of the borrower.

- Loss identification period ("LIP)" parameter or period of identification of the loss, is the time elapsed between the occurrence of the event which generates the loss and the time when such loss becomes evident. The LIPs analyses are carried out on the basis of homogeneous risk portfolios.
- Loss given default – "LGD" or severity is the estimate of a loss in case a payment default occurs taking into consideration the guarantees and the corresponding appraisal.

Liquidity risk

We are required to, and maintain adequate liquidity positions based on the Superintendency of Finance's liquidity parameters, using a short-term liquidity index (*Indicador de Riesgo de Liquidez*), or "IRL," that measures 7-, 15- and 30-day liquidity. This index is defined as the difference between adjusted liquid assets and net liquidity requirements. Liquid assets include total debt securities adjusted by market liquidity and exchange rate, excluding investments classified as "held to maturity" different from mandatory investments, Central Bank deposits and available cash. Net liquidity requirements are the difference between expected cash flows from contractual asset and contractual and non-contractual liability. Cash flows from past due loans are not included in this calculation.

In 2011, the Superintendency of Finance implemented changes to liquidity reporting requiring the calculation of a new IRL ratio, or "IRL Ratio," defined as adjusted liquid assets divided by the net liquidity requirements (in each case, as defined above), expressed as a percentage. The IRL Ratio may not fall below 100% for two consecutive weeks.

The Superintendency of Finance additionally adjusted the components of the IRL and IRL Ratio. The adjusted liquid assets now have to be classified as "high quality" or "other," and high quality assets must represent at least 70% of the adjusted liquid assets. In addition, non-contractual outflows (demand and savings deposits outflows) have to be calculated using the median of the fifth percentile of the series of the largest outflows since December 31, 1996.

We have adequate liquidity, as shown in the following table. The three-month cumulative liquidity gap values for year-end 2015 and 2014 reflect our unconsolidated figures.

	Year ended December 31,	
Three-month cumulative liquidity position	**2015**	**2014**
	(in Ps billions)	
Banco de Bogotá		
Total assets and contingencies	16,452	14,997
Total liabilities, equity and contingencies	14,758	15,850
Liquidity gap	1,693	(852)
Net liquid assets (NLA)	1,782	2,678
Liquidity gap plus NLA	3,475	1,826

The following tables show the short-term liquidity index and the IRL Ratio at December 31, 2015 and 2014 for each of our banks, expressed in Ps billions and as a percentage.

	At December 31,			
	Banco de Bogotá			
	2015		2014	
	(in Ps billions)	(in percentages)	(in Ps billions)	(in percentages)
IRL – 7 days	7,302	980%	7,268	717%
IRL – 15 days	6,391	433%	6,496	433%
IRL – 30 days	4,603	230%	4,614	220%

At the consolidated level, we analyze the remaining contractual maturities on our financial assets and financial liabilities in order to maintain adequate liquidity levels. See note 4.5 to our audited consolidated financial statements at December 31, 2015.

Operational Risk Management

Our policies with respect to operational risk are directed at complying with the norms established by the Superintendency of Finance (which, in turn, follow the Basel II Accord of 2004), and the U.S. Sarbanes-Oxley Act of 2002. These norms require that Colombian banks establish a system for the administration of operational risks (*Sistema de Administración de Riesgo Operacional*) which includes the identification, measurement, control and monitoring functions as well as a business continuity plan.

In order to comply with these norms, we established within our organizational structure an operational risk unit independent of the operational and control areas of each bank. The responsibility of this unit is the establishment and definition of policies and methodologies and the procedures for communicating within our organization all information related to operational risk. In addition to the staff of the operational risk unit, we have established the role of operational risk advisors, which are employees in key areas who, in addition to their functional responsibilities, are required to report events or situations which may result in operational losses. Additionally, we have an operational risk management committee composed of selected members of the board of directors, the internal auditor, external auditor and selected vice presidents, which meets on a quarterly basis to review operational risk policies and follow up on the execution of action plans.

In addition, Grupo Aval maintains an operational risk management committee, composed of the heads of the operational risk units of each subsidiary bank, including ours, and staff of Grupo Aval risk management. The principal activities of this committee, which meets twice per month, are as follows:

- advisory in the engagement of external consultants for the identification of gaps with international standards and the development of work plans to close the gaps;
- coordinated analysis of norms and the impact in each of Grupo Aval's banks, including us;
- identification and application of best practices;
- identification and implementation of operational risk management tools;
- unification of criteria in the search of business continuity tools;
- economies of scale in the engagement of consultants and the acquisition of tools; and
- coordination in the preparation of requests for proposals and the evaluation of proposals.

We implement, from time to time, best practices that result from meetings of the Grupo Aval operational risk management committee.

Market Risk Management

We are exposed to substantial market risk, primarily as a result of our lending, trading and investments businesses. The primary market risks to which we are exposed are interest rate risk, foreign exchange rate risk, variations in stock price risk and investment fund risk.

We are exposed to interest rate risk whenever there is a mismatch between interest-rate-sensitive assets and liabilities, subject to any hedging we have engaged in using interest rate swaps or other off-balance sheet derivative instruments. Interest rate risk arises in connection with both trading and non-trading activities.

We are exposed to foreign exchange rate risk as a result of mismatches between assets and liabilities, and off-balance sheet items denominated in different currencies. We are exposed to variations in stock price risk in connection with investments in equity securities, including through our merchant banking investments. We are also exposed to risk associated with our investments in mutual funds.

We and our board of directors, through our risk management committee, are responsible for establishing policies, procedures and limits with respect to market risk. This committee also monitors overall performance in light of the risks assumed. These policies and procedures describe the control framework used by us to identify, measure and manage market risk exposures inherent in our activities. The main purpose of these policies and procedures is to set limits on risk. All risk managers must ensure that each business activity is performed in accordance with the policies established by Banco de Bogotá and also Grupo Aval. These policies and procedures are followed in market risk decision-making in all business units and activities. We comply with the requirements of SARM (*Sistema de Administración de Riesgos de Mercado*) of the Superintendency of Finance.

We are responsible for setting market risk limits and monitoring market risk.

Risk management personnel at Banco de Bogotá (and, additionally, Grupo Aval and our subsidiaries) are responsible for the following:

- identification, measurement and management of the market risk exposures inherent in their businesses;
- analyzing exposures under stress scenarios;
- confirming compliance with applicable risk management policies, reporting violations of such policies, and proposing new policies;
- designing of methodologies for valuing securities and financial instruments; and
- reporting daily to senior management as to the levels of market risk associated with trading instruments.

We hold trading and non-trading instruments. Trading instruments are recorded in our "treasury books" and non-trading instruments are recorded in our "banking books."

Trading Instruments

Trading instruments include our proprietary positions in financial instruments held for sale and/or acquired to take advantage of current and/or expected differences between purchase and sale prices. As a result of trading fixed income and floating rate securities, equity securities, investment funds and foreign exchange, we are exposed to interest rate, variations in stock prices, investment fund and foreign exchange rate risks, as well as volatility risk when derivatives are used. We trade foreign exchange, fixed income instruments, floating rate securities and basic derivative instruments (forwards, options, cross currency swaps and interest rate swaps).

We use VaR to measure our exposure to market risk in trading instruments. VaR is an estimate of the expected maximum loss in market value of a given portfolio over a time horizon at a specific confidence interval, subject to certain assumptions and limitations discussed below.

VaR models have inherent limitations, including the fact that they rely on historical data, which may not be indicative of future market conditions or trading patterns. As a result, VaR models could overestimate or underestimate the value at risk and should not be viewed as predictive of future results. Furthermore, we may incur losses materially in excess of the amounts indicated by the VaR models on a particular trading day or over a period of time. VaR does not calculate the greatest possible loss. In addition, VaR models are subject to the reasonable judgment of our risk management personnel.

Our board of directors, assets and liabilities committee and risk management committee establish the maximum VaR for each type of investment and for each type of risk using their own internal VaR models as well as the Superintendency of Finance methodology, or the "regulatory VaR." We use VaR estimates to alert senior management whenever the statistically estimated losses in the bank's portfolios exceed pre-established levels. Limits on VaR are used to control exposure on a portfolio-by-portfolio basis.

In order to strictly control the trading portfolios, we have limits for every risk factor. To determine the limits, the impact of the variation (dollar value for 1 basis point or DV01) in each risk is taken into account. These risk limits are validated through stress testing based on historical extreme scenarios.

As described below, we measure interest rate risk, foreign exchange risk, variations in stock price risk and investment fund risk in accordance with VaR models. We use two types of approaches to measure VaR: (1) regulatory VaR methodology and (2) internal VaR models.

- The regulatory VaR used in the calculation of the capital ratio (solvency ratio) follows the methodology established by the Superintendency of Finance. The Superintendency methodology is based on the Basel II model. The Superintendency of Finance has not made publicly available technical information on how it determines the volatilities used in this model, and only limited information is available. The volatilities used in the Superintendency of Finance's model are of a magnitude similar to those observed in very high volatility or stress periods. These parameters are seldom changed by the Superintendency of Finance. See "—Regulatory VaR" below.

- In addition, we use internal models to manage market risk. Parameters are set to adapt to the evolution of volatility of the risk factors over time using statistical methods to estimate them. We generally give recent data more weight in calculations to reflect actual market conditions. Our corporate governance bodies set limits based on this VaR measure in order to control the market risks. Parametric VaR and historical simulation methodologies are also used.

Regulatory VaR

The Regulatory VaR calculation is primarily used for the Superintendency of Finance's solvency ratio calculations.

The Superintendency of Finance methodology is based on the Basel II model. This model applies only to the banks' investment portfolio and excludes investments classified as "held to maturity" and any other non-trading positions included in the "Trading" and "Available for sale" portfolios. Total market risk is calculated on a daily basis by aggregating the VaR for each risk exposure category on a ten-day horizon using risk factors calculated in extreme market stress scenarios. VaR at month-end comprises part of the capital adequacy ratio calculation (as set forth in Decree 2555 of 2010). The Superintendency of Finance's rules require us to calculate VaR for the following risk factors: interest rate risk, foreign exchange rate risk, variations in stock price risk and fund risk; correlations between risk factors are not considered. The fluctuations in the portfolio's VaR depend on sensitivity factors determined by the Superintendency of Finance, modified duration and changes in balances outstanding. The ten-day horizon is defined as the average time in which an entity could sell a trading position on the market.

Our VaR calculation is the aggregate of the VaR of our banking business and our subsidiaries.

Interest Rate Risk

Our exposure to interest rate risk in our trading portfolio primarily arises from investments in securities (floating and fixed rate) and derivative instruments. In accordance with Superintendency of Finance rules, we calculate interest rate risk for positions in pesos, foreign currency and UVRs separately. UVR is a Colombian inflation-adjusted monetary index calculated by the board of directors of the Colombian Central Bank and generally used for pricing home-mortgage loans. The interest rate risk model is designed to measure the risk of loss arising from changes in market interest rates. It includes the sum of the net short or long position in the whole trading book, a proportion of the matched positions in each time band (the "vertical disallowance") and a proportion of the matched positions across different time bands (the "horizontal disallowance"). The interest rate sensitivity factors and vertical and horizontal disallowances are not updated frequently by the Superintendency of Finance because those are calculated based on extreme historical market situations; the most recent update was made in November 2010 and published in External Circular 42.

A significant portion of our market risk of is interest rate risk VaR as quantified in the tables below. Our interest rate risk is primarily generated by long positions held in Peso-denominated debt issued by the Colombian government. We have a preference for these securities as the sovereign debt market is the largest and most developed of the local financial markets. Additionally, sovereign debt securities support our liquidity management as they are eligible for Colombian Central Bank overnight repo funding and are classified as high-quality liquid assets. Government debt securities also carry a zero weight for capital adequacy calculations making them attractive in terms of utilization of capital.

Foreign Exchange Rate Risk

We use a sensitivity factor to calculate the probability of losses as a result of fluctuations in currencies in which we hold positions. Regulatory VaR is computed daily by multiplying the net position by the maximum probable variation in the price of such positions on a ten-day horizon, determined by the Superintendency of Finance as shown in the following table.

U.S. dollar	5.5%
Euro	6.0%
Other currencies	8.0%

Our exposure to foreign exchange rate risk arises primarily from fluctuations in the U.S. dollar/peso exchange rate. We use an approximation to estimate the risk in exchange-rate-related option positions based on delta, gamma and vega sensitivities, which is included in foreign exchange risk.

The foreign exchange rate risk VaR calculation under the standard model of the Superintendency of Finance includes both the trading and non-trading book.

Equity Price Risk

In determining regulatory VaR variations in the risk of variations stock price risk, certain investments are excluded as follows: (a) equity investments in financial institutions that are supervised by the Superintendency of Finance and (b) equity investments derived from corporate restructuring processes (under Law 550 of 1999) or received as in-kind payment for non-performing loans. In addition, as part of the solvency ratio calculation, equity investments in entities supervised by the Superintendency of Finance that are not consolidated into our results are deducted from primary capital. Investments in entities that are consolidated but are not supervised by Superintendency of Finance (non-financial investment) are included in VaR calculations.

Variations in stock price risk come primarily from Corficolombiana's non-financial investment portfolio. This risk is factored into Banco de Bogotá variations in stock price risk VaR as it consolidates Corficolombiana's results.

The Superintendency of Finance's methodology for determining VaR for variations in stock price risk outlined above results in the inclusion of Corficolombiana's consolidated and non-consolidated equity investments in non-financial institutions.

In December 2010, the Superintendency of Finance issued a revised methodology that excludes from the VaR calculation investments that are available for sale equity securities that are acquired as strategic investments and intended to be held on a long-term horizon. We have historically considered in our internal models that Corficolombiana's consolidated equity investments and our investments that are held on a long-term horizon should have more limited variations in stock price risk on us.

Variations in stock price risk VaR is computed daily by multiplying the net position by the maximum probable variation in the price of such positions on a ten-day horizon, determined by the Superintendency of Finance to be 14.7%. This coefficient is based on historic volatilities and is seldom adjusted.

Investment Fund Risk

Investment fund risk comes from temporary investment of cash in portfolios managed by trust companies.

Investment fund risk VaR is computed daily by multiplying the net position by the maximum probable variation in the price of such positions on a ten-day horizon, determined by the Superintendency of Finance to be 14.7%.

The following table shows the VaR calculation relating to each of the risk factors described above and based on the Superintendency of Finance Methodology (Regulatory VaR) for the year ended December 31, 2015 and at December 31, 2014, for a ten-day horizon. The averages, minimums and maximums are determined based on end-of-the-month calculations.

	Year ended December 31, 2015				At December 31, 2014
	Period end	Average	Maximum	Minimum	
			(in Ps millions)		
Interest rate risk VaR	660,761	677,528	828,870	612,162	560,718
Foreign exchange rate risk VaR	23,162	37,319	64,724	13,570	46,162
Variations in stock price risk VaR	13,321	10,058	13,321	8,242	11,060
Fund risk VaR	151,678	180,120	203,721	149,138	194,556
Total market risk VaR	848,922	905,025	1,054,899	836,983	812,495

Internal Models for VaR Calculation

In addition to Regulatory VaR, we use internal models to measure VaR in order to determine and control our main risks under normal operating conditions. In particular, we use internal models to oversee the interest rate risk of our investment portfolio. We use internal models to measure VaR of our full investment portfolio on a daily basis.

We use methodologies such as Parametric VaR and historical simulation. The Parametric VaR, which is based on Riskmetrics Group, Inc.'s methodology, involves the identification of specific risks, such as interest and exchange rate risks that could affect the value of assets included in the trading book. The volatility of each factor, measured as a standard deviation and the correlation with other factors, are determined by using an exponentially weighted moving average model. Once this is determined, the expected cash flow of each security included in the portfolio is determined. These cash flows are classified into categories for each risk identified and multiplied by the corresponding volatility to calculate the VaR per factor. The VaR for the various factors is then aggregated using a correlation matrix to identify the overall standard deviation of the bank's treasury book. The VaR of the bank's treasury book is determined based on the standard deviation subject to a confidence level of 99% and a one-day horizon.

The historical simulation calculates daily VaR based on the historical behavior of the one-day variations of prices in the market. This methodology does not assume any statistical distribution function for the earnings and losses of a portfolio. This simulation assumes that the market is stable during a period of time and infers the market's future behavior based on historical data.

Back testing is required by the Superintendency of Finance to establish the validity of the internal models used for VaR calculations. The Superintendency of Finance requires two sets of tests: so called "dirty tests," which compare the value at risk estimated for the day against the result effectively obtained (profit and loss) of the same day using the previous day's portfolio; and "clean tests," which compare the value at risk estimated for the day against an estimated result (profit and loss) based on the previous day's portfolio. These tests are performed on a daily basis, although the requirement for the "clean" test is on a monthly basis. The methodology and results of these tests are available for review by the Superintendency of Finance.

The following table shows the interest rate VaR calculation based on internal models as of December 31, 2015 and December 31, 2014 on a ten-day horizon (using an adjustment factor applied to VaR on a one day horizon). Values presented are based on our internal models. The averages, minimums and maximums are determined based on daily calculations except for BAC Credomatic, which are determined based on end-of-the-quarter calculations.

Interest Rate Risk VaR (Per Internal Model)

	Banco de Bogotá
	(in Ps millions)
2015	
As of December 31	153,596
Average	147,407
Maximum	243,140
Minimum	85,857
2014	
As of December 31	132,388

Considerations on Equity Price Risk Regulatory VaR

As stated above, variations in equity price risk measured based on the regulatory VaR methodology include both equity investments held for trading and non-strategic holdings. In addition, it does not discriminate between listed and unlisted equity investments or between entities whose results we consolidate and those which do not. It focuses on investments in non-financial institutions.

Holding periods for many of Corficolombiana's equity investments exceed ten years. Its largest investments have remained in the portfolio for several years and are intended to remain as permanent investments. At December 31, 2015 and at December 31, 2014, the investment subject to regulatory VaR were holdings in Mineros S.A. and CFC Energy Holdings SAS.

The following table breaks down our investments subject to regulatory VaR by time since initial investments at December 31, 2015 and 2014.

	At December 31,					
	2015			2014		
	Investment subject to Regulatory VaR	Regulatory VaR	Percentage of portfolio	Investment subject to Regulatory VaR	Regulatory VaR	Percentage of portfolio
	(in Ps billions, except percentages)			(in Ps billions, except percentages)		
Less than 18 months	—	—	0.0%	—	—	0.0%
18 - 36 months	164	24	0.3%	174	26	0.3%
More than 36 months	59,883	8,803	99.7%	53,521	7,868	99.7%
Total	60,048	8,827	100.0%	53,695	7,893	100.0%

Non-trading instruments

Non-trading instruments consist primarily of loans and deposits. The bank's primary market risk exposure in non-trading instruments is interest rate risk, which arises from the possibility of changes in market interest rates. Such changes in market interest rates affect our net interest income due to timing differences on the repricing of assets and liabilities. We are also affected by gaps in maturity dates and interest rates in the different asset and liability accounts.

Note 4.4 to our financial statements, Risk Interest Rate on the balance sheet structure, shows mismatches in the repricing of our assets and liabilities by maturity bands. Also, note 4.5 of our financial statements, Liquidity Risk, shows an analysis of the remaining contractual maturities of our assets and liabilities.

As part of our management of interest rate risk, we analyze the interest rate mismatches between our interest-earning assets and our interest-bearing liabilities. Our sensitivity analysis based on hypothetical changes of 50 and 100 basis point shifts in interest rates would have decreased our profit before taxes by Ps 68.4 billion and Ps 136.8 billion for the year ended December 31, 2015, respectively, and by Ps 52.3 billion and Ps 104.6 billion for the year ended December 31, 2014, respectively.

Additionally, the Superintendency of Finance rules require us to measure foreign exchange rate risk VaR not only for treasury book positions but also for all assets and liabilities denominated in foreign currencies. Our non-trading instruments are exposed to foreign exchange rate risk primarily from loans and deposits denominated in U.S. dollars. This foreign exchange rate risk is monitored under the VaR methodology described above.

Capital adequacy requirements

Decree 2555 of 2010 (as modified by Decree 1771 of 2012, Decree 1648 of 2014, and Decree 2392 of 2015) sets forth capital adequacy requirements for Colombian credit institutions. Since August 1, 2013, technical capital for Colombian credit institutions consist of the sum of basic capital (*patrimonio básico*), or primary capital (Tier I), and secondary capital (*patrimonio adicional*), or secondary capital (Tier II). In addition, Primary capital (Tier I) consists of the sum of ordinary basic capital (*patrimonio básico ordinario*), or Common Equity Tier I, and additional basic capital (*patrimonio básico adicional*), or Additional Tier I.

A credit institution's technical capital must be at least 9.0% of that institution's total risk-weighted assets and must also comply with a measure of "core solvency" for Common Equity Tier 1, which requires higher quality capital set at a minimum of 4.5% of risk-weighted assets.

Pursuant to Decree 2555 of 2010 (as amended), the Superintendency of Finance must grant prior approval of the eligibility of a debt, equity or hybrid instrument in order to be classified as Common Equity Tier I, Additional Tier I or Tier II.

The items that are considered in the definition of Technical Capital as set forth in Decree 2555 of 2010, as amended are described below.

Ordinary basic capital

- Outstanding and paid-in capital stock classified as Ordinary Basic Capital by the Superintendency of Finance subject to the conditions set forth in the regulation.
- Legal reserves.
- Shares held as a guarantee by FOGAFIN when the entity is in compliance with a recovery program aimed at bringing the financial entity back into compliance with capital adequacy requirements.
- The value of paid-in stock dividends when the relevant class of stock has been classified as part of the Ordinary Basic Capital by the Superintendency of Finance.
- Non-controlling interest, subject to the conditions set forth in the regulations.
- Capital surplus.
- Irrevocable donations.
- The total value of the cumulative translation adjustment account.
- Capital stock paid in prior to its issuance by the entity, provided however, that the stock remains unissued for a maximum term of four (4) months. After such time frame, it will no longer be considered as comprising the technical capital.
- Subordinated bonds held by FOGAFIN when they comply with certain requirements stated in the regulations.

Deductions from ordinary basic capital

- Any prior or current period losses.
- Direct and indirect investments in shares, mandatory convertible bonds, subordinated bonds that may be convertible into shares or subordinated debt instruments issued by other Colombian or foreign financial institutions (excluding subsidiaries), including cumulative translation adjustments and excluding appraisals, subject to the conditions set forth in the regulation.
- Deferred income taxes, if positive.
- Intangible assets registered after August 23, 2012.
- Reacquired stock, subject to the conditions set forth in the regulations.

Additional basic capital

- Outstanding and paid-in capital stock classified as Additional Basic Capital by the Superintendency of Finance subject to the conditions set forth in the regulation.
- The value of paid-in stock dividends when the relevant class of stock has been classified as part of the Additional Basic Capital by the Superintendency of Finance.

- Non-controlling interest, subject to the conditions set forth in the regulation.
- Debt instruments that the Superintendency of Finance recognized as part of the additional basic capital.

Additional capital

- Fifty percent (50%) of the reappraisal or unrealized profits derived from investments in equity and debt instruments with high or medium trading volumes, subject to conditions set forth in the regulation.
- Mandatory convertible bonds effectively subscribed and paid, subject to the conditions set forth in the regulation.
- Subordinated payment obligations that the Superintendency of Finance classifies as part of the Additional Capital.
- Current period profits, in the amount that the shareholders irrevocably resolve to capitalize or assign to increase the legal reserves once the fiscal year is ended, subject to approval by the Superintendency of Finance.
- Voluntary reserves (*reservas ocasionales*), up to an amount no greater than ten percent (10%) of the technical capital of the entity.
- Non-controlling interest, subject to the conditions set forth in the regulation.
- Fifty percent (50%) of the tax reserve, as defined by law.
- Thirty percent (30%) of the reappraisal or unrealized profits derived from investments in equity instruments with low or non-existing trading volumes, or not listed in trading platforms, subject to an appraisal by an independent expert, according to the regulations expected to be issued by the Superintendency of Finance, and to conditions set forth in the regulation.
- The value of the general provisions made by the financial entity, in an amount no greater than 1.25% of the risk-weighted assets.
- Debt instruments that the Superintendency of Finance recognized as part of the additional capital.

Banco de Bogotá

The following tables set forth our reported consolidated capital adequacy information at December 31, 2015 and 2014.

	At December 31,	
	2015	**2014**
	(in Ps billions)	
Subscribed capital	3.3	3.1
Reserves and profits	10,306.6	9,226.0
Non-controlling interest	1,138.2	938.0
Unconsolidated financial sector investments	(23.5)	(55.6)
Less/more others		
Goodwill	(2,630.4)	(1,810.2)
Unamortized pension liabilities	—	(13.1)
Others	(884.9)	(168.8)
Primary capital (Tier I)	7,909.2	8,119.4
Reserves and profits	567.9	697.4
Non-controlling interest	799.3	993.2
Unrealized gains/losses on securities available for sale[1]	(391.9)	(93.8)
Valuations	149.7	90.4
Subordinated bonds / obligations	3,905.2	1,845.2

	At December 31,	
	2015	2014
	(in Ps billions)	
Less:		
Devaluations	(8.3)	0.2
Less/more others	22.5	16.5
Computed secondary capital (Tier II)	5,044.5	3,549.0
Technical capital	12,953.7	11,668.4
Risk-weighted assets	112,237.6	92,346.8
Value at risk	848.9	812.5
Regulatory value at risk(2)	9,432.5	9,027.7
Risk-weighted assets including regulatory value at risk	121,670.1	101,374.5
Primary capital (Tier I) to risk-weighted assets including regulatory value at risk	6.5%	8.0%
Secondary capital (Tier II) to risk-weighted assets including regulatory value at risk	4.1%	3.5%
Solvency ratio(3)	10.6%	11.5%

(1) Unrealized gains/losses on securities available for sale do not flow through the statement of income until such securities are disposed of and the gain or loss is realized.

(2) Regulatory value at risk consists of value at risk multiplied by (100/9) as required by the Superintendency of Finance. See "—Capital adequacy requirements."

(3) Solvency ratio is calculated as technical capital to risk-weighted assets including regulatory value at risk.

The increase in technical capital for Banco de Bogotá is mainly driven by the U.S.$500.0 million subordinated obligation with Grupo Aval Limited, a subsidiary of Grupo Aval, that took place during the last quarter of 2015. See "Related Party Transactions".

The basic accounting circular contains provisions relating to liquidity risk, interest rate risk, foreign exchange rate risk and market risk. Colombian banks are required to calculate a value at risk, or "VaR," based on a methodology provided by the Superintendency of Finance. VaR is used in assessing a banks' solvency. Future changes in VaR requirements could have a material impact on our operations in the future. See "—Liquidity risk."

INDUSTRY

Colombia

Prior to the 1990s, Colombia's financial system consisted of a large number of specialized entities, which focused on specific areas of finance and the majority of which were separately regulated. However, following the enactment of a series of laws promoting the deregulation of the financial system, including the enactment of Law 45 of 1990, Law 35 of 1993 and Decree 663 of 1993 ("EOSF"), as amended, the financial system transformed from a system consisting of several smaller financial institutions providing a limited set of services to a system consisting of several large financial conglomerates with multiple capabilities within the same organization.

The economic crisis of the late 1990s affected most countries in Latin America, including Colombia. Many financial companies were acquired by large commercial banks, while others were nationalized or liquidated. In the aftermath of the crisis and partly as a result of it, the foundation for the current Colombian financial system was developed with the establishment of solid regulatory principles and strengthened financial groups operating under a single regulatory framework.

In recent years, the financial system in Colombia has continued to consolidate, leading to relatively high merger and acquisition activity since 2005, particularly between 2005 and 2012, including the merger of Corporación Nacional de Ahorro y Vivienda S.A. (Conavi), Corporación Financiera Nacional y Suramericana S.A., or "Corfinsura," and Bancolombia; the acquisition of Banco Aliadas S.A. by Banco de Occidente; the merger of Banco Tequendama S.A. and Banco GNB Sudameris S.A.; the merger of Banco Colmena S.A. and Banco Caja Social S.A. to form BCSC S.A.; the acquisition of Bansuperior S.A. by Davivienda; the acquisition of Banco Granahorrar S.A. by BBVA Colombia; and the acquisition of Banco Unión Colombiano S.A. by Banco de Occidente. Also, during 2006, Banco de Bogotá acquired Megabanco and Davivienda acquired Gran Banco-Bancafé S.A. In 2007, Bancolombia acquired Banagrícola in El Salvador, and in 2008, ABN AMRO Bank Colombia S.A. became Royal Bank of Scotland (Colombia) S.A. following the acquisition of ABN AMRO Bank NV by a consortium led by Royal Bank of Scotland, Fortis and Banco Santander S.A. Also, in 2008, General Electric Money purchased a 49.7% stake in Banco Colpatria. In 2010, Scotiabank acquired Royal Bank of Scotland (Colombia) S.A., and five financing companies merged with their respective commercial banks (BBVA Leasing S.A., Leasing Popular S.A., Leasing de Occidente S.A., Leasing Bogotá S.A. and Helm Leasing S.A.). In 2011, Scotiabank agreed to acquire a 51% stake in Banco Colpatria and Banco Santander S.A. agreed to sell Banco Santander Colombia S.A. to Corpbanca S.A., a Chilean financial services company. Banco WWB S.A., Banco Coomeva S.A., Banco Finandina S.A., Banco Falabella S.A. and Banco Pichincha S.A. entered the banking market in Colombia. In 2012, HSBC agreed to sell HSBC Colombia S.A. to Banco GNB Sudameris S.A., Corpbanca agreed to buy Helm Bank S.A. and BTG Pactual acquired Bolsa y Renta. Also in 2012, Banco Santander, having sold-off its wholesale banking operations to Corpbanca the year before, filed a petition with the Superintendency of Finance to obtain a license for a new bank aimed mainly at corporate clients. In 2013, Banco Davivienda agreed to acquire Corredores Asociados, while in 2014 Brazil's Itaú Unibanco agreed to merge its subsidiary Banco Itau Chile with Chile's Corpbanca, both of which have operations in Colombia. In 2015, Corpbanca's board of directors approved the merger between Banco Itaú Chile and Corpbanca (which is expected to close in the first semester of 2016), while Mundo Mujer Foundation and Compartir Commercial Financing Company, both specializing in microcredit, obtained banking licenses. Furthermore, during 2015, BTG Pactual constituted BTG Pactual Fiduciaria (Trust) and began the process of constituting a merchant bank. Various banking institutions, which have recently been incorporated in Colombia, target specific segments such as the microcredit and small and medium enterprises segments and corporate banking or commercial banking. These institutions include Banco de las Microfinanzas-Bancamía S.A., Banco WWB S.A., Banco Coomeva S.A., and Banco Compartir S.A., as well as three new financial corporations, JP Morgan Corporación Financiera S.A., BNP Paribas Colombia Corporación Financiera S.A. and Itaú BBA Colombia S.A., which are local subsidiaries of international financial institutions. The business of these new credit institutions may affect our market position in the individual, small and medium enterprises and merchant banking segments.

While the Colombian government has been promoting consolidation and expansion of the scope of activities of Colombian financial institutions, it has simultaneously been strengthening corporate governance, risk management and supervision. See "Supervision and regulation."

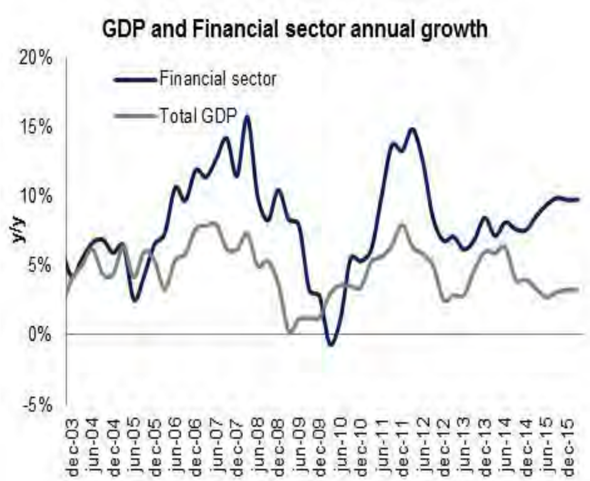
Colombian banking system during the global economic and financial crisis

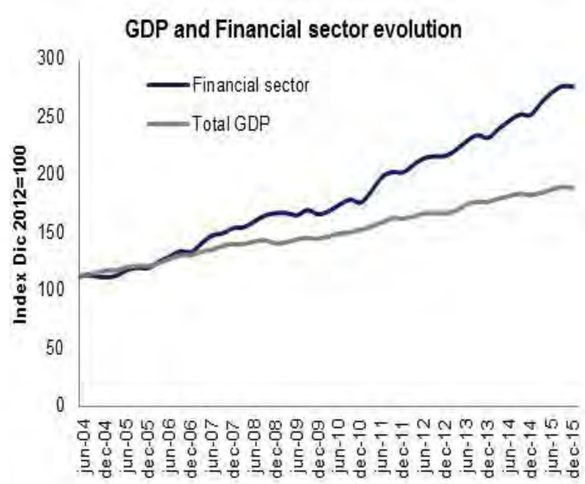
Following the bankruptcy of Lehman Brothers in September 2008, international financial markets faced extraordinary levels of volatility. Colombia's real GDP remained positive during the financial crisis. The Colombian financial system was comparatively less vulnerable to the effects of the global economic and financial crisis due to a combination of factors, including high capitalization ratios, lack of exposure to complex financial products such as credit default swaps and collateralized debt obligations, and a strong foundation of domestic deposits with little dependence on capital markets or external funding (approximately 3% of liabilities were denominated in foreign currency). Overall, the Colombian banking system benefited from these factors and from the Colombian Central Bank's ability to adopt a countercyclical monetary policy. In the aftermath of the global crisis, the system's profitability measures remained stable.

Recent growth of financial sector

From a macroeconomic perspective, the Colombian financial sector has been one of the primary engines of economic growth in the country in recent years. According to DANE, GDP of the financial sector comprising financial intermediation, insurance and other related services, grew at a CAGR of 9.3% in the five-year period ended December 31, 2015 in real terms, 4.7 percentage points above that of annual growth of total GDP during the same period. Economic stability, improvements in security conditions, increased employment rates and enhanced purchasing power on the part of the Colombian population have contributed to an increase in the penetration of financial services. According to DANE, Colombian real GDP per capita grew by 18.2% in the five-year period ended December 31, 2015. As the economy recovered, Colombia's annual average unemployment rate decreased to 10.4% in 2012, 9.6% in 2013, 9.1% in 2014, and 8.9% in 2015. At the same time, deposits in the banking system grew 63.4% in real terms and 97.2% in nominal terms during the five-year period ended December 31, 2015 as adjusted to include deposit growth of the five financing companies that merged with commercial banks during 2010 (BBVA Leasing S.A., Leasing Popular S.A., Leasing de Occidente S.A., Leasing Bogotá S.A. and Helm Leasing S.A.), and the three financing companies and the cooperative bank that converted to commercial banks during 2011 (Banco Pichincha S.A., Banco Falabella S.A., Banco Finandina S.A. and Bancoomeva S.A.).

The following charts present the sector evolution and annual growth of total GDP and GDP of the financial sector for the periods indicated.



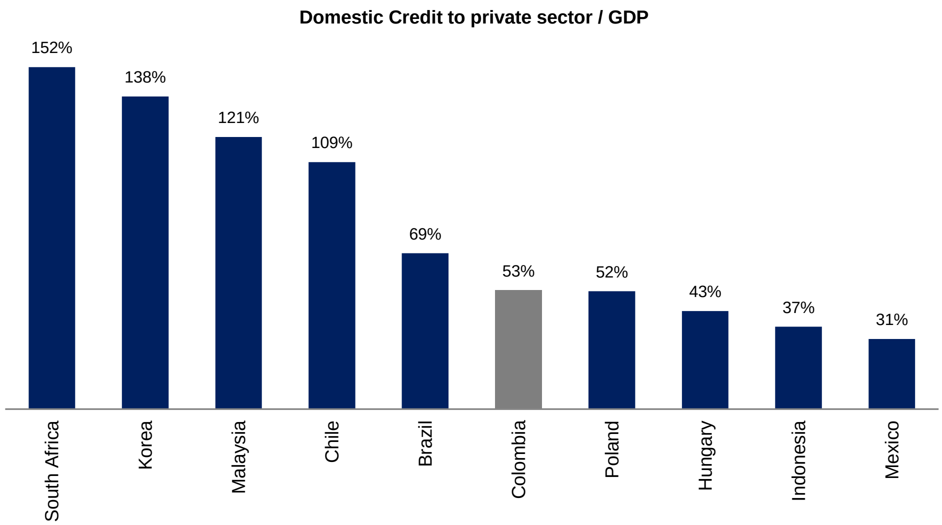


Source: DANE ("Index 2001=100" refers to a value of 100 on December 31, 2001 for the quarterly GDP in constant pesos of 2005). GDP of the financial sector refers to services of financial intermediation, insurance and other related services, as defined by DANE, including the Colombian Central Bank, commercial banks, finance corporations, financing companies, trust companies (*sociedades fiduciarias*), cooperatives, employee funds (*fondos de empleados*), special state-owned institutions (such as Banco de Comercio Exterior (Bancoldex), Financiera de Desarrollo Territorial S.A., or "Findeter," and Financiera de Desarollo Nacional ("FDN"), among others), insurance companies, insurance brokerage firms, brokerage firms, trust companies, pension and severance fund management companies, and guaranty funds, among others. Previously, this data was calculated using the GDP series of 2000 as base year, which was discontinued by DANE in 2010 and replaced by the GDP series of 2005 as base year.

Credit volumes

Credit volumes in Colombia have grown steadily since 2004. Despite this increase in lending, the Colombian market still has a relatively low credit penetration rate as compared to that of other developed and emerging market countries. The following chart presents domestic credit to the private sector as a percentage of GDP of specified countries at December 31, 2014.

Domestic Credit to private sector / GDP



Source: World Bank Development Indicators. Data at December 31, 2014. Domestic credit to private sector refers to financial resources provided to the private sector, which may include, among others, loans, purchases of non-equity securities, and trade credits and other accounts receivable, that establish a claim for repayment. For some countries these claims include credit to public enterprises.

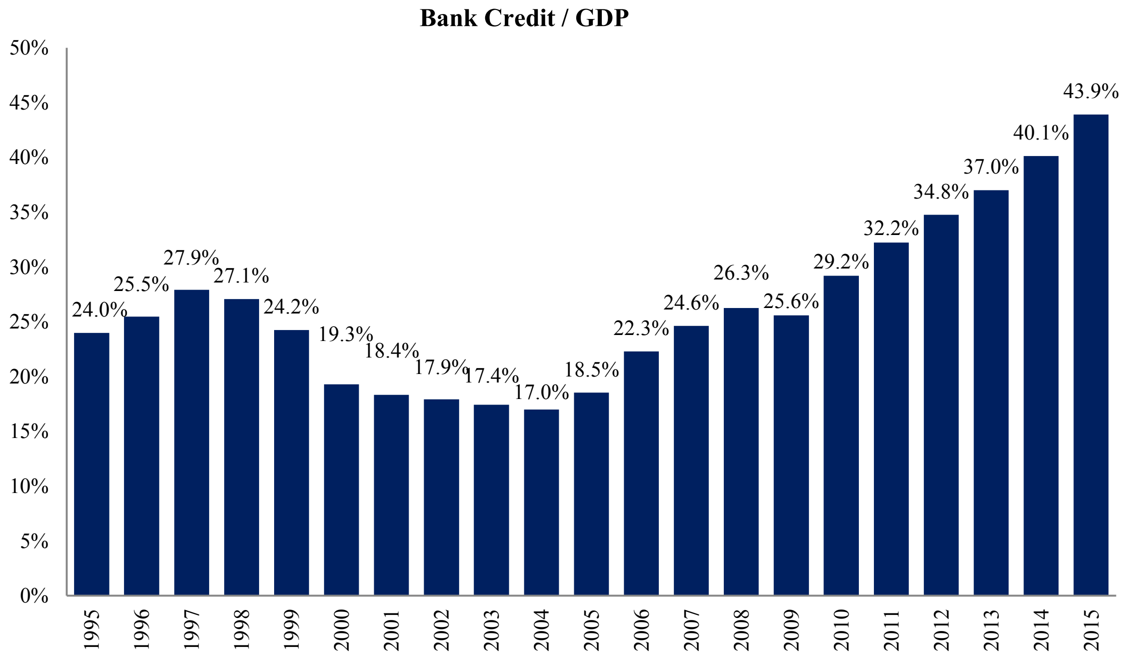
Domestic credit to the private sector as a percentage of GDP, as defined by the World Bank Development Indicators, refers to financial resources provided to the private sector, such as through loans, purchases of non-equity securities, and trade credits and other accounts receivable, that establish a claim for repayment. This metric encompasses a broad range of entities that provide credit, and is not limited to banking institutions. It is widely used for comparison purposes across countries due to its reliability and homogeneity. The World Bank Development Indicators cover 214 countries from 1960 to 2014.

Credit provided exclusively by banking institutions is used to refer to bank intermediation, as it is the main business of Grupo Aval's financial subsidiaries. Specifically, when referring to bank credit penetration, bank credit refers to gross loans and leasing operations provided by commercial banks in Colombia, according to data from the Superintendency of Finance, and GDP refers to nominal GDP in pesos, according to data from DANE. We believe these metrics, and the calculation resulting therefrom, reflect more appropriately Colombia's domestic credit-to-GDP situation and render 37.1%, 37.9%, and 43.9% ratios for the periods ended December 31, 2013, December 31, 2014, and December 31, 2015 respectively (note that the former figures were prepared under Colombian Banking GAAP and the latter figures incorporate Colombian IFRS reporting).

The Colombian bank credit market consists of the extension of loans to individuals and corporations through four main business lines: commercial, consumer, microcredit and mortgage. According to the Superintendency of Finance, at December 31, 2015, a total of Ps 351.6 trillion (U.S.$111.6 billion) of gross loans granted by Colombian banks were outstanding, of which 58.1% were commercial loans, 26.7% were consumer loans, 12.2% were mortgages and 2.9% were microcredit loans.

Gross bank loans in the Colombian banking sector as a percentage of GDP also increased in the past six years from 25.6% as of December 31, 2009 to 43.9% at December 31, 2015 respectively (note that the former figures were prepared under Colombian Banking GAAP and the latter figures incorporate Colombian IFRS reporting).

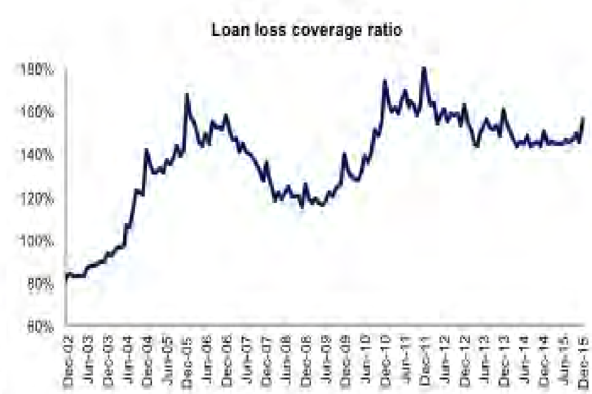
The following chart presents bank credit as a percentage of GDP over the past twenty years. It is important to note that under IFRS, gross bank loans include, among others, repos, operating leases and interest receivables.



Source: Company estimates, based on DANE and Superintendency of Finance. Data shown starts in 1995 in order to capture the negative effect that the economic crisis of the late 1990s had on bank credit penetration. GDP series used are those of 2005 as the base year, and nominal GDP prior to 2000 is calculated by applying reported nominal growth to the 2005 series. Previously, these ratios were calculated using the GDP series of 2000 as base year, which was discontinued by DANE in 2010 and replaced by the GDP series of 2005 as base year. As of 2015, bank credit is reported under IFRS accounting standards.

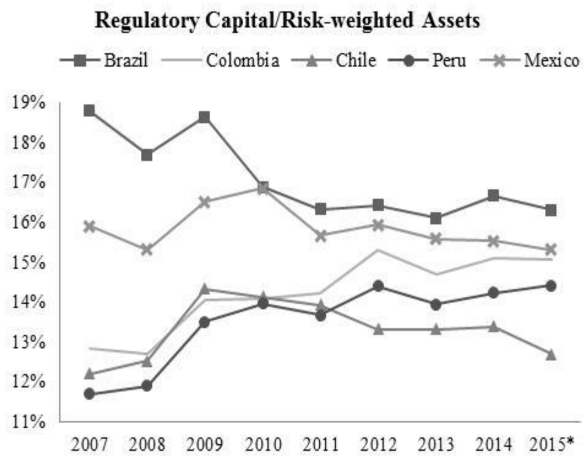
Although loan quality and loan loss coverage ratios deteriorated between 2007 and mid-2009 as a result of the economic slowdown preceding the global crisis, overall loan quality and coverage ratios have improved significantly during the last ten years in Colombia. The following charts illustrate this trend and present past due loans more than 30 days as a percentage of total loans and the loan loss coverage ratio from December 2002 to December 2015.

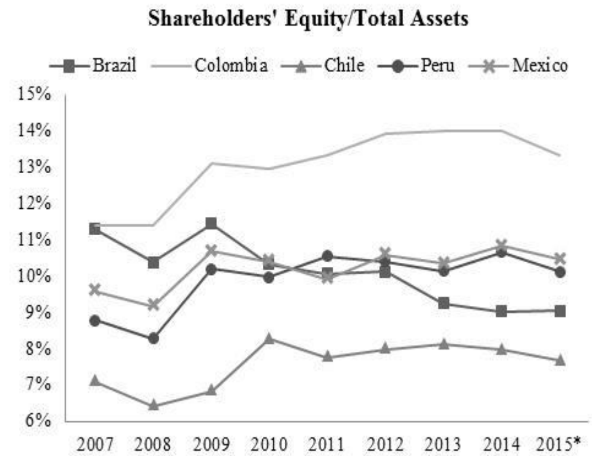
Despite the recent economic slowdown in the Colombian economy, the Colombian financial system still reflects solid quality and sound coverage ratios.



Source: Superintendency of Finance. Past due loans refers to loans overdue more than 30 days, as defined by the Superintendency of Finance. Loan loss coverage ratio refers to loan loss allowances divided by past due loans. As of January 2015, these statistics are reported under IFRS.

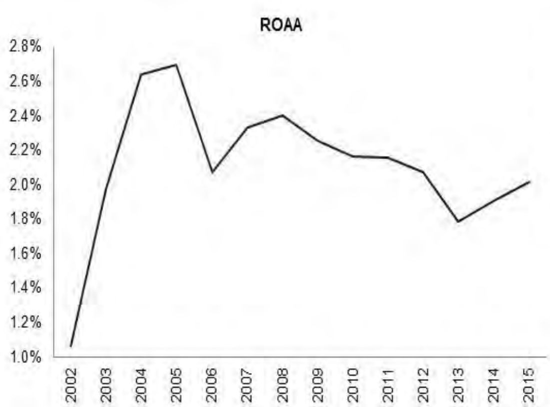
Colombia's banking system is well capitalized under regulations applicable at such date, with an average risk-based capital ratio of 15.1% at December 31, 2015, as reported and calculated by the Superintendency of Finance, significantly above the minimum regulatory requirement of 9%. The capital-to-total assets ratio and the risk-based capital ratio have increased since 2005: the former currently exceeds that of comparable countries in Latin America, while the latter is above that of Chile and Peru. The following charts present regulatory capital as a percentage of risk-weighted assets, and shareholders' equity as a percentage of total assets from 2007 to 2015 for the banking sector in Brazil, Colombia, Chile, Peru and Mexico.

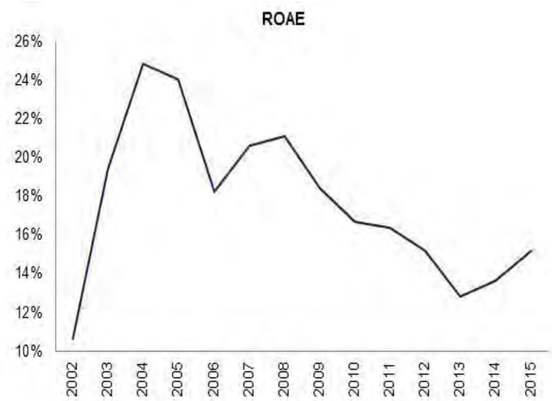




Source: IMF for non-Colombian countries and Superintendency of Finance for Colombia. For non-Colombian countries, shareholders' equity refers to equity and regulatory capital refers to bank regulatory capital, as reported by the IMF's Financial Soundness Indicators, October 2015. According to the IMF, capital is measured as total capital and reserves as reported in the sectorial balance sheet for cross-border consolidated data; Tier I capital can also be used (this definition of capital is also used by the IMF for calculating the ratio of return on equity). For Colombia, shareholders' equity refers to that of commercial banks, and regulatory capital to risk-weighted assets refers to the risk-based capital ratio of commercial banks as defined and reported by the Superintendency of Finance. As of August 2013, the definition of risk-based capital ratio in Colombia was modified by Decree 1771 of 2012, resulting in a decline in such ratio in Colombia compared to figures reported prior to that month. As of January 2015, these statistics for Colombia are reported under Colombian IFRS. The latest available data for equity attributable to controlling interest to total assets for Brazil and Peru is as of June 30, 2015; for Chile is as of July 31, 2015; and for Mexico is as of May 31, 2014. The latest available data for regulatory capital to risk-weighted assets for Brazil and Peru is as of June 30, 2015; for Chile is as of July 31, 2015; and for Mexico is as of May 31, 2015. Data shown for Colombia is as of December 31, 2015.

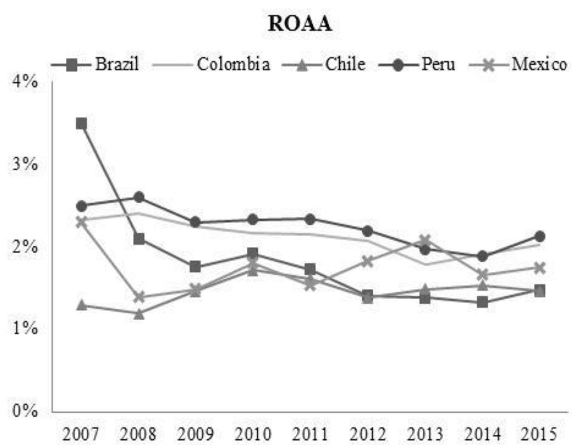
At the same time, the profitability of the financial sector improved significantly during the first half of the decade starting in 2000 and remained relatively stable in the second half of the decade, including during the global economic and financial crisis. The following charts present ROAA and ROAE for the Colombian financial sector from 2002 to 2015 (note that as of January 1, 2015, these statistics are reported under Colombian IFRS).

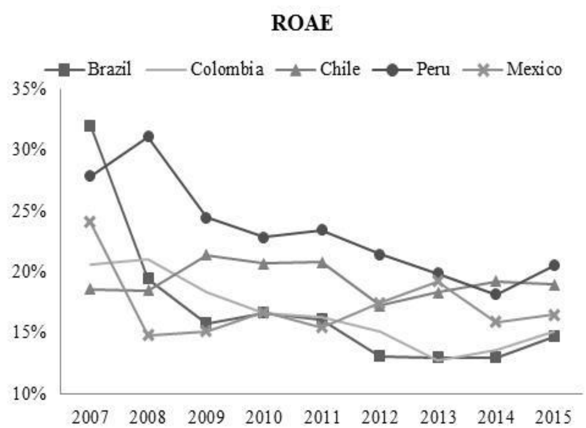




Source: Company estimates, based on Superintendency of Finance. ROAA refers to 12-month profits divided by the average of assets in the current month and in the same month of the prior year. Similarly, ROAE refers to 12-month profits divided by the average of shareholders' equity in the current month and in the same month of the prior year. As of January 1, 2015, these statistics for Colombia are reported under IFRS.

The following charts present ROAA and ROAE from 2007 to 2015 for the banking sector in Brazil, Colombia, Chile, Peru and Mexico.





Source: IMF's Financial Soundness Indicators, October 2015, for Brazil, Chile, Peru and Mexico; and company estimates based on Superintendency of Finance for Colombia. As of January 1, 2015, these statistics for Colombia are reported under IFRS. The latest available data for Brazil and Peru is as of June 30, 2015; for Chile is as of July 31, 2015; for Mexico is as of May 31, 2015; and for Colombia is as of December 31, 2015.

Main market participants

According to the Superintendency of Finance, at December 31, 2015, the principal participants in the Colombian financial system were the Colombian Central Bank, 25 commercial banks (fourteen domestic banks, ten subsidiaries of foreign institutions and one bank owned by the Colombian government), 16 financing companies and five finance corporations. In addition, trust companies, cooperatives, insurance companies, insurance brokerage firms, bonded warehouses, special state-owned institutions that provide credit to specific segments of the population who generally lack normal access to commercial and retail banking, and pension and severance pay funds also participate. For a description of the roles of these entities, see "Supervision and regulation—Regulatory framework for Colombian financial institutions." For information about our competitive position, see "—Competition."

Our principal competitors are Bancolombia, Davivienda and BBVA Colombia, which are the three leading banking groups in Colombia after Grupo Aval. Other international players active in the Colombian market include Corpbanca Colombia S.A., Scotiabank Colpatria and Citibank-Colombia S.A.

Recent developments in the Colombian stock market

The Colombian Stock Market Index (*Índice General de la Bolsa de Colombia*), or "IGBC," decreased 26.5% in 2015 and 11.0% in 2014, in line with emerging market trends, net outflow of funds and the impact of the decline in commodity prices, mainly oil. Since November 2013 the new benchmark index for the Colombian Stock Market is the "COLCAP" (*Índice de Capitalización Colombiano*), which showed similar trends in 2015 decreasing by 23.8%. Colombia's stock market capitalization stood at Ps 278.7 trillion (U.S.$88.5 billion) at December 31, 2015. Simultaneously, the daily average trading volume in the stock market decreased to Ps 133.2 billion (U.S.$42.3 million) during 2015, from Ps 165.4 billion (U.S.$69.12 million) during 2014, a decrease of 19.5%.

Private pension fund system

A private pension fund system came into operation in Colombia in 1994, and during the last decade the scope of permissible activity by pension funds has expanded. The pension system consists of a government-sponsored defined public benefit plan, or "RPM," currently administered by the Colombian Pension Service, Colpensiones, (previously administered by the Colombian Institute of Social Security), and a defined contribution or individual savings system, or "RAIS," administered by private pension fund administrators under the supervision of the Superintendency of Finance. Since its creation, RAIS has experienced significant growth and is now the principal pension system in Colombia (13.1 million of individual customers in RAIS, compared to 6.3 million in RPM, at September 30, 2015). We operate in the pension fund management markets of RAIS through Porvenir. For information about Porvenir's competitive position, see "—Competition." At September 30, 2015, there were four private pension and severance funds managing a total of Ps 183.6 trillion (U.S.$58.8 billion) in assets, consisting of Ps 160.6 trillion (U.S.$51.4 billion) in mandatory pension fund assets; Ps 14.4 trillion (U.S.$4.6 billion) in voluntary pension funds' assets; and 8.6 trillion (U.S.$2.8 billion) in severance assets. For information about the main participants in the Colombian RAIS pension sector and our market share and position in the pension fund market, see "—Competition."

Colombia has high-growth potential in the individual savings pension regime due to (1) the low average age of individual customers (34 years); (2) the current penetration levels of pension plans (approximately 88.19% of the employed population at September 30, 2015 participated in either a government-sponsored or a private pension scheme); and (3) the recent trend of individual customers investing in private pension funds, such as Porvenir, instead of the government-sponsored alternative (individual customers in RAIS increased from 8.6 million in 2008 to 8.7 million in 2009, 9.3 million in 2010, 10.0 million in 2011, 10.8 million in 2012, 11.7 million in 2013, 12.5 million in 2014, and 13.1 million as of September 30, 2015, while individual customers in RPM increased from 6.2 million in 2008 before leveling off at 6.4 million in 2009, 2010 and 2011, at 6.5 million in 2012 and 2013, at 6.0 in 2014, and at 6.3 million as of September 30, 2015).

Central America

We define the Central American region to include Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama. Central America presents a market with similar characteristics to that of Colombia and with growth potential in financial services.

At December 31, 2015, Central America had a total estimated population of approximately 46.2 million, making it the fourth largest market in Latin America by population after Brazil (population of 204.5 million), Mexico (population of 121.1 million) and Colombia (population of 48.2 million) as reported by the IMF. According to the IMF, at December 31, 2015, Central America had an estimated combined GDP of U.S.$220.2 billion, ranking as the sixth largest economy in Latin America after Brazil (nominal GDP of U.S.$1,799.6 billion), Mexico (nominal GDP of U.S.$1,161.5 billion), Argentina (nominal GDP of U.S.$578.7 billion), Colombia (nominal GDP of U.S.$274.2 billion), and Chile (nominal GDP of U.S.$240.0 billion). According to the IMF, Central America's real GDP was expected to grow 3.9% in 2015, above the expected real growth rate for Colombia of 2.5%, and is expected to grow at an annual average real rate of 4.4% between 2016 and 2018, compared to Colombia's expected average real growth rate of 3.2% during the same period.

The following table presents population and historical and projected GDP growth data for Central America.

	Costa Rica	El Salvador	Guatemala	Honduras	Nicaragua	Panama	Total Central America (1)
2015 population (millions) estimated	4.8	6.4	16.3	8.4	6.3	4.0	46.2
2015 nominal GDP (U.S.$ billions)	51.6	25.7	63.2	19.9	12.3	47.5	220.2
2015 nominal GDP per capita (U.S.$)	10,671	4,023	3,887	2,365	1,965	11,850	4,768
CAGR real GDP 2005-2015	4.3%	1.7%	3.7%	3.5%	3.7%	8.4%	4.6%
Real GDP growth 2016 expected	4.0%	2.5%	3.7%	3.6%	4.3%	6.3%	4.2%
Real GDP growth 2017 expected	4.6%	2.6%	3.6%	3.7%	4.0%	6.6%	4.4%
Real GDP growth 2018 expected	4.9%	2.3%	3.5%	3.8%	4.0%	7.0%	4.6%

Source: GDP and population figures based on the World Economic Outlook, October 2015, published by the IMF.

(1) Reflects a GDP-weighted average of Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama.

During the last several years, countries in the Central American region have increased their efforts to promote fiscal prudence and foreign investment. Countries such as Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua have signed agreements with the IMF under which governments receive credit, subject to adopting fiscal discipline in their economic policies.

Panama, capitalizing on its geographical advantage and the Panama Canal, a main continental connecting route, continues to be an important logistical hub and center for commerce and services within the region. In this context, the expansion of the Panama Canal, scheduled to be completed in 2015, is expected to positively affect the growth rate of the economy and strengthen Panama's attractiveness within the region for foreign direct investment.

The Central American region offers a stable market that is expected to further converge towards an integrated economy as a result of the ongoing implementation of free-trade agreements. DR-CAFTA, gradually eliminates barriers to trade and investment among Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua and the United States. The agreement allows the Central American region to access markets in the United States and establishes common regulatory standards among these countries. DR-CAFTA covers most types of trade and commercial exchange between these countries and the United States.

Central American financial services sector

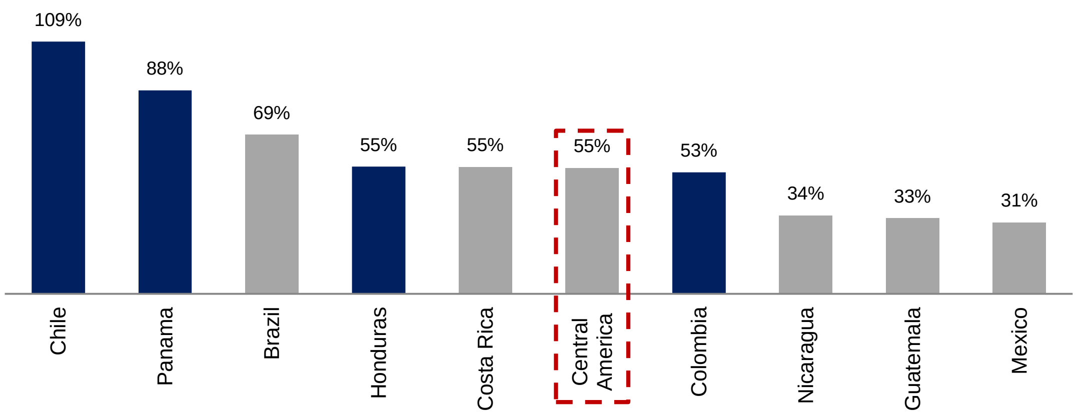
Central America's financial system has gone through two major phases of consolidation. In the early 2000s, local banks began expanding operations in their own markets through aggressive acquisition strategies, creating local financial groups. Notable examples include Grupo Financiero Cuscatlán's acquisition of Lloyds TSB Group Plc's operations in the region in 2004 and Banco de la Producción, S.A. (BANPRO)'s acquisition of Banco Caley Dagnall S.A. from Banco Agrícola S.A. in Nicaragua in March 2005. Following this period of internal consolidation and encouraged by the stability and growth prospects of the region, international banking groups began entering the region in 2004 through acquisitions in various jurisdictions, such as The Bank of Nova Scotia's acquisition of El Salvador's Banco de Comercio de El Salvador, S.A. in 2004, Costa Rica's Banco Interfin S.A. in 2006, and Guatemala's Banco de Antigua S.A. in 2008; GE Capital's acquisition of a 49.99% stake in BAC Credomatic in 2005; Citigroup, Inc.'s merger of its Central American operations with Grupo Financiero Cuscatlán and Grupo Financiero Uno S.A. in 2006; and Grupo Financiero HSBC, S.A. de C.V.'s acquisition of Primer Banco del Istmo, S.A. (Banistmo) and Banco Salvadoreño, S.A. (Bancosal) in 2007.

Other regional financial institutions have also acquired banks in Central America: Grupo Bancolombia acquired El Salvador's Banco Agrícola in 2006 and 40% of Guatemala's Banco Agromercantil in 2012 (an additional 20% in 2015), and Honduras' Banco Industrial S.A. acquired Banco del País S.A. in 2007. Davivienda purchased the affiliates of HSBC in Costa Rica, El Salvador and Honduras and GNB Sudameris completed the purchase of the subsidiaries of HSBC in Perú, Paraguay and Uruguay in 2012. In 2010 Banco de Bogotá acquired 100% of BAC Credomatic and in 2012 Banco Davivienda agreed to acquire HSBC's operations in Costa Rica, El Salvador and Honduras. In October 2013, Bancolombia acquired HSBC Bank S.A. Panamá and we have expanded our operations in Central America with the acquisition of BBVA Panamá (now known as Banco BAC de Panamá) and Grupo Reformador in December 2013.

In October 2014, Citibank announced the sale of its operations in five countries in Central America. The transactions were arranged throughout 2015 subject to approval by the local Superintendencies as follows: in Nicaragua the operations were agreed to be acquired by Grupo Financiero Ficohsa; in Panama and Costa Rica by Scotiabank; in Guatemala by Grupo Promerica and El Salvador by Grupo Terra.

The chart below sets forth domestic credit to private sector as a percentage of GDP for Central America and selected countries.

Domestic Credit to Private Sector / GDP



Source: World Bank Development Indicators. Data at December 31, 2014. Central America excludes El Salvador due to lack of availability in the World Bank Development Indicators' database

BUSINESS

Our company

Banco de Bogotá is Colombia's oldest financial institution, with more than 140 years of operating experience. As of December 31, 2015, Banco de Bogotá was the most efficient bank in the Colombian banking system on an unconsolidated basis under Colombian IFRS, with an efficiency ratio of 37.2%. As of the same date, it was the second largest bank in Colombia with a market share of 14.6% in terms of deposits and 13.6% in terms of loans. Our pension and severance fund administrator, Porvenir, was the leading pension fund administrator in Colombia in terms of funds under management and had, as of December 31, 2015, the largest share of earnings in the pension and severance fund management market in Colombia. Our merchant bank, Corficolombiana, is the largest merchant bank in Colombia. Through our BAC Credomatic operations, we are the largest banking group in the Central American market based on aggregate assets as of December 31, 2015. For the year ended December 31, 2015, our ROAE was 15.3% and the ROAA was 1.9% on a consolidated basis. We achieved a net interest margin of 5.1% on a consolidated basis in 2015.

Colombian operations

Banco de Bogotá is a subsidiary of Grupo Aval, which is Colombia's largest banking group based on total assets. Banco de Bogotá is the largest financial institution within Grupo Aval's portfolio as measured by assets, and the largest contributor to net income before taxes and non-controlling interest. Grupo Aval employs a multi-brand strategy, allowing each of its four banks, Banco de Occidente, Banco Popular, Banco AV Villas and us, to focus on particular types of customers, geographic regions and products. Grupo Aval's banks are encouraged to compete among themselves and with other market participants, while operating within central strategic guidelines established by Grupo Aval.

Banco de Bogotá is a full-service bank with coverage throughout Colombia and a comprehensive portfolio of services and products, distributed through a network of 711 branches and 1,747 automated teller machines, or "ATMs," as of December 31, 2015. While Banco de Bogotá serves segments in the market through differentiated service and product offerings, it is particularly focused on commercial lending with a market share of 18.0% of commercial loans as of December 31, 2015. Through its focus on expanding its consumer banking business, Banco de Bogotá has consistently increased its share of the consumer loans market, and as of December 31, 2015 held a 9.4% market share in that segment.

The following table shows market share and other metrics of Banco de Bogotá and its key competitors as of the dates indicated on an unconsolidated basis under Colombian IFRS.

	At and for the year ended in December 31, 2015							
	Grupo Aval entities							
	Banco de Bogotá	Banco de Occidente	Banco Popular	Banco AV Villas	Grupo Aval Aggregate[1]	Bancolombia	Davivienda	BBVA Colombia
	(in percentages)							
ROAA(2)	3.1	1.6	1.7	1.8	2.5	2.3	2.0	1.3
ROAE(3)	16.4	13.0	12.9	16.9	15.4	14.0	16.8	16.9
Net interest margin (4)	4.8	5.3	6.2	6.4	5.3	5.9	6.6	5.8
Efficiency ratio (5)	37.2	48.2	57.4	53.6	43.7	52.4	44.0	45.7
Market share in Colombia:								
Net income	23.8	5.2	3.2	2.1	34.2	25.7	12.6	6.3
Deposits	14.6	6.5	4.1	2.9	28.2	20.8	12.3	11.5
Gross loans and leases	13.6	7.3	4.2	2.4	27.4	22.8	13.8	10.5
Assets	15.2	6.6	3.8	2.3	27.8	23.1	12.5	9.9
Branches	13.1	3.9	4.2	5.2	26.3	14.7	10.8	8.7
ATMs	11.8	2.3	7.8	3.8	25.7	27.1	11.7	8.8

Sources: Calculations for ROAA, ROAE and efficiency ratio are based on each entity's respective unconsolidated financial statements that are publicly available on the website of the Superintendency of Finance. Colombian market share information is based on unconsolidated data under Colombian IFRS filed with the Superintendency of Finance, except for figures relating to branches and ATMs from Grupo Aval entities, which are derived from data provided by Grupo Aval. Colombian market share data for Grupo Aval is based on aggregate figures.

(1) Ratios and market share data reflect aggregated unconsolidated data of Banco de Bogotá, Banco de Occidente, Banco Popular and Banco AV Villas.

(2) For the year ended December 31, 2015, ROAA is calculated as net income divided by average monthly assets.

(3) For the year ended December 31, 2015, ROAE is calculated as net income attributable to controlling interest divided by average monthly equity.

(4) Net interest margin is calculated as net interest income divided by total average interest-earning assets.

(5) Efficiency ratio is calculated as personnel expenses plus administration expenses divided by total income. Total income is the sum of net interest income, total fees and other services income net, and other income (excluding dividends and others).

Central American operations

Through our BAC Credomatic operations, we are the leading banking group in Central America based on aggregate assets. We have a leading Central American presence with operations that are complementary to our Colombian businesses and a leading position in the consumer and credit card banking businesses in the region. BAC Credomatic has operations in six Central American countries (Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama) and Mexico. BAC Credomatic is one of the leading credit card issuers and merchant-acquiring franchises in the region and has the only network that processes all major credit card brands in the region. At December 31, 2015, BAC Credomatic's credit card portfolio totaled U.S.$2.3 billion, which represents a 13.4% increase from U.S.$2.0 billion at December 31, 2014. At December 31, 2015, 78.0% of BAC Credomatic's credit card portfolio was distributed across Costa Rica, El Salvador, Guatemala and Panama. The remaining 22.0% was distributed among Honduras, Nicaragua and Mexico.

Through a network of 672 branches (including 352 full-service branches, 38 in-store branches, 252 on-site branches and 30 auto/drive-thru branches) and 1,815 ATMs at December 31, 2015, BAC Credomatic has more than 3.4 million customers and serves a region with a total population of approximately 46.2 million at December 31, 2015. Our Central American operations represented 42.2% of our consolidated assets at December 31, 2015.

For the years ended December 31, 2015 and December 31, 2014, the efficiency ratio for BAC Credomatic was 54.4% and 53.6%, respectively. We believe we can further improve our performance in Central America and BAC Credomatic's efficiency ratio by continuing to create synergies among our subsidiaries and leveraging economies of scale. We also believe we can leverage our and Group Aval's expertise to increase BAC Credomatic's share in corporate lending within Central America.

The international expansion strategy has provided Banco de Bogotá an additional source of growth, value and diversification in terms of loans, deposits and earnings from a Colombia-related region with potential for further growth. See "—Our markets—Central America" for more information.

The following table shows the market shares of our Central American operations and that of our principal competitors in Central America, excluding Panama.

	At December 31, 2015				
	BAC Credomatic[(1)]	Banco Industrial	Bancolombia Central America	G&T Continental	Scotiabank Central America
	(in percentages)				
Central American market share:					
Loans and leases, net	12.9	9.9	7.3	6.1	5.5
Assets	11.5	11.0	6.5	6.9	4.7
Deposits	11.5	10.7	6.6	7.3	4.5
Liabilities	11.3	11.3	6.4	7.1	4.7
Total equity	12.8	8.2	7.3	5.3	5.4
Net income	15.7	13.5	8.1	7.9	2.1

Sources: Calculated based on data aggregated from the local superintendencies of Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua. Market share data is determined based on the sum of each bank's operations in the above-mentioned countries. This comparison excludes Panama due to the difficulty of separating international from local businesses of Panamanian banks. Including Panama data, our market share in deposits and net loans and leases was 8.4% and 9.4%, respectively, as of December 31, 2015.

(1) Reflects LB Panamá operations including BAC Credomatic.

Our business strengths

We believe that we have achieved our leading positions in the Colombian and Central American banking industry through the following competitive strengths.

Strong track record of growth and resilient profitability

We believe that our leading position in the Colombian market, cross-bank synergies, economies of scale, low-cost funding and operating efficiencies have helped us achieve stable and growing profits. Banco de Bogotá´s ROAE of 16.4% and ROAA of 3.1%, based on unconsolidated figures under Colombian IFRS, for the year ended December 31, 2015 have been among the highest in the Colombian banking industry. The resilience of our returns, results from our diversified loan portfolio, a lower and more stable cost of funding structure, solid net provisions and improving efficiency ratios.

As a diversified group, our consolidated assets have grown at a CAGR of 22.0% from January 1, 2014 to December 31, 2015. During the same period, our total liabilities have grown at a CAGR of 22.4% and our equity has grown at a CAGR of 19.0%. We have historically accomplished our growth through organic expansion and strategic acquisitions in Central America.

Major participant in most banking sectors in Colombia

We are one of the largest participants in most sectors of the Colombian banking market, with 18.0% of commercial loans and 9.4% of consumer loans at December 31, 2015. We also have the second largest market share of deposits at 14.6% as of the same date, and we have one of the highest ratios of deposits to loans in Colombia of 93.5%. We are part of *Red Grupo Aval*, which is the largest ATM and banking network in the country and has been a key element of our competitive positioning in the Colombian market. As of December 31, 2015, the most recent date for which market comparable information is available, our ATM and banking network, independent of the *Red Grupo Aval* network, had market shares of 11.8% and 13.1% of ATMs and branches, respectively. The *Red Grupo Aval* banking network had market shares of 25.7% and 26.3% of ATMs and branches, respectively, as of the same date.

Leading banking operations in Central America

BAC Credomatic is the leading financial group in Central America with a record of strong financial performance. Based on consolidated figures, its ROAE was 18.1% for the year ended December 31, 2014 and 15.5% for the year ended December 31, 2015. BAC Credomatic is a full-service financial institution with one of the leading card-issuing and acquiring businesses in the region. Its Credomatic brand has key alliances with major credit card networks, such as Visa, MasterCard, American Express and Diners Club, and has the only network in the region that processes all major credit card brands. BAC Credomatic's market share in terms of net loans varies in the different countries as follows, as of December 31, 2015: 13.2% in Costa Rica, 11.9% in El Salvador, 10.0% in Guatemala, 14.3% in Honduras, 26.2% in Nicaragua and 5.2% in Panama. As a regional player, excluding Panamanian operations, we hold the largest share with 12.8% of the total Central American market.

Diversified and competitive sources of funding

We have access to diverse sources of funding, including deposits and debt securities placed in international capital and credit markets, which results in a competitive cost of funding for our operations. At December 31, 2015, our share of total deposits in Colombia was 14.6%, supported by a 19.2% market share in checking accounts and a 13.1% market share in savings accounts. On a consolidated basis, our deposits represented 72.3% of our total funding at December 31, 2015 compared to 75.4% at December 31, 2014 and 75.0% at January 1, 2014, or 74.3% on average, which provides us with a stable and cost-effective funding base. We believe that our funding base supports our initiatives to expand our businesses.

Sound risk management

We believe we have asset quality that is superior to that of our principal competitors. Our delinquency ratio of Colombian loans past due more than 30 days over total loans was 2.3% at December 31, 2015, the lowest among our principal competitors on an unconsolidated basis under Colombian IFRS. Bancolombia's ratio was 3.1%, Davivienda's was 3.3% and BBVA Colombia's was 2.8% on an unconsolidated basis under Colombian IFRS. The delinquency ratio of loans past due more than 90 days to total loans and its coverage ratio for Banco de Bogotá was 1.6% and 182.5% at December 31, 2015, respectively. By contrast, Bancolombia had a ratio of past due loans more than 90 days to total loans and its coverage ratio of 1.8% and 254.7% at December 31, 2015, respectively and Davivienda had a ratio of past due loans more than 90 days to total loans and its coverage ratio of 1.3% and 265.4% at December 31, 2015, respectively.

We have maintained our relative consolidated asset quality, as demonstrated by our ratio of past due loans more than 90 days to total loans of 1.5% and our ratio of write-offs to average outstanding loans of 1.3% for the year ended December 31, 2015 (average loan is calculated as the sum of total loans at December 31 of the fiscal year and total loans at December 31 of the previous fiscal year, divided by two).

We have a comprehensive risk management system, which we view as fundamental to our long-term stability and viability, which enables us to identify risks and resolve potential problems on a timely basis. In addition, we have established upward loan reporting processes, and our risk management staff meets on a weekly basis to discuss the loan portfolio, risks, opportunities and developments in the industry.

Leading Bank within Grupo Aval's multi-brand business model

We are part of Grupo Aval, which is Colombia's largest banking group based on total assets, a publicly-traded company with a market capitalization of Ps 25,761.3 billion at March 31, 2016, and benefit from applying the best practices from its operating subsidiaries to our business. Grupo Aval operates its financial subsidiaries through a multi-brand business model, building on the individual strengths of its subsidiaries and the market-wide recognition of its brands. Grupo Aval's financial subsidiaries in Colombia operate as four independent banks that are encouraged to compete among themselves and with other market participants, while operating within central guidelines established by Grupo Aval in the areas of internal controls, credit risk management, brand management, strategic planning, general procurement and information technology. These guidelines, together with group support services, are designed to allow each bank to achieve economies of scale and benefit from cross-bank synergies and group-wide best practices and corporate policies and procedures without inhibiting individual competition and the decision-making abilities of each bank's management. These practices are designed to encourage a consistent approach with respect to effective risk management, efficient use of capital, cost control, brand management, general procurement and integration of information technology. We believe that these practices have helped us achieve economies of scale and synergies to reduce operating and administrative costs.

Experienced management teams

Our qualified and experienced management teams, both at the group and operating subsidiary levels, have played a key role in guiding our growth. Our president has a tenure of over 25 years, and the presidents of our principal subsidiaries have an average tenure of over 15 years. We believe that the strength of management at all levels has enabled us to become Colombia's largest and most profitable bank. Our management team and each of our operating subsidiaries' management teams are dedicated to formulating and executing business strategies through a culture of excellence, innovation and cooperation, which has served as our guiding vision throughout the various acquisitions and initiatives we have undertaken. Our approach in our acquisitions has been to retain a majority of senior management and talent.

Our strategy

Our overall objectives are to build upon our competitive strengths to pursue opportunities for growth and to enhance our long-term financial performance. To achieve these objectives, we intend to pursue a strategy with the following key elements:

Further penetrate the Colombian market

Despite the recent slowdown in the growth of the economy driven by the drastic decline in oil prices, we believe that with the necessary fiscal adjustments currently being implemented, the Colombian economy has strong fundamentals and, because of them, it has the ability to return to a path of higher growth rates. In such a scenario we can benefit from an increase in GDP per capita and thus in banking penetration. As one of the Colombia's leading bank, we believe that we are very well positioned to adjust to the current conditions and take advantage of a potential economy growth in the future.

Continue capitalizing on synergies and improving efficiencies

We are pursuing opportunities to create synergies among Grupo Aval affiliates and at BAC Credomatic and leverage their combined strength. We intend to work with Grupo Aval on groupwide projects, mainly on information technology, and to achieve economies of scale by participating in the procurement of goods and services for our subsidiaries and within Grupo Aval. We believe that these efforts have contributed and will continue to contribute to improvements in our efficiency ratios.

Expand our services and products offerings and diversify our sources of income in Colombia

We believe we offer the most comprehensive range of banking services and products in Colombia, and we continually seek to expand these offerings to meet evolving customer needs and enhance our profitability. We believe we can continue to capture additional revenue by improving our market share in segments and products where we have not historically focused in the past (credit cards and mortgage loans for example). In addition, we are also expanding our cross-selling efforts to our over 5.3 million banking clients and our over 10.1 million pension fund clients in Colombia.

Furthermore, we continue to implement initiatives to increase our non-interest income, which consists primarily of net fees and other services income and income from our non-financial operations. For the year ended December 31, 2015, net fee income and income from non-financial operations, net accounted for 29.8% and 8.9% of our consolidated total income before net provisions, respectively. We believe we can expand the contribution of non-interest income to our profitability in future periods by, for example, expanding our offering of bancassurance products (i.e., bank-offered third-party insurance products) through our distribution networks and credit card fee income by increasing credit card loan volume across all of our banks. With regards to the income from our non-financial operations, we believe that Corficolombiana's equity investments in strategic sectors such as energy and infrastructure will continue to contribute income to our bottom line.

We also continue to evaluate initiatives to develop cost-effective channels, such as mobile banking and risk management tools to extend our banking services to under-penetrated segments of the Colombian population that currently have low or no use of banking services.

Further penetrate the Central American market

We plan to continue executing our multi-brand business model and maintain the BAC Credomatic brand. We intend to capitalize on the expected expansion of the Central American market in the current economic scenario, as we believe that the Central American economies are well positioned to weather negative economic conditions due to their ties to the U.S. economy and their capacity as net oil importers. In order to improve operational efficiency and increase market share in key sectors, we intend to continue to share our group-wide commercial and operational standards and best practices with BAC Credomatic, while capitalizing on its regional expertise, brand recognition, customer base, and financial services and products, such as credit card issuance and merchant-acquiring businesses.

Pursue other selected acquisitions

We have a proven track record of identifying, acquiring and integrating interests in companies we believe have strategic value to us. We are continually evaluating opportunistic measures to expand our businesses in Colombia and Central America and into other regions. We will continue to seek opportunities to further grow in our existing markets and expand into new geographies and will evaluate potential acquisition targets that would enable us to grow and consolidate our franchise through the services and products we offer and the markets we can access. We will analyze business opportunities in the markets in which we operate and if they generate value, complement our strategic goals, are accretive and do not hinder our regulatory capital position, we may pursue them.

Competition

We operate in a competitive market. Our principal competitors in Colombia are Bancolombia, Davivienda, and BBVA Colombia, which are the three leading banking groups in Colombia following Grupo Aval, our parent. To a lesser extent, we also compete with other Grupo Aval banks.

We have the second largest market share of assets and net income. We are also, through Porvenir, the market leader in mandatory pensions and severance funds. Porvenir also has the largest share of individual customers in the severance fund and mandatory pension fund markets in Colombia.

Corficolombiana is the largest finance corporation in Colombia, with the largest equity portfolio primarily invested in strategic sectors of the Colombian economy: energy and gas, infrastructure, agribusiness, treasuries, hotels and financial services. Corficolombiana complements its core investment management business with treasury and investment banking operations.

Market share and other data from unconsolidated financial information

The following market share and other data comparing us to our competitors is based on information derived from unconsolidated financial information reported to the Superintendency of Finance by commercial banks based on Colombian IFRS. Unconsolidated information does not account for our businesses and those of our competitors that are operated through subsidiaries, including our Central American operations.

Deposits

As of December 31, 2015, we had the second largest market share of total deposits in Colombia, with a market share of 14.6%. As of the same date our principal competitors—Bancolombia, Davivienda and BBVA Colombia—had market shares of 20.8%, 12.3%, and 11.5%, respectively.

The following table presents a breakdown of market share of deposits by type of deposit at December 31, 2015.

	At December 31, 2015					
	Banco de Bogotá	Other Grupo Aval banks (aggregate)(1)	Bancolombia	Davivienda	BBVA Colombia	Rest of the Colombian market
	(in percentages)					
Colombian IFRS						
Checking accounts	19.2	15.9	25.3	9.9	9.7	20.0
Savings accounts	13.1	14.1	22.8	12.4	12.4	25.2
Time deposits	14.7	11.5	15.2	13.5	11.2	33.9
Total deposits	14.6	13.6	20.8	12.3	11.5	27.1

Source: Company calculations based on unconsolidated information under Colombian IFRS published by the Superintendency of Finance.

(1) Other Grupo Aval banks (aggregate) figures reflect the sum of Banco de Occidente, Banco Popular and Banco AV Villas results.

As of December 31, 2015, deposits represented a larger share of our total funding than that of most of our principal competitors, and we had a higher concentration of checking accounts, which are generally the lowest cost source of funds. The table below presents the total funding mix breakdown of the market at December 31, 2015

	At December 31, 2015					
	Banco de Bogotá	Other Grupo Aval banks (aggregate)(1)	Bancolombia	Davivienda	BBVA Colombia	Rest of the Colombian market
	(in percentages)					
Colombian IFRS						
Funding:						
Deposits	77.6	78.3	69.9	71.6	81.2	72.9
Other funding(2)	22.4	21.7	30.1	28.4	18.8	27.1
Total funding	100.0	100.0	100.0	100.0	00.0	100.0
Deposits:						
Checking accounts	21.8	19.4	20.1	13.4	14.0	12.2
Savings accounts	45.8	53.3	56.2	51.2	54.8	47.5
Time deposits	32.4	27.4	23.7	35.4	31.2	40.3
Total deposits	100.0	100.0	100.0	100.0	100.0	100.0

	At December 31, 2015					
	Banco de Bogotá	Other Grupo Aval banks (aggregate)(1)	Bancolombia	Davivienda	BBVA Colombia	Rest of the Colombian market
	(in percentages)					
Average funding rate:(3)						
Average deposit rate	3.21	3.25	2.47	3.07	3.74	3.68
Average other funding rate	3.55	4.78	4.69	5.19	4.11	3.59
Average total funding rate	3.28	3.56	3.17	3.66	3.79	3.66

Source: Company calculations based on unconsolidated information under Colombian IFRS published by the Superintendency of Finance.

(1) Other Grupo Aval banks (aggregate) figures reflect the sum of Banco de Occidente, Banco Popular and Banco AV Villas results.

(2) Other funding includes interbank borrowings and overnight funds, borrowings from banks and other long term financial obligations.

(3) Average balances calculated using monthly unconsolidated information for our liabilities.

Loans

As of December 31, 2015, we had the third-largest market share of total loans in Colombia, with a 13.6% market share. As of the same date, our principal competitors—Bancolombia, Davivienda and BBVA Colombia—had market shares of 22.8%, 13.8% and 10.5%, respectively.

The following table presents a breakdown of the market share of our loan portfolio by category at December 31, 2015.

	At December 31, 2015					
	Banco de Bogotá	Other Grupo Aval banks (aggregate)(1)	Bancolombia	Davivienda	BBVA Colombia	Rest of the Colombian market
	(in percentages)					
Colombian IFRS						
Commercial and leases	18.0	13.7	28.4	12.1	8.0	19.7
Consumer and leases	9.4	18.8	13.4	13.6	12.7	32.1
Mortgages and leases	4.5	6.3	20.7	25.1	20.1	23.2
Microcredit and leases	3.5	0.1	5.6	1.0	0.0	89.7
Total	13.6	13.8	22.8	13.8	10.5	25.5

Source: Company calculations based on unconsolidated information under Colombian IFRS published by the Superintendency of Finance.

(1) Other Grupo Aval banks (aggregate) figures reflect the sum of Banco de Occidente, Banco Popular and Banco AV Villas results.

The following table shows the mix of our loan portfolio and the one of our competitors at December 31, 2015.

	At December 31, 2015					
	Banco de Bogotá	Other Grupo Aval banks (aggregate)(1)	Bancolombia	Davivienda	BBVA Colombia	Rest of the Colombian market
	(in percentages)					
Commercial and leases	76.7	58.0	72.4	51.1	44.2	44.9
Consumer and leases	18.5	36.4	15.7	26.4	32.3	33.6
Mortgages and leases	4.1	5.6	11.1	22.3	23.5	11.1
Microcredit and leases	0.8	0.0	0.7	0.2	0.0	10.3
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: Company calculations based on unconsolidated information under Colombian IFRS published by the Superintendency of Finance.

(1) Other Grupo Aval banks (aggregate) figures reflect the sum of Banco de Occidente, Banco Popular and Banco AV Villas results.

Loan portfolio quality

We believe that the credit quality of our loan portfolio compares favorably with that of our principal competitors. The following table presents credit quality metrics for our loan portfolio at the dates indicated.

	For the year ended December 31, 2015			
	Loans past due more than 30 days / gross loan portfolio	Loans rated C, D or E / gross loan portfolio	Gross provision expense / Average gross loan portfolio[(2)]	Allowance / loans past due more than 30 days
	(in percentages)			
Colombian IFRS				
Banco de Bogotá	2.3	4.0	3.2	139.2
Other Grupo Aval banks (aggregate)[(1)]	2.8	3.3	3.9	131.2
Bancolombia	3.1	4.0	3.9	159.1
Davivienda	3.3	3.1	4.3	126.0
BBVA Colombia	2.8	2.5	3.2	120.1
Rest of the Colombian market	4.2	5.2	4.9	131.6

Source: Company calculations based on unconsolidated information under Colombian IFRS published by the Superintendency of Finance.

(1) Other Grupo Aval banks (aggregate) figures reflect the sum of Banco de Occidente, Banco Popular and Banco AV Villas results.

(2) When calculated as net provision expense / average gross loan portfolio, the ratio for the year ended December 31, 2015 would be 1.6% for Banco de Bogotá, 1.8% for other Grupo Aval banks (aggregate), 2.0% for Bancolombia, 2.4% for Davivienda, 1.5% for BBVA and 2.5% for the rest of the Colombian market.

Branches and ATM Network

The following table presents the distribution of branches and ATMs across the market at December 31, 2015.

	At December 31, 2015			
	Branches		ATMs	
	# of branches	Market share %	# of ATMs	Market share %
Banco de Bogotá	711	13.1	1,747	11.8
Other Grupo Aval banks (aggregate) (1)	722	13.3	2,061	13.9
Bancolombia	800	14.7	4,014	27.1
Davivienda	590	10.8	1,727	11.7
BBVA Colombia	475	8.7	1,302	8.8
Rest of the Colombian market	2,149	39.5	3,957	26.7

Source: Calculations based on unconsolidated information under Colombian IFRS published by the Superintendency of Finance, except for figures relating to Grupo Aval entities, which are derived from company data.

(1) Other Grupo Aval banks (aggregate) figures reflect the sum of Banco de Occidente, Banco Popular and Banco AV Villas. At December 31, 2015 the *Red Grupo Aval* banking network had 1,433 branches and 3,808 ATMs with market shares of 26.3% and 25.7% respectively.

Pension and severance fund management – Porvenir

Porvenir is the leading pension fund manager in Colombia in terms of funds under management and has the largest share of earnings in the pension and severance fund management market in Colombia. Porvenir's principal private competitors are other pension fund managers, including Protección, Colfondos and Skandia.

Porvenir also has the largest share of individual customers of mandatory pension funds and has a higher ROAE than the average of the Private Pension Fund Managers in Colombia in 2014 and 2015.

The following table presents the market shares of the main market participants with respect to assets under management and individual customers of mandatory pension funds at December 31, 2015, and net income for the year ended December 31, 2015.

	At and for the year ended December 31, 2015			
	Porvenir	Protección	Colfondos	Skandia
	(in percentages)			
Individual customers to pension funds:				
Mandatory	55.2	30.6	13.4	0.8
Severance	56.2	32.6	10.5	0.6
Voluntary	29.4	48.7	7.9	14.0
Total	54.8	31.7	12.4	1.1
Funds under management:				
Mandatory	44.2	36.4	13.7	5.7
Severance	49.3	37.8	10.6	2.3
Voluntary	23.0	39.3	5.8	31.9
Total	42.9	36.7	13.0	7.4
Net income	47.7	37.7	6.6	8.0

Source: Information published by the Superintendency of Finance. Information does not include data from third-party pension liability funds, which do not comprise a material portion of the market.

Merchant banking—Corficolombiana

Corficolombiana was the largest merchant bank in Colombia in terms of assets and equity as of December 31, 2015. Corficolombiana faces competition from local and global banks focused on merchant and investment banking. Bancolombia, through its subsidiary Banca de Inversión Bancolombia S.A., is Corficolombiana's largest local competitor. On an international level, Corficolombiana faces competition from global banks with local investment banking operations. In addition, as an equity investor, Corficolombiana faces competition from other equity investors such as hedge funds, private equity firms and others.

The following table presents the market shares of Corficolombiana and its principal competitors by assets, liabilities and equity at the dates indicated.

	At December 31, 2015		
Colombian IFRS	Assets	Liabilities	Equity
	(in percentages)		
Corficolombiana	82.4	88.3	73.0
Banca de Inversión Bancolombia S.A.	4.6	0.3	11.6
J.P. Morgan Corporación Financiera S.A.	6.9	6.7	7.3
BNP Paribas Colombia Corporación Financiera S.A.	2.1	2.1	2.2
Itaú BBA Colombia S.A.	3.9	2.7	5.9

Source: Information published by the Superintendency of Finance.

Banco de Bogotá

Banco de Bogotá is Colombia's oldest financial institution. At December 31, 2015, it was the most efficient bank in the Colombian banking system with an efficiency ratio of 37.2% on an unconsolidated basis under Colombian IFRS. As of the same date, we had a market share of 14.6% of deposits and 13.6% of loans.

At and for the year ended December 31, 2015, Banco de Bogotá had total consolidated assets of Ps 152,269.3 billion and consolidated net income of Ps 2,639.0 billion.

Banco de Bogotá is a full-service bank with nationwide coverage and a comprehensive portfolio of services and products, distributed through a network of 711 branches and 1,747 ATMs in Colombia at December 31, 2015. While Banco de Bogotá serves all market segments, it has a leading presence in commercial loans historically, with a particular focus on large corporations and a market share of 18.0% of commercial loans at December 31, 2015. Following its 2006 acquisition of Megabanco, Banco de Bogotá expanded its consumer banking business and had a market share of 9.4% of consumer loans in Colombia at December 31, 2015. Banco de Bogotá's ROAE of 16.4% for the year ended December 31, 2015 on an unconsolidated basis under Colombian IFRS made it one of the most profitable banks in Colombia.

In December 2010, Banco de Bogotá acquired BAC Credomatic. In December 2011, Banco de Bogotá completed its first international bond offering, raising U.S.$600 million (Ps 1,163.6 billion at the date of issuance and Ps 1,924.9 billion at December 31, 2015). In February 2013, Banco de Bogotá completed its second international bond offering raising U.S.$500 million (Ps 897.3 billion at the date of the issuance and Ps 1,599.3 billion at December 31, 2015) in subordinated notes.

On December 19, 2013, through LB Panamá, Banco de Bogotá acquired BBVA Panamá. On December 9, 2014, Banco BAC de Panamá´s operations were merged with BAC International Bank, Inc.

On December 23, 2013, through Credomatic International Corporation (a subsidiary of BAC), Banco de Bogotá acquired 100% of Grupo Financiero Reformador de Guatemala (whose subsidiaries are Banco Reformador and Transcom Bank (Barbados) Limited). On December 12, 2015 B Grupo Financiero Reformador de Guatemala's operations merged with Banco de América Central S.A. (Guatemala).

Lending activities

The following table presents consolidated Banco de Bogotá's loan portfolio at the dates indicated.

	At December 31,		Change, December 31, 2015 vs. December 31, 2014	
	2015	2014	#	%
	(in Ps billions)			
Commercial	60,609.3	47,809.2	12,800.1	26.8
Commercial loans	57,009.3	46,393.7	10,615.7	22.9
Repo and interbank	3,600.0	1,415.5	2,184.5	154.3
Consumer	24,490.3	18,418.7	6,071.6	33.0
Mortgages	10,627.9	7,610.9	3,017.0	39.6
Microcredit	385.6	353.0	32.6	9.2
Total	96,113.2	74,191.8	21,921.3	29.5

Banco de Bogotá consolidated figures include Central American operations which as of December 31, 2014 accounted for Ps 28,641.7 billion of the total loan portfolio (Ps 12,493.1 billion in commercial loans, Ps 10,011.1 billion in consumer loans and Ps 6,137.5 billion in mortgage loans. As of December 31, 2015, Central American operations accounted for Ps 42,928.6 billion of the total loan portfolio (Ps 19,130.0 billion in commercial loans, Ps 15,139.0 billion in consumer loans and Ps 8,659.7 billion in mortgage loans.

Deposit-taking activities

Banco de Bogotá offers customers checking accounts, savings accounts, time deposits (CDs) and other deposits as described in the table below.

The following table presents a breakdown of consolidated Banco de Bogotá's deposits by product type at the dates indicated.

	At December 31,		Change, December 31, 2015 vs. December 31, 2014	
	2015	2014	#	%
	(in Ps billions)			
Checking accounts	24,877.9	20,250.1	4,627.8	22.9
Savings accounts	38,739.3	31,705.2	7,034.1	22.2
Time deposits	28,165.3	21,554.8	6,610.5	30.7
Other deposits	261.6	142.7	118.9	83.3
Total	92,044.16	73,652.8	18,391.36	25.0

Banco de Bogotá consolidated figures include Central American operations which in 2014 accounted for Ps 27,410.6 billion of total deposits (Ps 10,098.7 billion in checking accounts, Ps 5,303.0 billion in savings accounts, Ps 11,905.9 billion in time deposits and 103.1 billion in other deposits). As of December 31, 2015, Central American operations accounted for Ps 39,024.7 billion (Ps 14,921.8 billion in checking accounts, Ps 7,613.2 billion in savings accounts, Ps 16,287.1 billion in time deposits and 202.6 billion in other deposits).

Distribution

The following table presents Banco de Bogotá's points of service across Colombia.

	At December 31,	
	2015	2014
Branches	711	704
ATMs	1,747	1,737
Other points of service (1)	7,601	10,268
Total points of service	10,059	12,709

(1) Other points of service include non-banking correspondents (*corresponsales no bancarios*), electronic service points (*agilizadores electrónicos*) and collection centers (*centros de pagos*).

Banco de Bogotá had a network concentration of approximately 65.2% in Colombia's central region, of which Bogotá represents approximately 44.4% at December 31, 2015. During 2015, Banco de Bogotá closed 2,623 non-operating banking correspondents from its alliance with *Movil Red* due to the low level of transactions conducted through these points. Banco de Bogotá had a market share of approximately 13.2% of branches and approximately 12.1% of ATMs at June 30, 2015.

Porvenir

Porvenir is the leading private AFP in Colombia, with a market share of 55.2% of mandatory pension fund individual customers and 56.3% of severance plan individual customers at December 31, 2015. See "—Competition—Pension and severance fund management – Porvenir." Porvenir also provides voluntary pension funds and manages third-party sponsored pension funds. Pension funds provide individual savings for retirement, and severance funds provide temporary income to employees who lose their jobs. Through Gestión & Contacto, Porvenir manages pension-related information systems designed to provide employees with efficient payment solutions.

At December 31, 2015, Porvenir had Ps 101.3 trillion in total assets under management, of which Ps 73.7 trillion was managed under the mandatory pension fund, Ps 4.0 trillion was managed under the severance fund, Ps 3.1 trillion was managed under the voluntary pension fund and Ps 20.5 trillion was managed as a third-party sponsored pension liability fund.

Porvenir's strengths include the following:

- Porvenir is the most profitable AFP in Colombia, with an ROAE of 21.7% and 23.2% at December 31, 2015 and December 31, 2014, respectively;

- Porvenir has a largest and effective sales force in the industry with a nationwide presence. At the same time, it is the most efficient AFP in Colombia, with an efficiency ratio of 43.6% for the year ended December 31, 2015 on an unconsolidated basis under Colombian IFRS; and Porvenir has access to Grupo Aval's banking network. This advantage is particularly relevant in the severance market, as Grupo Aval's banks provide financing to employers to comply with legally imposed annual severance allowance liabilities for their employees. In addition, the banks of Grupo Aval provide collection services for all of the funds administered by Porvenir.

Business overview

The Ministry of Finance limits the range of assets in which AFPs can invest and also sets concentration limits. In addition, each AFP is required by law to provide a minimum return on investment for each of its mandatory pension and severance funds. This minimum return is determined pursuant to certain formulas established by means of Decree 2555 of 2010, which vary pursuant to the type of fund. Prior to the multi-fund scheme, the minimum return was calculated on a 36-month time horizon for mandatory pension funds and 24-month time horizon for severance funds. With the introduction of the multi-fund scheme, a new risk profile system came into effect which differentiates conservative, moderate and aggressive risk portfolios for individual clients of severance and mandatory pension funds. To adjust the minimum return of mandatory pension funds to the new risk profile portfolios, the time horizon for the minimum return will change from 36 months to a range of 36 to 60 months, depending on the risk profile of each portfolio. For severance funds, the long-term portfolio will continue to have a 24-month time horizon, and the short-term portfolio will have a three-month time horizon.

If a fund's cumulative return for any month is lower than the minimum return, the AFP must supplement the necessary amount to cover the difference within a period of five days. To do so, the AFP must first apply funds from its "stabilization reserve," which is a portion of the AFP's capital invested in the fund administered by the AFP and which must represent at least 1.00% of the value of that fund. If the stabilization reserve is insufficient to cover the difference, the AFP must provide resources from its remaining capital. If the AFP does not have enough resources to cover the difference, the Superintendency of Finance may order the capitalization of the AFP. If, notwithstanding the above, an AFP fails to observe either the minimum return or the stabilization requirements or the order of capitalization, the Superintendency of Finance may take possession (*tomar posesión*) of the AFP, in which case FOGAFIN, the Colombian deposit insurance fund, is required to supply funds to cover the shortfall. In that event, the AFP may be dissolved and the fund transferred to another AFP. See "Risk Factors—Risks relating to our businesses and industry—Risks relating to our pension and severance fund management business."

For the year ended December 31, 2015, 63.7% of Porvenir's revenues were derived from mandatory pension funds, 14.4% from severance funds, 7.1% from voluntary pension funds and 0.9% from third-party sponsored pension liability funds. Porvenir derived the remaining 13.9 % of its revenues from a combination of its own investment portfolio, stabilization reserves and other income.

Mandatory pension funds

Mandatory pension funds are independent trusts formed by contributions made by individual customers to the social security pension system.

At December 31, 2015, mandatory pension funds represented 72.8% of Porvenir's assets under management and constituted its main line of business.

Contributions to these pension funds are mandatory for all employees in Colombia and are jointly funded by the employer and the employee. The base contribution rate is 16.0% (up to 18.0% for employees meeting a certain salary threshold) of an employee's base salary, whereby the employer contributes 75.0% and the employee 25.0% of the base contribution rate. Contributions are paid on a monthly basis. Of the 16.0%-18.0% total contribution, 11.5% goes to the individual customer's fund. The AFP retains 300 basis points (3.0%) as compensation, of which Porvenir currently pays 185 basis points (1.85%) to an insurer for life and disability coverage, to which it is required by law to subscribe. The percentage that Porvenir pays for this insurance may increase or decrease depending on market conditions and other factors. The remainder is distributed between the National Solidarity Fund (*Fondo de Solidaridad Pensional*), depending on the employee's salary (up to 2.0%), and the National Minimum Pension Warranty Fund (*Fondo de Garantía de Pensión Mínima*) (at 1.5%).

Employees may freely select their mandatory pension fund, a private AFP of their choice or the government-sponsored defined public benefit plan, administered by Colpensiones, and can change plans after meeting minimum tenure requirements of five years to switch from the public fund to a private plan, and six months to switch between private fund providers. Whenever an employee changes from one AFP to another, his/her entire savings balance at the fund is transferred to the pension fund administered by the new AFP.

Mandatory pension funds cannot be withdrawn prematurely, and they generally expand over the individual's working years. Porvenir is the market leader in the mandatory pension's area, with Ps 73.7 trillion of assets under management and 7.3 million individual customers at December 31, 2015.

Severance funds

Severance funds are independent trusts formed by the accumulated severance payment allowance required by Colombian labor law. The severance payment allowance is a social benefit inuring to employees for which employers are responsible under an employment agreement. The allowance consists of the payment of one month's salary per year of service and pro rata amounts for fractions of a year. This amount is deposited directly with the AFP by the employer.

Severance accounts represented 4.0% of Porvenir's assets under management at December 31, 2015.

Porvenir and all other AFPs in Colombia charge a fee (per year for assets under management) of 1.0% for amounts in the mandatory investments short-term portfolio and 3.0% in the long-term portfolio.

Porvenir is the market leader in the severance area, with Ps 4.0 trillion of assets under management and 3.6 million customers at December 31, 2015.

Voluntary pension funds

Voluntary pension funds are independent trusts formed by contributions from their participants and/or sponsors and their respective yields, for the purposes of complying with one or several voluntary retirement or disability pension plans.

Voluntary pension funds represented 3.0% of Porvenir's assets under management at December 31, 2015.

Porvenir earns annual management commissions for assets under management that range between 1.0% and 4.0%, depending on the balance of the customer and the selected portfolios (lower commissions for liquidity portfolios and higher commissions for more complex portfolios). At December 31, 2015, Porvenir had Ps 3.1 trillion of voluntary pension assets under management and approximately 160 thousand voluntary pension fund individual customers.

Third-party sponsored pension liability funds

Third-party sponsored pension liability funds represent approximately 20.2% of Porvenir's assets under management at December 31, 2015. Third-party sponsored pension liability funds are made up of deposits from different institutions (both private and publicly owned) that require a professional institution to manage a fund that is usually created to finance particular pension regimes (i.e., pensions that are paid by the employer; before 1994, companies were allowed to establish their own internal pension systems).

Third-party sponsored pension liability funds in some cases have a minimum guaranteed return pursuant to their terms. Porvenir had Ps 20.5 trillion of such assets under management at December 31, 2015, mostly under contracts of five years. The most important of these contracts is with FONPET which is subject to renewal upon expiration in November 2017. Porvenir retains a percentage of the yearly returns of each third-party sponsored pension liability fund, and in some cases, a portion of assets under management.

Porvenir's investments

Porvenir is required to own at least 1.00% of the funds it manages that are subject to a minimum return, known as the stabilization reserve. This stabilization reserve represents 53.8% of Porvenir's proprietary investments. In addition, Porvenir holds voluntary investments. Revenues related to Porvenir's stabilization reserve and its proprietary portfolio represented 7.2% and 10.2% of its total revenues at December 31, 2015 and December 31, 2014, respectively.

Distribution

Porvenir attracts new individual customers mainly through its large direct sales force (approximately 1,234 individuals) who report to six regional sales managers located in Bogotá, Antioquia, Cali, the Central region, the Coast region and the North region. At December 31, 2015, Porvenir had 54 offices, 16 service modules, 66 electronic service centers and 5 business service centers. It maintains a presence in all regions of Colombia through its service agreements with Grupo Aval's banks.

Corficolombiana

Corficolombiana is the largest merchant bank in Colombia based on total assets at December 31, 2015. Corficolombiana focuses on four main lines of business: (1) equity investments in strategic sectors of the Colombian economy, including, in particular, financial services, infrastructure, energy and gas, agribusiness and hospitality; (2) investment banking, including services relating to capital markets, mergers and acquisitions and project finance transactions; (3) treasury operations; and (4) leasing and private banking.

Corficolombiana had total consolidated assets and shareholders' equity of Ps 19,511.8 billion and Ps 2,753.1 billion, respectively, at December 31, 2015 and net income of Ps 757.7 billion for the year ended December 31, 2015.

Corficolombiana's business model is based on three premises: (1) investing in businesses in strategic sectors of the Colombian economy; (2) distributing cash flows generated by its equity investment portfolio to its shareholders; and (3) acting as an investment fund and financial advisor that is listed on the Colombian Stock Exchange and regulated by the Superintendency of Finance. Corficolombiana's equity investment strategy is to acquire and hold majority or substantial stakes in strategic businesses. These investments enable Corficolombiana to exert significant influence or control over these businesses' operations and to promote revenue growth, operational efficiencies and optimization of the capital structures. Corficolombiana endeavors to achieve a balance between companies with potential to generate cash and companies with capacity to create value.

Corficolombiana's funding strategy seeks to minimize liquidity risk by funding equity investments using its own equity, principally retained earnings. It has not sought to raise equity capital from its shareholders in the last five years. Between January 1, 2014 and December 31, 2015, the book value of Corficolombiana's equity investment portfolio increased by 19.4% and its equity attributable to controlling interest increased by 13.2%. At December 31, 2015, the gross book value of Corficolombiana's investment portfolio before provisions totaled Ps 3,101.8 billion and its equity attributable to controlling interest totaled Ps 2,760.7 billion.

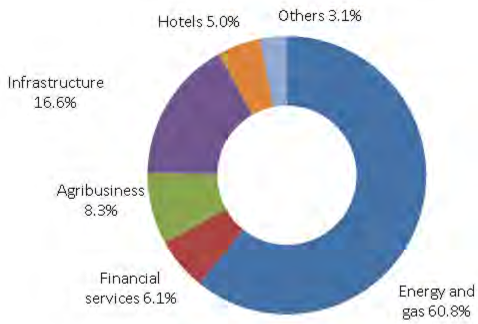
Corficolombiana is regulated as a finance corporation by the Superintendency of Finance. Under Colombian law, a finance corporation is permitted to hold equity ownership positions in both financial and non-financial companies, unlike banks, which may only invest in financial companies. See "Supervision and regulation."

Equity investment portfolio

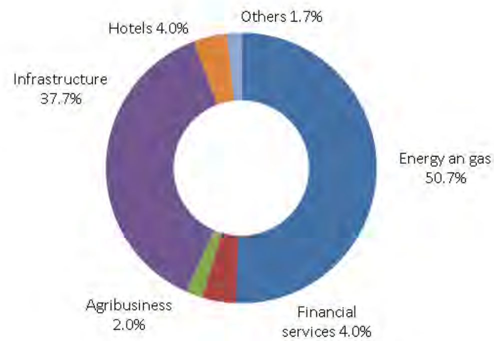
Corficolombiana primarily invests in five sectors of the Colombian economy: infrastructure; energy and gas; financial services; hotels; and agribusiness. It generally seeks to invest in businesses with leading market positions, strong cash flows and growth potential.

The following charts provide information concerning Corficolombiana's investments in sectors of the Colombian economy at December 31, 2015, and for the year ended December 31, 2015, as the case may be.

Sector breakdown by book value of investments (1) at December 31, 2015



Sector breakdown by earnings (2) for the year ended December 31, 2015



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(1) After provisions under Colombian IFRS.

(2) Corresponds to the sum of the net income of each of the investments, adjusted to reflect the ownership interest of Corficolombiana. Figures for certain investments are preliminary and subject to change.

Corficolombiana's infrastructure investments are concentrated in highway concession projects, a sector in which it is a leading private investor in Colombia. The main investments of Corficolombiana in the infrastructure sector include Proyectos de Infraestructura S.A. (Buga-Tuluá-La Paila), Concesionaria Vial de los Andes S.A.S. (Bogotá-Villavicencio), Concesiones CCFC S.A. (Fontibón-Los Alpes), Concesionaria Panamericana S.A.S. (Los Alpes-Villeta and Chuguacal-Cambao), Concesionaria Ruta del Sol S.A.S. (San Roque-Puerto Salgar), Concesionaria Vial del Pacífico S.A.S. (Ancón Sur-Bolombolo), Concesionaria Nueva Vía al Mar S.A.S. (Mulaló-Loboguerrero), Concesionaria Vial Andina S.A.S. (Bogotá-Villavicencio) and Concesionaria Vial del Oriente S.A.S (Villavicencio-Yopal). Corficolombiana's infrastructure investments totaled Ps 519.5 billion after provisions at December 31, 2015 (on an unconsolidated basis under Colombian IFRS).

Corficolombiana's main investments in the energy and gas sector include a minority stake in the second largest natural gas pipeline company in Colombia (Promigas), an electricity and gas conglomerate (Empresa de Energía de Bogotá, or "EEB") and a majority stake in a gas distribution company in northern Peru (Gas Comprimido del Perú S.A. (Gascop)). Corficolombiana's energy and gas investments totaled Ps 1,905.57 billion after provisions at December 31, 2015 (on an unconsolidated basis under Colombian IFRS).

Corficolombiana's principal investments in agribusiness are centered on forestry and woodworking as well as the production of palm oil, rubber, rice and cotton. These investments include a controlling stake in Organización Pajonales and minority stakes in Pizano and Unipalma. Investments in this sector totaled Ps 261.1 billion after provisions at December 31, 2015 (on an unconsolidated basis under Colombian IFRS).

Corficolombiana also has investments in the hospitality sector. These include majority stakes in Hoteles Estelar de Colombia S.A. and Promotora y Comercializadora Turística Santamar S.A., which totaled Ps 158.2 billion after provisions at December 31, 2015 (on an unconsolidated basis).

In the financial-services sector, Corficolombiana offers leasing, trust, brokerage and offshore banking services to third-party customers through three subsidiaries: Leasing Corficolombiana S.A., Fiduciaria Corficolombiana S.A. and Banco Corficolombiana (Panamá) S.A. Corficolombiana's investments in these three subsidiaries totaled Ps 192.4 billion at December 31, 2015 (on an unconsolidated basis and after provisions under Colombian IFRS).

Investment banking, treasury and private banking businesses

Corficolombiana's investment banking group provides advice to third-party clients in the Colombian market covering a broad range of transactions, including, among others, capital markets, mergers and acquisitions, project finance and private banking. Corficolombiana has helped to shape the participation of the private sector in infrastructure projects, to develop the domestic capital markets and to expand the resources and operations of local companies in the region. In 2015, Corficolombiana's investment bank helped secure financing and coordinate projects for its clients totaling Ps 1,552.3 billion.

Corficolombiana's treasury operations are a leading participant in Colombian capital markets, both in sovereign and corporate debt securities and foreign currency denominated securities. It is also an active participant in the derivatives market, and an active market maker for Colombian sovereign debt securities. At December 31, 2015, Corficolombiana had total fixed income assets of Ps 4,243.7 billion (on a consolidated basis).

Corficolombiana's private banking business provides high net worth customers and companies with a wide range of investment services and products. The private banking operations had Ps 1,513.2 billion in assets under management for its customers at December 31, 2015.

Central American operations

On December 9, 2010, we acquired all of the outstanding shares of BAC Credomatic Inc. (formerly known as BAC Credomatic GECF Inc.), a company incorporated under the laws of the British Virgin Islands, pursuant to a stock purchase agreement with GE Consumer Finance Central Holdings Corp. and General Electric Capital Corporation (collectively, GE Capital) for U.S.$1.92 billion (Ps 3.6 trillion at the closing date of the transaction).

The BAC Credomatic acquisition provided us with a leading Central American presence with operations that are complementary to our businesses and with the opportunity to enter primarily the consumer and credit card banking businesses in the region. BAC Credomatic is the leading Central American banking group with operations in Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama. BAC Credomatic maintains a credit card-issuing operation in Mexico, a small merchant and card processing center in the state of Florida and offshore subsidiaries in Barbados, the Bahamas and the Cayman Islands.

On December 19, 2013, Banco de Bogotá acquired BBVA Panamá through its subsidiary, LB Panamá, for U.S.$505 million (Ps 982.5 billion at the date of the transaction). On December 9, 2014, Banco BAC de Panamá´s (formerly BBVA Panamá) operation was merged with BAC International Bank, Inc.

On December 23, 2013, BAC Credomatic acquired Grupo Reformador through its subsidiary, Credomatic International Corporation for U.S.$421 million (Ps 815.0 billion at the date of the transaction). On December 12, 2015 Grupo Financiero Reformador de Guatemala's operation merged with Banco de América Central S.A. (Guatemala).

These Central American acquisitions were funded through (i) an equity injection of U.S.$500 million from Banco de Bogotá to LB Panamá,(ii) a U.S.$282 million securitization of certain credit card inflows by BAC Credomatic due November 2020, and (iii) a short term loan of U.S.$250 million from Citibank N.A. expiring on November 29, 2014, which was replaced on April 16, 2014 with part of the net proceeds of a U.S.$350 million securitization of certain of BAC Credomatic's credit card inflows, due October 2021.

A substantial portion of BAC Credomatic's earnings, assets and liabilities is denominated in foreign currencies different from U.S. dollars. As a result, BAC Credomatic is subject to risks relating to foreign currency exchange rate fluctuations. See "Item 3. Key Information—D. Risk factors—Risks relating to our businesses and industry—Other risks relating to our businesses—We are subject to fluctuations in interest rates and other market risks, which may materially and adversely affect our results of operations and financial condition."

To mitigate this risk, BAC Credomatic seeks to maintain a U.S. dollar net asset position (long U.S. dollar position) which is intended to hedge 100% (and in no case less than 60%) of its shareholders' equity against possible devaluations of each of the local currencies in the countries where it operates against the U.S. dollar. See "—Central American Operations Overview—Foreign exchange rate risk related to BAC Credomatic."

Central American operations overview

BAC Credomatic is the leading financial group in Central America with a record of strong financial performance. BAC Credomatic is a full-service financial institution with one of the leading credit card-issuance and merchant-acquiring businesses in the region. BAC Credomatic offers commercial and retail banking, brokerage, insurance, pension fund management and other financial services. Its coverage extends throughout Central America with operations in Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama, as well as Mexico (with a small credit card-issuing operation) and the state of Florida (with a merchant and card processing center). It also has a presence in the Bahamas, Barbados and the Cayman Islands. Its Credomatic brand has key alliances with major credit card networks, such as *Visa*, *MasterCard*, *American Express* and *Diners Club*.

The table below shows BAC Credomatic financial data on a country-by-country basis at and for the year ended December 31, 2015.

	At and for year ended December 31, 2015					
	Net income		Loans		Deposits	
	(in U.S.$ millions except percentages)					
Costa Rica	131.3	45.5%	3,574.1	27.3%	3,184.9	25.9%
Guatemala	61.8	21.4%	2,372.5	18.1%	2,123.4	17.3%
Honduras	55.4	19.2%	1,412.1	10.8%	1,367.1	11.1%
Nicaragua	50.4	17.5%	1,117.0	8.5%	1,236.2	10.1%
El Salvador	26.8	9.3%	1,279.3	9.8%	1,261.3	10.3%
Panama (1)	51.0	17.7%	3,337.2	25.5%	3,401.4	27.7%
Mexico	(7.6)	(2.6)%	50.9	0.4%	—	0.0%
Corporate and eliminations	(50.2)	(17.4)%	(34.7)	(0.3)%	(282.7)	(2.3)%
Non-Controlling Interest (2)	(30.3)	(10.5)%	—	0.0%	—	0.0%
Consolidated	288.8	100.0%	13,108.3	100.0%	12,291.4	100.0%

(1) Panama includes operations from BAC Bahamas Bank Ltd., BAC International Bank (Grand Cayman), BAC Credomatic's Panama subsidiaries and certain intercompany adjustments.

(2) Leasing Bogotá Panama directly owns 100% of the share capital of BAC Credomatic Inc. and 9.5% of the share capital of BAC International Bank , Inc.

The table below presents BAC Credomatic's market share of total loans and deposits in each of its main markets at December 31, 2015.

	At December 31, 2015	
	Loans	Deposits
Costa Rica[(1)]	13.2%	12.1%
El Salvador	11.9%	12.5%
Guatemala	10.0%	7.6%
Honduras	14.3%	13.1%
Nicaragua	26.2%	25.0%
Panama	5.3%	4.8%

Source: Superintendency of banks of each country and company calculations. Percentage of total loans and deposits is based on banking operations in each country, as reported to the local financial regulator, which excludes certain credit card data and offshore operations.

(1) Percentage calculation for Costa Rica includes state-owned banks (Banco Nacional de Costa Rica, Banco de Costa Rica, Banco Popular and Banco Crédito Agrícola de Cartago), which at December 31, 2015 and December 31, 2014 had a 60.2% and 60.8% market share by loans, respectively, and a 63.0% and 66.9% market share by deposits, respectively.

Lending activities

The following tables show BAC Credomatic's gross loan portfolio at the dates indicated. BAC Credomatic's loan portfolio consists of credit card loans, commercial loans, mortgage loans, automobile and vehicle loans and personal loans.

	At December 31,	
	2015	**2014**
	(in U.S.$ millions)	
Credit card loans	2,255	1,990
Commercial loans(1)(2)	5,560	4,850
Mortgage loans(3)	2,748	2,565
Automobile and vehicle loans	779	683
Other personal loans	1,765	1,504
Total	13,108	11,592

(1) Represents loans to businesses.

(2) At December 31, 2015 and 2014, commercial loans include only commercial leasing and commercial overdraw; consumer leasing and consumer overdraw are included in "Other personal loans."

(3) Includes loans measured at fair value.

We believe that BAC Credomatic's customer knowledge, coupled with a centralized risk-management structure, has resulted in a high quality loan portfolio, with an average 90 days and more past due loan ratio of 1.1% from 2011 to 2015.

Credit cards

BAC Credomatic has a leading presence in the credit card-issuing business and a significant presence in the merchant acquiring business in the region. Through its Credomatic brand, BAC Credomatic offers its customers a wide variety of credit and debit cards including *Visa*, *MasterCard*, *American Express* and *Diners Club*, and is the only network that processes all major brands in the region. Additionally, BAC Credomatic and its customers benefit from co-branding agreements with major airlines (such as American Airlines and AviancaTACA) and major supermarkets (such as Pricesmart and Wal-Mart) present in the region. BAC Credomatic has been a member of *Visa* and *MasterCard* for more than 20 years, issuing both national and international credit cards. Moreover, BAC Credomatic is currently the exclusive credit card issuer and merchant acquirer of *American Express* in the Central American region.

At December 31, 2015, BAC Credomatic had approximately 3,665 million credit card and debit card accounts, of which 1,869 million were debit card accounts and 1,796 million were credit card accounts, an increase of 4.3% and 16.9% compared to December 31, 2014, respectively. For the year ended December 31, 2015, BAC Credomatic's billed volume was U.S.$9,215 million, a 15.5% increase over the U.S.$7,975 million billed volume for the year ended

At December 31, 2015, BAC Credomatic's credit card portfolio totaled U.S.$2.3 billion which represents a 13.4% increase from U.S.$2.0 billion at December 31, 2014. At this same date, 78.0% of BAC Credomatic's credit card portfolio was distributed across Costa Rica, El Salvador, Guatemala and Panama. The remaining 22.0% was distributed among Honduras, Nicaragua and Mexico. The following table shows the credit card portfolio breakdown by country at the dates presented.

	At December 31,			
	2015		**2014**	
	(in U.S.$ millions, except percentages)			
Costa Rica	613	27.2%	499	25.1%
Guatemala	417	18.5%	369	18.6%
Honduras	330	14.6%	290	14.6%
Nicaragua	116	5.2%	106	5.3%
El Salvador	295	13.1%	312	15.7%

	At December 31,			
	2015		2014	
	(in U.S.$ millions, except percentages)			
Panama (1)	433	19.2%	361	18.1%
Mexico	51	2.3%	54	2.7%
Corporate and eliminations	—	0.0%	—	0.0%
Total	2,255	100.0%	1,990	100.0%

(1) Panama loans include operations from BAC Bahamas Bank Ltd., BAC International Bank (Grand Cayman), BAC Credomatic's Panama subsidiaries and certain intercompany adjustments.

Merchant acquiring

BAC Credomatic's processing volume for the year ended December 31, 2015 of U.S.$15,543 million represented an increase of U.S.$1,675 million, or 12.1%, from U.S.$13,867 million for the previous year. This increase is primarily due to a recovery in the economic activity compared to 2014. BAC Credomatic has the only network in Central America that processes all the major brands including Visa, MasterCard, American Express and Diners Club. Furthermore, BAC Credomatic has exclusive card-issuing and merchant acquiring agreements with American Express for the Central American region.

At December 31, 2015, BAC Credomatic serviced approximately 353,605 merchant locations, with 95% of credit card authorizations processed electronically through its 263,140 point-of-sale devices.

Banking

BAC Credomatic's commercial and consumer banking divisions offer traditional banking services and products. In some jurisdictions, BAC Credomatic also offers pension plan administration, investment fund advice, financial advisory, leasing, private banking and insurance services to its customers. Through its network and deep customer knowledge, BAC Credomatic is able to effectively offer services and solutions to its customers in addition to instant payment processing and funds transfers within the BAC Credomatic regional network.

Commercial banking

BAC Credomatic offers traditional commercial banking services and products. At December 31, 2015, 76.1% of BAC Credomatic's commercial loan portfolio was distributed across Costa Rica, El Salvador, Guatemala and Panama. The remaining 23.9% was distributed among Honduras, Nicaragua, and Mexico. The following table displays BAC Credomatic's commercial loan portfolio by country at the dates presented.

	At December 31,			
	2015		2014	
	(in U.S.$ millions, except percentages)			
Costa Rica	1,125	20.2%	961	19.8%
Guatemala	1,380	24.8%	1,158	23.9%
Honduras	708	12.7%	618	12.7%
Nicaragua	634	11.4%	533	11.0%
El Salvador	403	7.2%	385	7.9%
Panama(1)	1,321	23.8%	1,208	24.9%
Mexico	—	0.0%		0.0%
Corporate and eliminations	(11)	(0.2)%	(13)	(0.3)%
Total(2)	**5,560**	**100.0%**	**4,850**	**100.0%**

(1) Panama loans include operations from BAC Bahamas Bank Ltd., BAC International Bank (Grand Cayman), BAC Credomatic's Panama subsidiaries and certain intercompany adjustments.

(2) At December 31, 2015 and 2014, commercial loans include only commercial leasing and commercial overdraw; consumer leasing and consumer overdraw are included in consumer loans.

BAC Credomatic also offers investment products, supplier and payroll ePayments, Ameritransfer (online transfer of funds among deposit accounts in BAC Credomatic's network), online banking and foreign exchange services as part of its commercial banking platform in the region. At December 31, 2015, BAC Credomatic had more than 100,000 enterprise customers, divided into three main sectors: (1) corporate, consisting of companies with over U.S.$250,000 in deposits, more than 100 employees and loans over U.S.$1,000,000, which represented 82.8% of total commercial loans; (2) midsize companies, composed of companies with deposits of U.S.$50,000 to U.S.$250,000, between 51 to 100 employees and loans between U.S.$300,000 to U.S.$1,000,000, which represented 10.4% of total commercial loans; and (3) small companies, consisting of companies with deposits of less than U.S.$50,000, fewer than 50 employees and loans under U.S.$300,000, which represented 6.8% of total commercial loans.

BAC Credomatic's electronic transfer and payment capabilities allow corporate clients to instantly transfer funds between different commercial and consumer accounts, provided that all parties have a BAC Credomatic account. BAC Credomatic recorded over U.S.$ 71.5 billion in electronic payments in 2015 representing 31.5% of Central America GDP.

Electronic transfers originate mainly from: (1) merchant deposit transfer payments (instant electronic payments to merchants); (2) Ameritransfer (online transfer of funds across the region); (3) supplier ePayments (instant electronic payments from merchants to suppliers); and (4) payroll ePayments (payroll payments from companies to employees). The following table breaks down BAC Credomatic's electronic transfers by product for the dates presented.

	At December 31,	
	2015	**2014**
	(in U.S.$ billions)	
Merchant deposit transfers	15.5	13.9
Ameritransfer	6.3	6.1
Payroll ePayments	5.9	5.2
Supplier ePayments	16.5	14.3
Wire transfers	27.3	27.9
Total	**71.5**	**67.4**

Consumer banking

At December 31, 2015, as a proportion of BAC Credomatic's total consumer loan portfolio, mortgage loans represented 51.9%, automobile and vehicle loans represented 14.7% and other personal loans represented 33.4%. Approximately 79.1% of the total consumer loan portfolio had a maturity greater than five years. At December 31, 2015, consumer loans amounted to U.S.$5.3 billion, a 11.4% increase over U.S.$4.8 billion at December 31, 2014. At December 31, 2015, 86.0% of BAC Credomatic's consumer loan portfolio was distributed across Costa Rica, El Salvador, Guatemala and Panama. The remaining 14.0% was distributed among Honduras, Nicaragua and Mexico. The following table displays BAC Credomatic's consumer loan portfolio by country at the dates presented.

	At December 31,			
	2015		**2014**	
	(in U.S.$ millions, except percentages)			
Costa Rica(1)	1,836	34.7%	1,560	32.8%
Guatemala	575	10.9%	517	10.9%
Honduras	374	7.1%	357	7.5%
Nicaragua	367	6.9%	316	6.7%
El Salvador	582	11.0%	504	10.6%
Panama(2)	1,560	29.5%	1,497	31.5%
Mexico)	—	0.0%	—	0.0%
Eliminations	0	0.0%	0	0.0%
Total(3)	**5,293**	**100.0%**	**4,752**	**100.0%**

(1) Includes loans measured at fair value.

(2) Panama loans include operations from BAC Bahamas Bank Ltd., BAC International Bank (Grand Cayman), BAC Credomatic's Panama subsidiaries and certain intercompany adjustments.

(3) At December 31, 2015 and 2014, consumer loans include consumer leasing and consumer overdraw.

At December 31, 2015, BAC Credomatic's mortgage loans had an individual average mortgage loan balance of U.S.$ 64,156, with an average loan-to-value ratio of 59.2%. Given that BAC Credomatic's mortgage loan portfolio has no significant exposure to the higher risk sectors such as vacation homes or second-home mortgages, it maintains a 90 days and more past due loan ratio of 1.2% and a coverage of 90 days and more past due loans of 21.3%.

Deposit activities

The following table shows BAC Credomatic's deposit breakdown at the dates indicated. At December 31, 2015, 39% of BAC Credomatic's deposit base was represented by demand deposits. Total deposits increased by 8.1% from December 31, 2014 to December 31, 2015. From December 31, 2005 to December 31, 2015, the CAGR of total deposits has been 18.4%.

	At December 31,	
	2015	**2014**
	(in U.S.$ millions)	
Demand deposits	4,756	4,224
Savings deposits	2,417	2,217
Time deposits	5,118	4,931
Total	12,291	11,371

Distribution network

BAC Credomatic serves its customers throughout Central America with a diversified distribution network that includes branches, kiosks (non-cash machines which provide online banking capabilities as well as a full keyboard), ATMs, a standardized online banking platform, call centers, and mobile phone banking. Additionally, BAC Credomatic's strong point-of-sale presence in 353.605 merchant locations in Central America at December 31, 2015 allows clients to perform various transactions, including purchases, using credit or debit cards, payments of credit card balances and loyalty program services.

The following table presents BAC Credomatic's points of service across Central America.

	At December 31,	
	2015	**2014**
Branches	672	635
ATMs	1,815	1,638
Other points of service	87	2,485
Total points of service	2,574	4,758

At December 31, 2015, BAC Credomatic had a network of 1,815 ATMs in the region. BAC Credomatic was the first bank in Central America to offer deposit capabilities with instant credit balance through its ATMs. Additionally, BAC Credomatic has 323 self-service kiosks.

BAC Credomatic deployed the first mobile banking platform in Central America and expects to benefit from further regional penetration. BAC Credomatic's mobile banking system is SMS-enabled and it has several smart phone applications under development.

Foreign exchange rate risk related to BAC Credomatic

Because of the BAC Credomatic acquisition and our other Central American acquisitions, Banco de Bogotá is exposed to changes in the values of current holdings and future cash flows denominated in other currencies. The types of instruments exposed to foreign exchange rate risk include, for example, investments in foreign subsidiaries, foreign currency-denominated loans and securities, foreign currency-denominated debt and various foreign exchange derivative instruments whose values fluctuate with changes in the level or volatility of currency exchange rates or foreign interest rates. Hedging instruments used to mitigate this risk include currency swaps, amounting to U.S.$0.41 million (notional value of U.S.$23 million) and deposits as of December 31, 2015.

The foreign exchange rate risk associated with this U.S. dollar-denominated liability is hedged with the net investment that Banco de Bogotá maintains in BAC Credomatic. The difference between the U.S. dollar-denominated debt and the net investment in BAC Credomatic (including any goodwill associated with the acquisition) may result in a net U.S. dollar asset position which Banco de Bogotá, on its own or through LB Panamá, may hedge with forward contracts.

In accordance with its market risk policies, BAC Credomatic maintains a U.S. dollar net asset position (long U.S. dollar position) which is intended to hedge 100% (and in no case less than 60%) of its shareholders' equity against possible devaluations of each of the local currencies in the countries where it operates against the U.S. dollar.

Other corporate information

Technology

We continuously invest in new technology and the renewal of equipment and infrastructure in order to serve customers effectively, improve our profitability and grow our business. We believe that proper management of technology is key to the efficient management of our business. Our technology architecture focuses on our customers and supports our business model.

Our banking business, Porvenir and Corficolombiana currently maintains their own technological infrastructure and software. We believe this technology provides us with an opportunity to seek potential additional synergies as we implement our overall technology model: assisting with the standardization and implementation of systems developed in our subsidiaries and sister banks.

One of our most successful initiatives to date has been the coordination of electronic channels within our branches and other Grupo Aval bank branches. This project is currently operating in our bank and in Porvenir and A Toda Hora S.A., or "ATH," the administrator of our ATMs and the transactional services that flow through the *Red Grupo Aval*. Although these electronic channels have been fully implemented, we plan to continue to enhance their operations with new technology, especially through internet and mobile banking. The *Red Grupo Aval* coordinates connectivity between branches, technical support, webpages and transactional Internet, mobile banking, banking correspondence and payments and collections.

Our principal projects currently consist of the following:

- Technological architecture: We are pursuing a new technology model, which we expect will deploy new applications in different fields of business, seek to increase efficiency and enhance the competitive advantages of our entities; and

- Basic software activity: We are focusing on the standardization of some processes throughout our entities, such as Core Banking, ERP, MDM and mobile banking solutions.

We incurred U.S.$ 56.1 million of capital expenditures relating to information technology (software and hardware) for the year ended December 31, 2015.

Employees

The following table presents our approximate breakdown of the employees, personnel provided by staffing service companies and outside contractors of our subsidiaries including Porvenir, Corficolombiana and BAC Credomatic at December 31, 2015.

	Banco de Bogotá (1)(2)	Porvenir	Corficolombiana	BAC Credomatic
Employees	12,621	2,674	801	22,437
Personnel provided by staffing service companies	2,611	41	62	264
Outside contractors	3,766	157	118	1,847
Total	18,998	2,872	981	24,548

(1) Excludes employees of Porvenir, Corficolombiana, BAC and their subsidiaries.

(2) 49,09% (5,604) of Banco de Bogotá's direct employees (10,315) are represented by unions and 56.15% (5,792) of such employees are covered by collective bargaining agreements that expire in August 2018

Tangible Assets

We and our subsidiaries own properties for corporate purposes only. We have listed below the property holdings of our banking business, Porvenir and Corficolombiana at December 31, 2015.

	At December 31, 2015	
	2015	2014
	(Ps billions)	
Banco de Bogotá	904.0	794.1
Corficolombiana (1)	2,658.3	2,478.6
Porvenir (1)	122.9	123.1
BAC Credomatic (1)	1,132,1	835.4
Other subsidiaries(2)	66.5	56.7
Total	4,883.8	4,287.9

(1) Consolidated figures.

(2) Includes Fidubogotá, Banco de Bogotá Panamá, Almaviva, Casa de Bolsa, Megalínea and eliminations.

Legal proceedings

We, Porvenir, Corficolombiana and BAC are party to lawsuits and administrative proceedings incidental to the normal course of our business.

We record contingency provisions when the risk of loss is probable, in which case, we would consider settling. In cases where we litigate a claim, we record a provision for our estimate of the probable loss based on historical data for similar claims. Due to the provisions we have established and the legal opinions we have received, we do not believe that any liabilities related to such lawsuits or proceedings will have a material adverse effect on our financial conditions or results of operations. At December 31, 2015, Banco de Bogotá and its subsidiaries have recorded Ps 201.1 billion in provisions.

Constitutional actions

Our banking business, Porvenir, Corficolombiana and BAC are also party to collective or class actions ("*acciones populares*" or "*acciones de grupo*," respectively). Constitutional actions are court actions where an individual seeks to protect collective rights and prevent contingent damages, obtain injunctions and damages caused by an infringement of collective rights of which the following are the most significant.

All pension and severance fund administrators in Colombia, including Porvenir, are subject to at least two class actions in which certain individuals are alleging that the pension and severance funds administrators have caused damages to their customers by (1) paying returns earned by the severance and pension funds below the minimum profitability certified by the Superintendency of Finance, and (2) making payments to its customers—under the scheduled retirement system—below the established standards. Additionally, Porvenir and four of the largest pension and severance funds are subject to a constitutional action relating to charging commissions above the legally established limits for contributions to mandatory pension funds. These constitutional actions are seeking the payment of the alleged damages caused to fund managers' customers. No provisions have been established in connection with these three constitutional actions because the amount is unquantifiable, and we consider the probability of loss to be remote.

Banco de Bogotá and Corficolombiana are subject to one relevant class action, as follows:

- A constitutional action filed by certain individuals on behalf of the Department of Valle del Cauca (*Departamento del Valle del Cauca*) against several financial institutions, including Banco de Bogotá, claims that the Department has paid interest in a manner prohibited by law, in connection with a credit facility granted to the Province. In addition, the plaintiffs are claiming that the defendants did not pay the alleged real value of the shares of Sociedad Portuaria de Buenaventura and Empresa de Energía del Pacífico, on a sale transaction of said shares. We consider the probability of loss in connection with this constitutional action to be low (*eventual*) and, therefore, have not recorded any provision.

Other litigation

Our banking business, Porvenir, Corficolombiana and BAC are from time to time subject to claims and parties to legal proceedings incidental to the normal course of our business, including in connection with our lending activities, employees, taxation matters and other general commercial matters. Due to the inherent difficulty of predicting the outcome of legal disputes, we cannot predict the eventual outcome of these pending matters, what the timing of the ultimate resolution of these matters will be or what the eventual loss, fines or penalties related to each pending matter may be. We believe that we have recorded adequate provisions for the anticipated costs in connection with these claims and legal proceedings and believe that liabilities related to such claims and proceedings should not, in the aggregate, have a material adverse effect on our business, financial conditions, or results of operations. However, in light of the uncertainties involved in such claims and proceedings, the ultimate resolution of these matters may exceed the provisions currently recorded by us. As a result, the outcome of a particular matter could be material to our operating results for a particular period.

SUPERVISION AND REGULATION

Colombian banking regulators

Pursuant to the Colombian Constitution, the Colombian Congress has the power to prescribe the general legal framework within which the government and other authorities may regulate the financial system. The Colombian Constitution also permits the Colombian Congress to authorize government intervention in the economy by statute. The agencies vested with the authority to regulate the financial system are the Board of Directors of the Colombian Central Bank, the Colombian Ministry of Finance, the Unit of Financial Regulation, the Superintendency of Finance, the Superintendency of Industry and Commerce and the Securities Market Self-Regulatory Organization.

Central Bank

The Colombian Central Bank exercises the customary functions of a central bank, including price stabilization, legal currency issuance, regulation of currency circulation, credit and exchange rate monitoring and administration of international reserves. Its Board of Directors is the regulatory authority for monetary, currency exchange and credit policies, and is responsible for the direction and execution of the Colombian Central Bank duties. The Colombian Central Bank also acts as a last resort lender to financial institutions.

Pursuant to the Colombian Constitution, the Colombian Central Bank is autonomous and independent from the government in the formulation of monetary policy and currency exchange and credit policies. Specifically, the Constitution provides administrative, technical, budgetary and legal autonomy for the Colombian Central Bank and its Board of Directors with respect to monetary, credit and foreign exchange matters. The Colombian Central Bank reports to the Colombian Congress. Its Board of Directors has seven members, one of whom is the Minister of Finance and Public Credit, one member is the General Manager of the Colombian Central Bank, and the other five members, who are full-time employees, are appointed by the President of Colombia for four-year terms that can be extended for two more terms.

Ministry of Finance

The Ministry of Finance designs, coordinates, regulates and executes economic policy, seeking to create an optimal administration of public finances for the economic and social development of the country. The Ministry of Finance regulates all aspects of finance, securities and insurance activities, pursuant to powers conferred by the Colombian Constitution. As part of its duties, the Ministry of Finance issues decrees related mainly to financial, taxation, customs, public credit and budgetary matters that may affect banking transactions in Colombia. In particular, the Ministry of Finance is responsible for regulations relating to financial institutions' capital adequacy, risk limitations, authorized transactions, disclosure of information and accounting.

According to Decree 4172 of 2011, the "*Unidad Administrativa Especial, Unidad de Proyección Normativa y Estudios de Regulación Financiera*," an affiliated unit of the Ministry of Finance is responsible for preparing and drafting any new financial, credit, securities, foreign exchange and insurance regulation to be issued by the Colombian Government.

Superintendency of Finance

The Superintendency of Finance was created as a result of the merger between the Superintendency of Banking and the Superintendency of Securities in 2005. All of the powers and responsibilities of the former Superintendency of Banking and Superintendency of Securities were assigned to the newly created Superintendency of Finance.

The Superintendency of Finance is a technical entity affiliated with the Ministry of Finance that acts as the inspection, supervision and control authority of persons involved in financial, insurance and securities exchange activities, and any other operations related to the management, use or investment of resources collected from the public. The Superintendency of Finance is responsible for supervising the Colombian financial system with the purpose of preserving its stability and trustworthiness, as well as promoting, organizing and developing the Colombian securities market and protecting the users of financial and insurance services and investors in general.

Financial institutions must obtain the authorization of the Superintendency of Finance before commencing operations. In addition, all public offering of securities requires the prior approval of the Superintendency of Finance.

Violations of the financial system rules and regulations are subject to administrative, economic, and in some cases, criminal sanctions. The Superintendency of Finance may inspect Colombian financial institutions on a discretionary basis and has the authority to impose sanctions including admonitions, fines, removals, or administrative takeovers on such institutions and their directors and officers for violations of Colombian laws or regulations, or such financial institutions' by-laws.

The Superintendency of Finance exerts its supervisory powers over the financial sector on a consolidated and comprehensive basis. The consolidated supervision extends to all financial institutions including banks operating in Colombia and their subsidiaries abroad, in the latter case to the extent permitted by the laws of the respective country of incorporation. For these purposes, the Superintendency of Finance has executed several memorandums of understanding with foreign financial sector regulators, including the Superintendency of Banks of Panama, the Superintendency of the Financial System of El Salvador, the Superintendency of Banks and other Financial Institutions of Nicaragua, the Superintendency of Banks of Guatemala, and the National Commission of Banks and Insurance of Honduras. Additionally, the Superintendency of Finance is currently negotiating the execution of additional memorandums of understanding with other financial regulators to promote an exchange of information and enhance its consolidated and comprehensive supervision.

According to Decree 2555 of 2010 and External Circular 100 of 1995 ("Basic Accounting and Financial Circular,") as amended, and in order to facilitate the Superintendency of Finance's supervision, financial institutions are required to consolidate the results of operations of all of their subsidiaries in order to present consolidated financial statements of the controlling entity and its subsidiaries, consolidated solvency ratios and capital adequacy requirements of the group.

The Superintendency of Finance may also conduct onsite inspections of Colombian financial institutions and even of their subsidiaries located abroad, in the latter case, subject to the applicable laws of the subsidiary's country of incorporation.

According to Article 48 of Decree 2080 of 2000, as amended by Decree 4800 of 2010, when granting authorizations relating to foreign investment transactions made by direct shareholders of Colombian financial institutions in foreign financial entities, the Superintendency of Finance must take into account the possibility of exercising comprehensive and consolidated supervision. In addition, according to Law 1328 of 2009 and Decree 2555 of 2010: (1) direct capital investments by Colombian financial institutions in foreign financial, brokerage or insurance companies, branches or agencies, require the prior authorization by the Superintendency of Finance, and (2) indirect capital investment (i.e., through a subsidiary) in foreign financial, brokerage or insurance companies, branches or agencies, require the prior authorization by the Superintendency of Finance if: (a) the initial investment equals or exceeds 10% of the investor's paid-in capital, (b) additional investments equal or exceed 5% of the investor's paid-in capital or (c) the financial regulatory authority of the country where the investments is to be made has not executed a memorandum of understanding with the Superintendency of Finance. Other indirect investments do not require the approval of the Superintendency of Finance but must be reported to such entity prior to the respective investment.

Fondo de Garantía de Instituciones Financieras

The Fondo de Garantía de Instituciones Financieras ("FOGAFIN") was created pursuant to Law 117 of 1985. The primary function of FOGAFIN is to administer the deposit insurance system, with the objective of guaranteeing the deposits and savings held by the general public in Colombian financial institutions. See "—Troubled financial institutions – Deposit insurance." The other primary purposes for which FOGAFIN was formed were to support the banking industry, to facilitate the privatization of financial institutions by the Colombian government, and to liquidate financial institutions under receivership.

FOGAFIN has tools and mechanisms that enable it to administer and temporarily take equity stakes in troubled financial institutions in order to allow it to determine whether a financial institution is viable or requires liquidation.

Securities Market Self-Regulatory Organization

Self-regulation in the capital markets was formally introduced in Colombia by Law 964 of 2005, and the securities market self-regulatory organization (*Autoregulador del Mercado de Valores de Colombia*), or "SRO," was created in June 12, 2006.

The SRO is a private entity that has the power to supervise, sanction and regulate those securities market entities subject to self-regulation within the securities market (i.e., including securities intermediaries and any entity that voluntarily submits itself to self-regulation).

The SRO's supervisory powers entitle it to review compliance with applicable laws and regulations and impose sanctions in the case of violations. The SRO may also propose regulation aimed at various matters, including conflicts of interest and improving the integrity and quality of the capital markets.

Superintendency of Industry and Commerce

According to Law 1340 of 2009, the Superintendency of Industry and Commerce is the competent national authority for all antitrust matters in every sector of the economy, including the financial sector.

As such, the Superintendency of Industry and Commerce is responsible for advancing administrative investigations of antitrust violations by financial and non-financial corporations, and has the power to impose corresponding sanctions.

The Superintendency of Industry and Commerce is responsible for approving economic mergers, acquisitions and integrations between and among enterprises, except for mergers, acquisitions or integrations between financial entities. However, pursuant to Law 1340 of 2009, the Superintendency of Finance is the authority responsible for approving mergers, acquisitions and integrations between financial institutions. For such approvals, the Superintendency of Finance must obtain a prior written opinion by the Superintendency of Industry and Commerce.

Regulatory framework for Colombian financial institutions

Basic framework: Decree 663 of 1993 and Decree 2555 of 2010

The basic regulatory framework for the operations of the Colombian financial sector is set forth in EOSF, as amended by Laws 510 of 1999, 546 of 1999, 795 of 2003, 964 of 2005, 1328 of 2009 and 1555 of 2012, enacted by the Colombian Congress. Decree 2555 of 2010, as amended, Decree 2080 of 2000 as well as in External Resolution 8 of 2000 (exchange control regulation statute) and External Resolution 4 of 2006 issued by the Board of Directors of the Colombian Central Bank.

The EOSF defines the structure of the Colombian financial system and establishes various business entities, including (1) credit institutions (which are further categorized into commercial banks, financial corporations, financing companies and finance cooperatives), (2) financial services entities, (3) capitalization corporations, (4) insurance companies and (5) insurance intermediaries.

The EOSF also provides that no financial, banking or credit institution may operate in Colombia without the prior approval of the Superintendency of Finance. Subject to prior approval of the Superintendency of Finance, foreign banks may operate in Colombia through their subsidiaries established and incorporated in Colombia. Under Law 1328 of 2009, foreign banks, as of July 15, 2013, are permitted to operate through their "branches" and are not obligated to incorporate a Colombian subsidiary. Operations through these branches will be subject to prior approval by the Superintendency of Finance. Among other legal requirements, branches have to meet the same minimum capital requirements as local independent entities do.

The main role of banks, financial corporations and financing companies is to receive deposits. Banks place funds back into circulation by means of loans or any active credit operation; financial corporations place funds into circulation by means of active credit operations or investments, with the purpose of promoting the creation or expansion of enterprises; and financing companies place funds back into circulation by means of active credit operations, with the purpose of fostering the sale of consumer goods and services including credit or leasing operations.

Each credit institution must be separately authorized by the Superintendency of Finance before it may develop and provide financial services. Furthermore, the activities of credit institutions are subject to limitations and restrictions, including limitations and restrictions relating to the extension of credit, risk concentration, investments, conditional operations, foreign currency loans and negotiations, and the administration of third-party funds. One of the principal restrictions on financial activities is that banks may not acquire or hold products, merchandise, shares of corporations, income bonds, or other similar securities, except: (1) when the bank has received those goods or securities as collateral for loans it has made or (2) with respect to shares, when they are issued by companies where banks are permitted to hold investments (mainly financial affiliates). Banks are also subject to other limitations, including limitations on lending activities.

Modifications to framework

Laws 510 of 1999, 546 of 1999, 795 of 2003 and 1328 of 2009 have substantially modified the control, regulation and surveillance powers of the Superintendency of Finance. In addition, Law 510 of 1999 and Law 1328 of 2009 streamlined the procedures and powers for FOGAFIN.

The main purpose of Law 510 of 1999 was to increase the solvency and stability of Colombia's financial institutions by establishing rules regarding their incorporation, as well as the permitted investments of credit institutions, insurance companies and investment companies. Law 546 of 1999 was enacted in order to regulate the system of long-term home loans.

Law 795 of 2003 was enacted with the purpose of broadening the scope of activities to be performed by financial institutions and to update Colombian regulations with the latest principles of the Basel Committee at that time. Law 795 of 2003 also increased the minimum capital requirements needed to incorporate a financial institution (see "—Minimum capital requirements") and authorized the Superintendency of Finance to take precautionary measures with respect to financial institutions whose capital falls below certain thresholds. For example, in order to avoid a temporary taking of possession by the Superintendency of Finance, troubled financial institutions must submit a restructuring program to the Superintendency of Finance.

Law 1328 of 2009, as amended by Law 1555 of 2012 and Law 1748 of 2014, provided a new set of rights and responsibilities for consumers of the financial system and a set of obligations for financial institutions, in order to minimize disputes. This law also broadened the scope of permitted business activities by regulated entities: following its adoption, banks were allowed to operate leasing businesses under certain circumstances and to extend loans to third parties so that borrowers may acquire control of other companies. Furthermore, Colombian Government through the Ministry of Finance has issued Decree 2555 of 2010, which is a set of rules applicable to financial, securities and insurance activities.

In order to implement and enforce the provisions related to Colombia's financial system, the Superintendency of Finance has issued periodic circulars and resolutions. The External Circular 007 of 1996, as amended by External Circular 029 of 2014, consolidates all of the rules and regulations applicable to financial institutions, including rules and regulations relating to the management, operations, investments, lending activities and money laundering prevention activities of financial institutions. The Basic Accounting and Financial Circular 100 of 1995, consolidates all of the regulations applicable to the accounting and financial rules of financial institutions. Furthermore, the Basic Accounting and Financial Circular regulates the assessment of credit institutions' investments, risk management, financial statements, information disclosure and inter-banking credits.

Violations of Laws 510 of 1999, 546 of 1999, 795 of 2003 or 1328 of 2009, as well as of specific provisions of Decree 663 of 1993 and Decree 2555 of 2010 and their relevant regulations, are subject to administrative sanctions and, in some cases, criminal sanctions.

To prepare for the implementation of the Basel III accords in Colombia, the Ministry of Finance, in consultation with the Superintendency of Finance, issued Decree 1771 of 2012 and Decree 2392 of 2015 (both amended Decree 2555 and are deemed part of it). Pursuant to these new decrees, new capital components were included within the assets to be recognized as Tier One Capital, Additional Tier One Capital and Tier Two Capital. Under Decree 2392 of 2015, credit institutions are permitted to issue debt instruments that comply with certain regulatory requirements in order to include their outstanding principal amount as a component of Tier One Capital or Tier Two Capital. These requirements include, among others, provisions of perpetuity and loss absorption mechanism for Tier One Capital and loss absorption mechanisms for Tier Two Capital and amortization provisions in both cases. In such a case, the outstanding principal amount eligible to be included as Tier Two Capital amortizes on a straight-line, annual basis, during the five years immediately prior to their final maturity.

Additionally, Decree 2392 established a transitional rule to issue debt instruments as component of Tier Two Capital meeting the requirements referred to in the preceding paragraph with the exception of the loss absorption mechanism and a special amortization rule for those debt instruments issued from December 31, 2015 to December 31, 2017 ("Transitional Tier Two Capital Instruments") . The transitional rule provides that (i) 100% of the outstanding principal amount of the Transitional Tier Two Capital Instruments that are issued from December

31, 2015 to December 31, 2017 will be eligible to be included as Tier Two Capital until December 31, 2017. Subsequently, eligibility for inclusion of these instruments as Tier Two Capital will be phased out from then on, with the base for calculation set at an amount equivalent to the outstanding principal amount of all such Transitional Tier Two Capital Instruments as of December 31, 2017 (the "Transitional Tier Two Capital Base"). Starting on January 1, 2018 and on every anniversary thereafter, the percentage of the Transitional Tier Two Capital Base eligible to be included as Tier Two Capital will decrease by 10% per year. From January 1, 2026, the Transitional Tier Two Capital Instruments will no longer be eligible to be included as a component of Tier Two Capital. Notwithstanding the foregoing, beginning on the fifth year prior to the final maturity of the Transitional Tier Two Capital Instrument, the outstanding principal amount of such instrument that will be eligible to be included as Tier Two Capital will be the lesser of (i) the amount eligible for inclusion as determined based on the immediately preceding sentences and (ii) the amount that results from amortizing the outstanding principal amount of the instrument on a straight-line, annual basis during the five years prior to its final maturity.

Key interest rates

Colombian commercial banks, finance corporations and financing companies are required to report data to the Colombian Central Bank on a weekly basis regarding the total volume (in pesos) of certificates of deposit issued during the prior week and the average interest rates paid for certificates of deposit with maturities of 90 days. Based on such reports, the Colombian Central Bank calculates the DTF rate, which is published at the beginning of the following week for use in calculating interest rates payable by financial institutions. The DTF rate is the weighted average interest rate paid by commercial banks, finance corporations and financing companies for certificates of deposit with maturities of 90 days.

The Colombian Central Bank also calculates the interbank rate (*Interés Bancario de Referencia*), or "IBR," which acts as a reference of overnight, and one-month and three-month interbank loans, based on quotations submitted each business day by eight participating banks to the Colombian Central Bank. Using the median of the quotations submitted, the Colombian Central Bank calculates the overnight IBR each business day. The one-month and three-month IBRs are also calculated using the median of the quotations submitted each business day, based on the prices of interest rate swaps for each of these periods.

Article 884 of the Colombian Commercial Code provides for a limit on the amount of interest that may be charged in commercial transactions. The limit is 1.5 times the current banking interest rate (*Interés Bancario Corriente*), calculated as the average of the interest ordinarily charged by banks within a set period of time. The current banking interest rate is certified by the Superintendency of Finance.

Mandatory investments

Colombian banking institutions are required to invest in agricultural development bonds (*Títulos de Desarrollo Agropecuario*, or "TDAs") issued by Finagro, a government entity, according to External Resolution 3 of 2000 of the Colombian Central Bank, as amended by External Resolution 5 of 2000, External Resolution 1 of 2002, External Resolution 2 of 2005, External Resolutions 2, 8, 9 and 17 of 2007, External Resolutions 2, 6, 8 and 14 of 2008, External Resolution 15 of 2012, External Resolution 7 of 2014 and External Resolution 19 of 2015. The Colombian Central Bank requires that each bank maintains a total investment in these bonds equal to 5.8% of its checking and savings deposits, plus 4.3% of its time deposits with a maturity of up to 18 months. Finagro may issue two different types of agricultural development bonds, Class A with an interest rate of four percentage points below the DTF rate (DTF-4) and Class B with an interest rate of two percentage points below the DTF rate (DTF-2). If the DTF interest rate falls to 4% or less, the profitability of the Class A TDAs will be 0%, and if the DTF rate falls to 2% or less, the profitability of the Class B TDAs will be 0%. Banks are required to invest 37% of the total mandatory investment in Class A TDAs and 63% in Class B TDAs; however, in accordance with the External Resolution 19 of 2015, from January 2016 to March 2016 banks are required to invest 50% of the total mandatory investment in Class A TDAs and 50% in Class B TDAs.

Until 2006, banking institutions were required to invest in debt reduction bonds (*Títulos de Reducción de Deuda*), issued by the Colombian government. These bonds are no longer a mandatory investment but are still outstanding in the portfolios of bank institutions until maturity.

Under government discretion, authorities may extend the scope of current regulations or require additional disbursements on current or new types of mandatory investments.

Minimum capital requirements

Article 80 of Decree 663 of 1993, as amended by Law 795 of 2003, establishes minimum incorporation capital requirements for different financial institutions. When a financial institution fails to comply with the minimum required capital after a cure period granted by law, the Superintendency of Finance may intervene, imposing measures such as capital injections or by causing the financial institution to be liquidated, merged with another institution or its corporate form may be converted into another category of financial institution, notwithstanding the fact that the institution may be subject to fines imposed by the Superintendency of Finance.

The minimum incorporation capital requirement for banks on an unconsolidated basis for 2016 was Ps 85.2 billion. Through the date hereof, we have consistently satisfied this incorporation capital requirement.

Capital investment limit

All investments in subsidiaries and other authorized capital investments, other than those carried out in order to fulfill legal provisions, may not exceed 100% of the total aggregate of the capital, equity reserves and the equity reappraisal account of the respective bank, financial corporation or financing company, excluding unadjusted fixed assets and including deductions for accumulated losses.

Foreign currency position requirements

According to External Resolution 9 of 2013 issued by the Board of Directors of the Colombian Central Bank, a financial institution's foreign currency position is the difference between such institution's foreign currency-denominated assets and liabilities (including any off-balance sheet items), realized or contingent, including those that may be sold in Colombian legal currency.

External Resolution 9 of 2013 of the Board of Directors of the Colombian Central Bank provides mandatory guidelines for foreign currency positions of financial institutions, including the following:

- the average of a bank's foreign currency position for three business days cannot exceed the equivalent in foreign currency of 20.0% of the bank's technical capital. Currency exchange intermediaries such as Banco de Bogotá are permitted to hold a three business days' average negative foreign currency position not exceeding the equivalent in foreign currency of 5.0% of its technical capital. From July 6, 2016 and in accordance with article 1 of the External Resolution 1 of 2016, article that will be in force on July 6, 2016, the average of a bank's foreign currency position for three business days will not have any limits. At December 31, 2015, Banco de Bogotá had unconsolidated foreign currency positions of U.S.$(3.5) million, which fell within these regulatory guidelines;

- foreign currency position in cash is defined as the difference between all foreign currency-denominated assets and liabilities. A bank's three business days' average foreign currency position in cash cannot exceed 50.0% of the bank's technical capital. Currency exchange intermediaries such as Banco de Bogotá are permitted to hold a three business days' average negative foreign currency position in cash not exceeding the equivalent in foreign currency of 20.0% of its technical capital. At December 31, 2015, Banco de Bogotá had unconsolidated foreign currency positions in cash of U.S.$(21.8) million, which fell within these regulatory guidelines; and

- gross position of leverage, defined as (1) the value of the rights and obligations of term contracts denominated in foreign currency, plus (2) the value of transactions denominated in foreign currency to be settled in cash within one or more days, and (3) the value of the exchange rate risk exposure associated with exchange rate options and derivatives. External Resolution 9 of 2013 (as amended by External Resolution 1 of 2016) of the Board of Directors of the Colombian Central Bank establishes that the average of a bank's gross position of leverage for three business days cannot exceed 550.0% of the technical capital of such bank. In calculating the gross position of leverage, External Resolution 9 of 2013 of the Board of Directors of the Colombian Central Bank excludes any foreign exchange transactions that intermediaries of the FX Market perform as local suppliers of liquidity of foreign currency using the Systems of Compensation and Liquidation of Currencies when there is a breach of payment by a participant. At December 31, 2015, Banco de Bogotá had an unconsolidated gross position of leverage of U.S.$5,337.3 million, which fell within these regulatory guidelines.

Lending limits

Title II, Book I of Part II of Decree 2555 of 2010, provides that a financial institution may not lend, individually or in the aggregate, to a single borrower an amount in excess of 10% of their Tier 1 Capital (*Patrimonio Técnico*) if the only security for such operation is the borrower's equity. Nevertheless, commercial banks can lend to a single person an amount equivalent to 25% of their Tier 1 Capital (*Patrimonio Técnico*), as long as such loan is secured by eligible collateral and sufficient to secure a risk exceeding 5% of such equity.

Notwithstanding the general rule set above regarding the lending limit of 10%, Decree 816 of 2014 was issued to promote the financing of fourth generation road concessions (*concesiones de cuarta generación*), and establishes that commercial banks can lend to a single borrower who is pursuing a fourth generation concession, a sum up to 25% of our Tier 1 Capital (*Patrimonio Técnico*).

Fourth generation concession is a governmental program issued under the current administration of President Santos, through which the government plans to execute the construction of road infrastructure projects in association with private entities.

Decree 2555 of 2010 sets a maximum limit for risk concentrated in one single party, equivalent to 30% of a bank's technical capital, the calculation of which includes loans, leasing operations and equity and debt investments.

Pursuant to Title VI, Book 36 of Part II of Decree 2555 of 2010, a bank may not make a loan to any shareholder that holds directly more than 10% of its share capital for one year after such shareholder reaches the 10% threshold. In no event may a loan to a shareholder holding, directly or indirectly, 20% or more of a bank's share capital exceed 20% of a bank's technical capital. In addition, no loan to a single financial institution may exceed 30% of a bank's technical capital, with the exception of loans funded by Colombian development banks for which no limit exists.

If a financial institution exceeds these limits, the Superintendency of Finance may impose a fine equal to up to twice the amount by which any such loan exceeded the limit and, in some cases, there may be criminal sanctions.

No concentration limits apply to Banco de Bogotá on a consolidated basis.

The Colombian Central Bank also has the authority to establish maximum limits on the interest rates that commercial banks and other financial institutions may charge on loans.

At December 31, 2015, pursuant to Decree 2555 of 2010, Banco de Bogotá was subject to the following lending limits for unsecured and secured loans: lending limit per borrower on an unconsolidated basis was Ps 1,323.4 billion for unsecured loans and Ps 2,996.3 billion for secured loans.

Reserve requirements

Commercial banks are required by the Board of Directors of the Colombian Central Bank to satisfy reserve requirements with respect to deposits and other cash demands. These reserves are held by the Colombian Central Bank in the form of cash deposits. According to External Resolution 11 of 2008, as amended by External Resolution 5 of 2015, the reserve requirements for Colombian banks are measured bi-weekly and the amounts depend on the class of deposits.

The reserves of credit institutions range between zero and 11.0%. For example, credit institutions must maintain reserves of 11.0% for checking accounts and savings deposits, reserves of 4.5% for term deposits with a maturity of less than 540 days, and no reserves for term deposits with a maturity of more than 540 days.

Credit institutions must maintain these reserves in their accounts at the Colombian Central Bank or in cash.

Foreign currency loans

Colombian residents may only obtain foreign currency loans from foreign entities that obtain a code from the Colombian Central Bank or from Colombian financial institutions. Such code has to be requested by the foreign exchange intermediary chosen by the resident that wishes to obtain a loan from foreign entities or foreign individuals. Foreign currency loans must be either channeled through foreign exchange intermediaries (such as

Colombian financial institutions) or deposited in offshore compensation accounts (i.e., specially designated accounts at foreign banks held by Colombian residents and registered before the Colombian Central Bank).

Under regulations issued by the Colombian Central Bank, every Colombian resident and institution borrowing funds in foreign currency is generally required to post with the Colombian Central Bank non-interest—bearing deposits for a specified term; however, the percentage of the required deposit is currently zero. No such deposits would be required for foreign currency loans aimed at financing Colombian investments abroad or for short-term exportation loans (provided the loan is disbursed against the funds of Banco de Comercio Exterior—Bancoldex).

In addition, pursuant to Law 9 of 1991, the Board of Directors of the Colombian Central Bank is entitled to impose conditions and limitations on the incurrence of foreign currency indebtedness in order to avoid pressure in the foreign exchange market.

Law 1607 of 2012 has established that loans obtained abroad by banks incorporated under the laws of Colombia are not considered national source income for income tax purposes.

Restrictions on foreign investment in Colombia

Colombia’s foreign investment statute regulates the manner in which non-residents are permitted to invest in Colombia and participate in the Colombian securities market. Among other requirements, Colombian law requires foreign investors to register certain foreign exchange transactions with the Colombian Central Bank and obtain authorization for certain types of investments. Certain foreign exchange transactions (i.e. credits, exports and imports of goods and derivatives), including those between residents and non-residents, must be made through authorized foreign exchange intermediaries.

Non-residents are permitted to hold portfolio investments in Colombia, through either a registered stock brokerage firm, a trust company or an investment firm. Investors would only be allowed to transfer dividends abroad after the foreign investment registration procedure with the Colombian Central Bank has been completed. The failure of a non-resident investor to report or register foreign exchange transactions with the Colombian Central Bank relating to investments in Colombia on a timely basis may prevent the investor from remitting dividends, or an investigation that may result in a fine~~,~~ may be commenced.

Allowance for loan losses

Under Colombian IFRS, calculation of allowances for loan losses in the separate financial statements of Colombian credit institutions differs from the way in which such allowances are calculated in their consolidated financial statements. Separate financial statements of credit institutions must follow the Superintendency of Finance guidelines relating to allowances for loan losses established in the Basic Accounting and Financial Circular, which refer to the adoption of System of Credit Risk Administration (*Sistema de Administración de Riesgo de Crédito*), or “SARC”, by credit institutions.

The SARC adopted by each credit institution must contain policies and procedures defining the manner in which the institution assesses, evaluates, classifies, grades, controls and covers credit risk. Management must adopt policies and procedures to ensure adequate risk management in connection with the establishment of allowances and of lending and continuous monitoring standards.

Under the current model of allowances for loan losses for separate financial statements under Colombian IFRS, loans must be classified and graded in five different categories, from “A” to “E” as established by the Superintendency of Finance. Loans classified in category “A” are considered “normal” or “ordinary,” with a regular credit risk. Loans classified in category “B” are those considered to have an acceptable risk. In category “C,” institutions must include loans with an appreciable risk, while in category “D,” loans with a significant or material credit risk. Finally, loans that are not able to be recovered, or that have a reduced chance of being recovered, must be classified in category “E.” Each bank must follow this system.

The Superintendency of Finance’s guidelines specify the criteria for classifying loans, including type of loan (i.e., commercial, consumer, mortgage and microcredit, or low amount loans), age of loan, term of default and variation of the credit risk of the debtor (by determining repayment capability and payment record). Credit institutions are also required to apply specific allowances to particular categories of loans, which are calculated as a percentage of the outstanding balance using the Superintendency of Finance´s reference model.

For mortgage loans and microcredit loans a general allowance for loan losses of 1% of the principal amount must be established for each mortgage and microcredit loan. In addition to the general allowance, individual allowances for loan losses must be established.

The following table presents the minimum individual allowance for mortgage loan losses applicable to separate financial statements of Colombian credit institutions, as established by the Superintendency of Finance.

Credit category	Percentage of allowance over the guaranteed portion of the loan	Percentage of allowance over the non-guaranteed portion of the loan
A	1.0	1.0
B	3.2	100.0
C	10.0	100.0
D	20.0	100.0
E	30.0	100.0

The following table presents the minimum individual allowance for microcredit loan losses applicable to separate financial statements of Colombian credit institutions.

Credit grade	Minimum Allowance Percentage(1)	Minimum Allowance Percentage(2)
A	0.0	1.0
B	1.0	2.2
C	20.0	0.0
D	50.0	0.0
E	100.0	0.0

(1) Allowance percentage that will be applied over the balance due on the loan, after discounting the value of acceptable guarantees, taking into account the rules provided in Annex 1 of Chapter II of Basic Accounting and Financial Circular.

(2) Allowance percentage that will be applied over the balance due on the loan, without discounting the value of acceptable guarantees.

In any case, the minimum individual allowance for credit losses corresponds to the sum of:

1. The allowance percentage applicable to the balance due, net of the value of acceptable guarantees; and
2. The allowance percentage applicable to the entire balance due on the loan.

For consumer and commercial loans, Annex 3 to Chapter II of the Basic Accounting and Financial Circular issued by the Superintendency of Finance, establishes that financial institutions which provide consumer and commercial loans may prepare internal lending models which classify and qualify all consumer and commercial loans granted by said entity, in order to constitute non-performing loan allowances (that includes countercyclical parameters) reflecting the classification and qualification set in the model.

Under this regulation, each financial institution may submit its own internal models for the review (and non-objection opinion) of the Superintendency of Finance. However, if an entity does not submit such internal models or if they are objected to by the Superintendency of Finance, the reference models contained in the Basic Accounting and Financial Circular must be applied to their lending activities.

With respect to consolidated financial statements of Colombian credit institutions, the calculation of allowances for loan losses under Colombian IFRS is similar to the way in which such allowances are treated under IFRS (As issued by IASB). Consolidated financial statements of credit institutions observe the following rules with respect to allowances for loan losses:

With respect to the entire loan portfolio, in accordance with IAS 39 financial institutions must evaluate at the end of each accounting period if there exists objective evidence of the impairment of a loan measured in accordance with the amortized cost methodology. Impairment indicators include significant economic difficulties faced by the borrower, payment default and the probability that the borrower will seek protection from creditors. If impairment is determined, a loan loss provision charged to income is calculated as follows:

For loans deemed individually significant and impaired, an individual analysis is effected in accordance with IAS 39, which takes into consideration the amortization schedule, collateral and information from credit bureaus. A loan is considered impaired when based on historic and current information and events, it is concluded that a probability exists that the lender will be unable to collect in full the amounts owed as per the loan agreement including interest and commissions. When a loan has been identified as impaired the value of the loss is measured as the difference between the book value of the loan and the present value of expected future flows (taking into consideration the condition of the borrower), discounted using the interest rate initially established on the loan, or the present value of the collateral that guarantees the loan (after deducting the estimated selling costs of the collateral) when it is concluded that the fundamental source of repayment is the sale of the collateral. For the calculation of provisions for loans considered individually significant, based on their guarantee, estimates of the fair value of such guarantee are established using independent expert appraisers.

For those loans which are not individually significant and for loans individually significant but not impaired, a collective assessment is effected, with loans grouped together by segments having similar characteristics, using statistical assessment techniques based on the analysis of historical losses to determine an estimate of percentage of losses which have been incurred in such assets as of the date of the financial statements, but which have not been identified on an individual basis.

For the calculation of incurred losses of loan portfolios analyzed collectively, statistical models are utilized which take into consideration four fundamental factors: exposure, probability of default, loss identification period and loss given default.

The calculation process includes analyses of specific, historical and subjective components. The methodologies utilized include the following elements: a) A detailed periodical analysis of the loan portfolio, b) A credit classification system by risk levels, c) A periodical review of the summary of provisions for losses of loans, d) Identification of loans to be evaluated individually due to impairment, e) Consideration of internal factors such as our size, organizational structure, loan portfolio structure, loan administration process, analysis of overdue portfolio and experiences of historical losses, f) Consideration of risks inherent to different types of loans, g) Consideration of external factors, including local, regional and national, as well as economic factors.

Intervention powers of the Superintendency of Finance — Bankruptcy considerations

Pursuant to Colombian banking regulations, the Superintendency of Finance has the power to intervene in the operations of a bank in order to prevent it from, or to control and reduce the effects of, a bank failure.

The Superintendency of Finance may intervene in a bank's business: (1) prior to the liquidation of the bank, by taking precautionary measures in order to prevent the bank from being taken over by the Superintendency of Finance, or (2) to take possession of the bank to either administer the bank or order its liquidation, depending on the severity of the situation.

The purpose of taking possession is to allow the Superintendency of Finance to decide: (1) whether the entity should be liquidated, (2) whether it is possible to place it in a position to continue doing business in the ordinary course, or (3) whether other measures may be adopted to secure better conditions so that depositors, creditors and investors may obtain the full or partial payment of their credits.

If the Superintendency of Finance takes possession of a bank, FOGAFIN must appoint a special agent (who must be accepted by the Superintendency of Finance) to administer the affairs of the bank during such process and until the bank is ordered to be liquidated or the entity is reestablished to continue doing business in the ordinary course.

During the period of the Superintendency of Finance's possession (which period ends when the liquidation process begins), Colombian banking laws prevent any creditor of the bank from (1) initiating any procedure for the collection of any amount owed by the bank, (2) enforcing any judicial decision rendered against the bank to secure payment of any of its obligations, (3) placing a lien or attachment on any of the assets of the bank to secure payment of any of its obligations, or (4) making any payment, advance or compensation or assuming any obligation on behalf of the bank, with the funds or assets that may belong to it and are held by third parties, except for payments that are made by way of set-off between regulated entities of the Colombian financial and insurance systems.

In the event that the bank is liquidated, the Superintendency of Finance must, among other measures, provide that all term obligations of the bank are due and payable at the date when the order to liquidate becomes effective.

During the liquidation process bank deposits and other types of saving instruments will be excluded from the liquidation process and, claims of creditors, as a general rule, rank as follows: (i) the first class of credits includes the court expenses incurred in the interest of all creditors, wages and other obligations related with employment contracts and tax authorities' credits regarding national and local taxes; (ii) the second class of credits comprises the credits secured by a security interest on movable assets; (iii) the third class of credits includes the credits secured by real estate collateral, such as mortgages; (iv) the fourth class of credits contains some other credits of the tax authorities against the debtor that are not included in the first class of credits and credits of suppliers of raw materials and input to the debtor; and (v) finally, the fifth class of credits includes all other credits without any security interest or privilege; provided however, that among credits of the fifth class, subordinated credits shall be ranked junior to the external liabilities (*pasivos externos*) senior only to capital stock. Each category of creditors will collect in the order indicated above, whereby distributions in one category will be subject to completing full distribution in the prior category.

Troubled financial institutions — Deposit insurance

Subject to specific limitations, FOGAFIN is authorized to provide equity and/or secured loans to troubled financial institutions and to insure deposits of commercial banks and certain other financial institutions. In 1998 and 1999, to address the adverse effects of the economic crisis, certain regulations were adopted, among others, Law 546 of 1999 (*Ley de Vivienda*) and Law 550 of 1999 (*Ley de Reactivación Económica*).

To protect the customers of commercial banks and certain financial institutions, Resolution No. 1 of 1988 of FOGAFIN, as amended by Resolutions 1, 3 and 4 of 2012, Resolution 1 of 2013, Resolutions 1,2 ,3 and 5 of 2014 and Resolution 1 of 2015, requires mandatory deposit insurance. Under this resolution, banks must pay an annual premium of 0.3% of total funds received on deposits such as savings accounts, checking accounts, certificates of deposit, special savings deposits, mortgage bonds, special accounts, bank collection services and electronic deposits. If a bank is liquidated, the deposit insurance will cover the funds deposited by an individual or corporation with such bank, up to a maximum of Ps 20 million, regardless of the number of accounts held in each bank.

Anti-money laundering provisions

The regulatory framework to prevent and control money laundering is contained in, among others, the EOSF, Chapter 4 of Title I of Part I Legal Basic Circular (*Circular Básica Jurídica*), as amended, issued by the Superintendency of Finance, as well as Law 599 of 2000 (the Colombian Criminal Code).

Colombian laws adopt the latest guidelines related to anti-money laundering and other terrorist activities established by the Financial Action Task Force on Money Laundering, or "FATF." Colombia, as a member of the GAFI-SUD (a FATF-style regional body) follows all of FATF's 40 recommendations and eight special recommendations.

Anti-money laundering provisions have been complemented with provisions aimed at deterring terrorism financing. For that purpose, by means of Legal Basic Circular, the Superintendency of Finance has issued regulations requiring the implementation by financial institutions of a system of controls for money laundering and terrorism financing.

The requirements include "know your customer" rules and procedures to protect financial institutions from being used directly by shareholders and executives in money laundering activities, for channeling funds for terrorist activities, or for the concealment of assets from such activities; these rules and procedures set forth detailed instructions for monitoring these risks.

Chapter 4 of Title I of Part I of Legal Basic Circular, as amended, issued by the Superintendency of Finance and applicable to issuers of securities in the capital markets, provides rules and guidelines regarding the prevention of money laundering and terrorism financing.

Finally, the Colombian Criminal Code introduced criminal rules and regulations to prevent, control, detect, eliminate and prosecute all matters related to financing terrorism and money laundering. The criminal rules and regulations cover the omission of reports on cash transactions, mobilization or storage of cash, and the lack of controls.

Pension fund solvency measures

On July 19, 2012, Decree 1548 of 2012 which amends Decree 2555 of 2010, introduces a new measure of solvency for pension fund administrators, which sets technical capital (*patrimonio técnico*) at a total of 9% of exposure to operational risk. “Exposure to operational risk” is defined as the product of multiplying 100/9 by the sum of:

- 16% of fee income from mandatory pension funds;
- 16% of fee income from severance funds;
- 0% of fee income from voluntary pension funds; and
- 1/48 of all other funds managed by pension fund administrators.

Furthermore, Decree 1895 of September 11, 2012 includes 13% of the fee income from the administration of funds belonging to the *Fondo Nacional de Pensiones de las Entidades Territoriales* - FONPET to the sum that must be multiplied by 100/9 to determine a pension fund administrator’s “Exposure to operational risk.”

We expect the changes introduced by Decree 1548 of 2012 and Decree 1895 of 2012 to permit the release of approximately Ps 100 billion of capital of Porvenir, which pursuant to Decree 1548 of 2012 must be offset by Porvenir’s stabilization reserves (the stabilization reserve is equivalent to 1.00% of the funds it manages).

Insolvency law

On July 12, 2012, the Colombian Congress enacted Law 1564 (*Código General del Proceso*), which provides insolvency protection for non-merchant individuals. Under the new insolvency regulation, which came into effect on October 1, 2012, once a non-merchant individual has ceased paying his or her debts, that individual can initiate a voluntary insolvency proceeding before a notary public or mediator to reach an agreement with his or her creditors. The terms of any agreement reached with two or more creditors that represent more than 50% of the total amount of the claims against such individual will be mandatorily applicable to all relevant creditors. The law also provides for increased debtor protections, including an automatic stay for a maximum of 90 days.

Prepayment of credit operations without penalty

On July 9, 2012, the Colombian Congress enacted Law 1555, allowing consumers of financial services to prepay obligations denominated in pesos owed to financial institutions, without incurring in any penalty for prepayment. Law 1555 also requires that financial institutions disclose the possibility of such prepayment to borrowers prior to the extension of any loan.

Law 1555 does not apply to (i) mortgage loans, for which prepayment is always allowed according to Law 546 of 1999, (ii) loans having a balance that exceeds 880 times the legal monthly minimum wages, or (iii) to financial obligations acquired prior this law’s effective date (July 9, 2012), and for which prepayment will continue to be governed by the relevant contractual provisions, or absent an agreement by the parties, by the laws in force at the time when the relevant agreement was executed.

Data protection law

On October 17, 2012, Law 1581 of 2012 introduced a new data protection regime that applies to any person that administers databases in Colombia, and this Law was regulated on June 27, 2013 by Decree 1377 of 2013 and

Decree 886 of 2014. Although it does not apply in its entirety to financial institutions, it provides a set of principles (legality, freedom, truth or quality, transparency, access, confidentiality, among others) that apply to us in the administration of our databases. Additionally, there is a general prohibition of transferring personal data to other countries that do not provide adequate levels of data protection according to the standards set by the Superintendency of Industry and Commerce. This prohibition does not apply to transfers of data that are inherent to banking and securities activities under the applicable law.

Regulation on liens over movable assets

On August 20, 2013, the Colombian Congress enacted Law 1676 with the purpose of increasing the public access to credit by providing a new regulation on liens over movable assets. Law 1676 introduced substantial modifications to Colombian regulation on liens over movable assets, including: (a) the creation of a single unified lien public registry, (b) the ability for creditors to directly foreclose on the secured assets for a value determined in an appraisal conducted by an independent expert appointed by the Superintendency of Companies, (c) the ability for creditors to enforce the security upon insolvency of the debtor, provided that the movable assets are not essential for the continuing of business of the insolvent debtor, and (d) an upgrade of priority upon liquidation.

Regulation on payroll loans

On April 27, 2012, the Colombian Congress enacted Law 1527, as amended by Law 1607 of 2012, which consolidated the then existing regulatory framework on payroll deduction loans. Under Law 1527 of 2012, payroll loans are secured by an irrevocable order or authorization from the clients to their respective employers or to the entity that pays their salary or other financial benefits arising from their employment to directly pay the loan. As opposed to the prior regulatory regime, employers may currently freely determine the financial institution granting the relevant financial product or service. Likewise, Law 1527 of 2012 provides that the employer is jointly and severally liable for the employee's payment obligation.

Tax reforms

On December 26, 2012, the Colombian Congress enacted Law 1607, introducing a series of reforms to the Colombian tax system, which came into effect in 2013. Law 1607 created a new income tax, denominated income tax for equality, or "CREE," levied on the fiscal year's gross revenues (excluding windfall amounts) less returns, rebates, and discounts; certain types of income; costs; certain deductions; and income exempt under the Andean Pact.

The CREE tax rate was initially set at 9% for the years 2013, 2014 and 2015. Subject to certain deductions, the CREE tax rate was amended in 2014 by Law 1739 of 2014, to reflect a surcharge resulting in a rate of 14% for 2015, 15% for 2016, 17% for 2017 and 18% for 2018. The CREE tax was levied on Colombian corporations and legal entities that have the obligation to file an income tax return in Colombia, such as us and our subsidiaries, as well as on foreign entities that have the obligation to file an income tax return in Colombia. Additionally, Law 1607 reduced the general income tax rate from 33% to 25% for companies incorporated in Colombia and for the domestic source income earned by their branches and permanent establishments in Colombia.

Law 1607 further established rules concerning the tax basis of assets and capital stock and amended prior rules to determine when dividends or share participations are not subject to tax, and also provided for a transition to IFRS. It also introduced a series of changes to the VAT rates, which positively affect our business and the business of our subsidiaries, by lowering the VAT rate from 16% to 0% on the purchase and sale of foreign currency as well as on financial derivatives and has a less favorable effect by establishing a 16% VAT rate for leasing agreements, compared to the 10% rate in force before the reform, generating higher costs for these operations.

Other reforms concerning financial institutions included the introduction of amendments to taxes on foreign capital investment portfolio income. Law 1607 also provided that indebtedness obtained abroad by financial cooperatives, commercial finance companies, as well as certain government-owned finance agencies such as Bancoldex, Finagro and Findeter, does not generate income for Colombian tax purposes and is not deemed to be held in Colombia, as was already the case for banks and financial corporations. Furthermore, this law set forth that the returns generated by the stabilization reserve maintained by pension fund managers would be exempted from income tax, with a positive impact for Porvenir, taking into account that the stabilization reserve is equivalent to 1.00% of the funds it manages.

Finally, some rules designed for individual taxpayers, for example, the imposition of more burdensome conditions for obtaining tax deductions for contributions made to the voluntary pension funds and to the savings accounts for the promotion of construction, may also have a significant effect on the business of financial institutions. See "Risk factors—Risks relating to Colombia and other countries in which we operate—New or higher taxes resulting from changes in tax regulations or the interpretation thereof in Colombia and other countries in which we operate could adversely affect our results of operations and financial condition."

In addition to the tax reforms introduced in 2012, on December 23, 2014, the Congress of Colombia enacted Law 1739, which added a new net worth tax on the wealth of corporate entities, or the "Wealth Tax", and the extra charge of the CREE as explained above. Law 1739 of 2014 introduced modifications to various aspects of tax regulation in Colombia and introduced, among other things, a Wealth Tax (*Impuesto a la Riqueza*) calculated over the net assets under accounting fiscal basis. During 2015, 2016 and 2017 in the case of companies and 2015, 2016, 2017 and 2018 in the case of Colombian individuals, this *Impuesto a la Riqueza*, or Wealth Tax, will be calculated over net equity as determined on January 1 of each of the respective years (subject to certain exclusions such as equity investments). In the case of companies, the rate payable fluctuates between 0.20% and 1.15% in 2015; 0.15% and 1.00% in 2016 and 0.05% and 0.40% in 2017. In the case of individuals, the rate payable fluctuates between 0.125% and 1.50% for each year in the period between 2015 and 2018.

For accounting purposes in Colombia, this new tax obligation can be recorded against retained earnings instead of net income for the respective year. Under IFRS, this tax obligation impacts net income.

Regulatory framework for non-financial subsidiaries

All of our Colombian subsidiaries listed in note 1 to our audited consolidated financial statements that are not part of the financial sector are governed by the laws and regulations of the Colombian Civil Code and the Colombian Code of Commerce, as well as any regulations issued by the Colombian Superintendency of Industry and Commerce and the Superintendency of Corporations or any other type of special regulations that may be applicable to corporations, and the commercial and industrial activities carried out by these subsidiaries.

Panamanian regulation

BAC International Bank, Inc. operates as a full service bank in Panama with a general license to offer banking services to residents of Panama and abroad.

The Panamanian financial system is regulated by the Superintendency of Banks of Panamá (*Superintendencia de Bancos de Panamá*), or "SBP," which is in charge of regulating and overseeing all areas of banking, including solvency, liquidity, credit limits, risk management, financial reporting, accounting standards and anti-money laundering policies.

The SBP requires Panamanian banks to maintain certain minimum capital ratios. Banks' capital adequacy ratios must be held at a minimum of 8%, measured as a percentage of adjusted capital to risk-weighted assets. The SBP also requires the establishment of a regulatory reserve at a minimum of 1.5% and maximum of 2.5% of total non-qualified risk-weighted credit risk exposures. The SBP also limits banks' concentration risk within a particular economic interest group and for related parties, to 25% of its regulatory capital. Additionally, the ratio of assets to local deposits and the liquidity ratio are limited to 85% and 30%, respectively.

The SBP could perform one audit per year, and requires consolidated financial statements and capital adequacy reports on a quarterly basis, reviews financial statements on a semi-annual basis and audits financial statements annually within 90 days of the fiscal year end close.

Guatemalan regulation

Grupo BAC-Credomatic Guatemala is subject to the regulations of the Central Bank of Guatemala (*Banco de Guatemala*) and the Superintendency of Banks of Guatemala (*Superintendencia de Bancos de Guatemala*). Their areas of oversight include capital adequacy, lending limits, concentration limits, liquidity, exchange rate risk, disclosure of financial statements, accounting standards, anti-money laundering and counter-terrorism financing.

Guatemalan banks must maintain certain minimum ratios as required by the local regulator. Capital adequacy ratios must be held at a minimum of 10%, measured as a percentage of adjusted capital to risk-weighted assets, and the liquidity gap must be less than 60%. Concentration risk within a particular economic interest group and for transactions with related parties is limited to 30% of regulatory capital, and no more than 15% of regulatory capital can be concentrated in a single person or entity, whether private or public. Transactions with the Central Bank of Guatemala and the Ministry of Finance are excluded from those concentration limits.

Grupo BAC-Credomatic Guatemala submits periodic reports to the Superintendency of Banks. In addition, the Superintendency of Banks maintains an office within Grupo BAC-Credomatic Guatemala and continuously audits the different areas of the bank. This is a common practice held by the regulator with all Guatemalan banks.

The offshore operations of Grupo BAC-Credomatic Guatemala are also regulated by the Superintendency of Banks of Guatemala as well as the banking authority of Panama. BAC Bank Inc. is an offshore subsidiary of BAC-Credomatic Guatemala, it is domiciled in Panama and is regulated by the Superintendency of Banks of Panamá. Furthermore, the recently acquired Transcom Bank (Barbados) Limited is also subject to the regulations of the Central Bank of Barbados.

Additionally, as an issuer of debt securities, Credomatic de Guatemala, S.A. is subject to certain regulatory requirements, including disclosure of financial statements to the market and the obligation to be rated by an independent rating agency. BAC Valores Guatemala, S.A., as a brokerage house, is regulated by the Securities Exchange of Guatemala.

Costa Rican regulation

Banco BAC San José S.A., is regulated by the General Superintendency of Financial Institutions (*Superintendencia General de Entidades Financieras*), or "SUGEF," and the Costa Rican Central Bank (*Banco Central de Costa Rica*). Their areas of oversight include capital adequacy, related party lending, limits to credit to a single economic group, external auditors, financial statements disclosure, loan loss reserves, risk management, corporate governance and anti-money laundering.

Costa Rican banks are required to maintain certain minimum ratios: banks' capital adequacy ratios (or "C.A.R.," measured as a percentage of adjusted capital to risk-weighted assets) must be held at a minimum of 10% for them to be qualified as "Normal;" however, the "Normality" qualification is subdivided into three levels: (i) "Normality 1" requires a C.A.R. of at least 14%; (ii) "Normality 2" requires a C.A.R. of between 12% and 14%; and (iii) "Normality 3" requires a C.A.R. of 10% to 12%. Moreover, the bank's average rating score must be held at a total score of at least 1.75. The average rating score is calculated using the CAMELS score for quantitative rating and, a "qualitative rating" based on the examination and evaluation of certain aspects of the bank's management. The CAMELS score is measured based on capital adequacy, asset quality, management quality, earnings, liquidity, and sensitivity to market risk and represents 80% of the total score, correspondingly, the qualitative rating takes into account an assessment of the bank's planning, policies and procedures, human resources administration, control systems, management information systems and information technology., and it represents 20% of the total score. Exchange rate risk is also regulated, and is limited to 10% of the bank's net position in foreign currency. Additionally, concentration risk within a particular economic interest group and for related parties is each limited to 20%.

SUGEF performs audits and receives periodic reports on a continuous basis. In addition, the brokerage house and the mutual funds management company are regulated by the General Superintendency of Securities (*Superintendencia General de Valores*), the pension fund administration company is regulated by the General Superintendency of Pensions (*Superintendencia de Pensiones*), and the insurance broker company is regulated by the General Superintendency of Insurance (*Superintendencia General de Seguros*).

Honduran regulation

Banco de America Central S.A. (Honduras) is regulated by the National Banking and Insurance Commission (*Comisión Nacional de Bancos y Seguros*), or the "Commission," and the Honduran Central Bank (*Banco Central de Honduras*). Their areas of oversight include capital adequacy, loss loan reserve, accounting standards, external auditors, foreign exchange, related party lending, limits to credit to a single economic group, corporate governance and anti-money laundering.

Honduran banks are required to maintain certain minimum capital adequacy ratios, as fixed by the Commission. Currently, the capital adequacy ratio must be held at a minimum of 10%, measured as a percentage of adjusted capital to risk-weighted assets; however, while the issuance of corporate bonds (*bonos mercado*) of Banco de América Central S.A. (Honduras) remains outstanding, the bank is subject to a minimum capital adequacy ratio of 12.5%. Additionally, no more than 20% can be concentrated in a single person or legal entity; moreover, concentration risk within a particular economic interest group and for transactions with related parties is limited to 20% and 30%, respectively; although, in the first case, the percentage can be increased to up to 30%. The Commission has also established prudential guidelines with the goal of safeguarding the liquidity of the financial institutions system. The Commission requires periodic reports covering various topics, to be submitted daily, weekly, bi-weekly, monthly and annually. Furthermore, the Commission, via the Superintendency of Banks, performs audits including an annual evaluation of the bank's risk management.

El Salvadoran regulation

Banco de America Central S.A. (El Salvador) is regulated by El Salvador Central Bank (*Banco Central de Reserva de El Salvador*) and the Financial System Superintendency of El Salvador (*Superintendencia del Sistema Financiero*). Their areas of oversight include capital adequacy, liquidity, related party transactions, external auditors, risk management, financial information disclosure, investments, accounting standards and anti-money laundering.

Salvadoran banks are required to maintain certain minimum ratios. Capital adequacy ratios must be held to a minimum of 12%, measured as a percentage of adjusted capital to the sum of the weighted assets, net of depreciation, reserves, and write-off provisions. Concentration risk is also limited by the superintendency within a particular economic interest group and for transactions with related parties to 25% of the Bank's Equity Fund (*Fondo Patrimonial*) and 5% of Bank's paid-in capital plus its capital reserves (*Capital Pagado más Reservas de Capital*), respectively. Additionally, the local superintendency performs periodic audits across multiple areas of the bank and requires an average of 106 periodic reports to be submitted on a weekly, monthly and/or quarterly basis; meanwhile, the El Salvador Central Bank requires an average of 21 periodic reports which also must be submitted weekly, monthly and/or quarterly.

Banco de America Central, S.A. as an issuer of debt securities and Inversiones Bursátiles Credomatic, S.A. de C.V., Casa de Corredores de Bolsa as a securities broker, are also subject to the regulations of securities' market, via the Financial System Superintendency of El Salvador and El Salvador Central Bank.

Nicaraguan regulation

Banco de America Central S.A., Nicaragua is regulated by the Banking and Other Financial Institutions Superintendency (*Superintendencia de Bancos y de Otras Instituciones Financieras*). The banking authorities have issued prudential guidelines in the areas of capital adequacy, related party lending, concentration risk, risk management, relationship with external auditors, financial information disclosure, anti-money laundering and terrorism financing prevention, among others.

Nicaraguan banks are required to maintain certain minimum ratios: capital adequacy ratios must be held at a minimum of 10%, measured as a percentage of adjusted capital to risk-weighted assets, and additional 3% of Capital Reserve buffer (Reserva de Conservacion de Capital) has recently been added following the implementation of Basel III guidelines. Liquidity gap models are also applied, which limit the liquidity gaps within a period of 0-30 days to be no more than one time the bank's equity base and within the period of 0-90 days to be no more than two times the equity base. Also following Basel III guidelines, the Superintendency has recently implemented a Liquidity Coverage Ratio requirement. Initially this ratio is required to be 60% in 2016, increasing to 100% by 2020. Likewise, the banks have legal reserve requirements to guarantee liquidity buffers. The Superintendency of Banks also regulates limited concentration risk within a particular economic interest group and for related parties, to 30%. The Superintendency of Banks requires a minimum of one audit per year and approximately 36 periodic reports are required on a daily, weekly, monthly, quarterly, semi-annual and/or annual basis.

Service of process and enforcement of judgments

For information on service of process and enforcement of judgments, see "Enforcement of Judgments."

MANAGEMENT

Board of Directors

The Board of Directors of Banco de Bogotá is composed of five principal members and five alternate members, each of whom serves one year terms and may be reelected indefinitely. The term for the current directors expires on March 30, 2017.

The current members of the Board of Directors were appointed at a shareholders' meeting held on March 30, 2016. The following table presents the names of the current principal and alternate members of the Board of Directors.

Board member	Alternate
Luis Carlos Sarmiento Gutiérrez	Guillermo Perry Rubio
Sergio Uribe Arboleda	Jorge Iván Villegas Montoya
Alfonso de la Espriella Ossio	Ana María Cuéllar de Jaramillo
Carlos Arcesio Paz Bautista	Sergio Arboleda Casas
José Fernando Isaza Delgado	Álvaro Velásquez Cock

Biographical information of the principal members of our Board of Directors is set forth below. Ages displayed are as of December 31, 2015.

Luis Carlos Sarmiento Gutiérrez, age 55, has been Chairman of the Board of Directors of Banco de Bogotá since 2004. Mr. Sarmiento Gutiérrez has more than 25 years of experience in Colombia and in the United States as a senior executive. He has been the Chairman of the Board of Corficolombiana since 2006 and has been a member of the Board of Directors of Empresa de Energía de Bogotá since 2010. He has been President of Grupo Aval since 2000. Mr. Sarmiento Gutiérrez acted as President of Cocelco S.A. from 1997 until 2000. Previously he served as Executive Vice President at First Bank of the Americas in New York and as an analyst and financial manager at Procter & Gamble's corporate headquarters. He holds a Bachelor of Science degree, Magna Cum Laude, in Civil Engineering from the University of Miami and a Master in Business Administration with a concentration in finance from the Johnson Graduate School of Management at Cornell University. Mr. Sarmiento Gutiérrez is the son of the Chairman of the Board of Directors of Grupo Aval, Mr. Sarmiento Angulo.

Sergio Uribe Arboleda, age 64, has served as a principal member of the Board of Directors of Banco de Bogotá since 1989 and previously as an alternate member since 1987. He also serves as a member of the Board of Directors of Banco de Bogotá S.A. Panamá, Fundación Buen Gobierno and Fundación Colombia Unida 2010. Mr. Uribe Arboleda currently practices as an independent financial advisor and has previously acted as general manager of AT&T Latinamerica Colombia and President of AV Villas, Corporación Financiera Colombiana and Industrias e Inversiones Samper S.A. He holds a degree in Economics from Universidad de los Andes.

Alfonso De La Espriella Ossio, age 81, has served as a principal member of the Board of Directors of Banco de Bogotá since 1988. Mr. De la Espriella Ossio currently serves as a member of the Board of Directors of Almaviva and has previously served as President of the Board of Directors at First Bank of the Americas, New York and held several positions in Banco del Comercio, which merged with Banco de Bogotá in 1992. He holds a degree in Law and Political Sciences from Universidad La Gran Colombia and studies in Currencies and Banks from Tulane University and Banking Supervision from the Federal Reserve Bank, Baton Rouge.

Carlos Arcesio Paz Bautista, age 66, has served as a principal member of the Board of Directors of Banco de Bogotá since 1990 and previously served as an alternate member since 1989. Mr. Paz Bautista is General Manager of Consultorías e Inversiones S.A., formerly known as Harinera del Valle, and a member of the Board of Directors of Corporación Financiera Colombiana, Promigas and Fedemol. He holds a degree in Business Administration from Escuela de Administración y Finanzas and a Master degree in Market Administration, both from Icesi - Eafit, Cali.

José Fernando Isaza Delgado, age 70, has served as a principal member of the Board of Directors of Banco de Bogotá since 1997 and is also a member of the Board of Directors of Corporación Financiera Colombiana, E.T.B. and Isagen. Mr. Isaza Delgado was President of Universidad Jorge Tadeo Lozano and has previously lectured at Universidad Nacional, Escuela Colombiana de Ingeniería, Universidad de los Andes and Universidad Javeriana. He has also served as Executive President of Compañía Colombiana Automotriz, Minister of Transport, President of

Empresa Colombiana a de Petróleos S.A., or "Ecopetrol," General Manager of Instituto de Fomento Industrial and as a consultant for the United Nations University and the World Bank. He holds a degree in Electronic Engineering from Universidad Nacional de Colombia; a Master degree in Physics from the same university; a Master degree, Summa Cum Laude, in Mathematics from Strasbourg University; and a Doctorate Honoris Causa from Universidad de Caldas.

Biographical information of the alternate members of our Board of Directors is set forth below.

Guillermo Perry Rubio, age 70, has served as an alternate member of the Board of Directors of Banco de Bogotá from 1990 to 1994, from 2007 to 2010 and since 2011. Mr. Perry Rubio teaches at Universidad de los Andes and formerly served as advisor of Fedesarrollo; Director of the Dirección de Impuestos y Aduanas Nacionales, or "DIAN;" Minister of Mines and Energy; Executive Director of Fedesarrollo; alternate Senator of the Republic of Colombia; Minister of Finance; and World Bank's Chief Economist for Latin-America and the Caribbean. He holds a degree in Engineering from Universidad de los Andes and a Doctorate in Economics and Operations Research from the Massachusetts Institute of Technology.

Jorge Iván Villegas Montoya, age 73, has served as an alternate member of the Board of Directors of Banco de Bogotá since 1988 and also serves as a member of the Board of Directors of Corporación Financiera Colombiana and Fidubogotá. Mr. Villegas Montoya has previously served as Vice-Minister of Communications, Minister Plenipotentiary of the Universal Postal Union and President of Corporación Financiera Colombiana and Fedeleasing. He holds a degree in Law and Economics from Universidad Javeriana and a specialization in Commercial Law from Colegio Mayor Nuestra Señora del Rosario.

Ana María Cuéllar de Jaramillo, age 62, has served as an alternate member of the Board of Directors of Banco de Bogotá since 2007 and also serves as a member of the Board of Directors of Megalinea. Ms. Cuéllar de Jaramillo is an independent consultant specialized in systems and procedures for financial control and has formerly served as Director of the Dirección de Impuestos y Aduanas Nacionales DIAN and in several positions in Citibank. She holds a degree in Accounting from Universidad Jorge Tadeo Lozano.

Sergio Arboleda Casas, age 70, has served as an alternate member of the Board of Directors of Banco de Bogotá since 1990. Mr. Arboleda Casas is a member of the Board of Directors of Banco de Bogotá S.A. Panamá, Fundación Gimnasio Campestre and has previously served as Director of the District Planning Department and as Manager of 24 Hours News. He holds a degree in Civil Engineering from Universidad de los Andes.

Álvaro Velásquez Cock, age 76, has served as an alternate member of the Board of Directors of Banco de Bogotá from 1983 to 1988 and since 2001. Mr. Velásquez Cock has served as advisor to Grupo Ethuss since 1994. He has acted as Dean of the Faculty of Economics of the Universidad de Antioquia, Chief of the Departamento Nacional de Estadística – DANE, President of Pedro Gómez & Cía. S.A. and as a member of the Advisory Committee of the Superintendency of Finance. He has been a member of the Board of Directors of Banco de Bogotá – Panamá since 1984, of Corficolombiana since 1992 and of Unipalma since 1996. He holds a degree in Economics from the Universidad de Antioquia.

Executive officers

The executive officers of Banco de Bogotá are responsible for the day-to-day management of our company. The executive officers serve until removed. Although the Presidents of Corficolombiana, Porvenir and BAC Credomatic are not represented in the board of directors or the management of Banco de Bogotá, they are key individuals in our group's merchant banking, pension management and Central American businesses.

The following table lists the names and positions of our executive officers and the presidents of Corficolombiana, Porvenir and BAC Credomatic. Certain of our executive officers are also members of the boards of directors of our subsidiaries.

Name	Position
Banco de Bogotá	
Alejandro Figueroa Jaramillo	Chief Executive Officer
Juan María Robledo Uribe	Executive Vice-President
Germán Salazar Castro	International & Treasury Vice-President
María Luisa Rojas Giraldo	Chief Financial Officer
César Castellanos Pabón	Credit Vice-President
Luis Carlos Moreno Pineda	Administrative Vice-President
Fernando Pineda Otalora	Commercial Vice-President – SME and Personal Banking
Liliana Marcela de Plaza Buritica	Commercial Vice-President – Official, Institutional and Social Banking
Rafael Arango Calle	Commercial Vice-President – Corporate Banking
Julián Sinisterra Reyes	Commercial Vice-President – Credit Card
Jaime Gamboa Rodriguez	Chief Information and Operations Officer
Gustavo Arturo Pelaez Trujillo	General Comptroller
José Joaquín Díaz Perilla	Legal Manager
Alberto Pérez Vélez	General Counsel
Corficolombiana	
José Elías Melo Acosta (1)	Chief Executive Officer
Porvenir	
Miguel Largacha Martínez	Chief Executive Officer
BAC Credomatic	
Ernesto Castegnaro	Chief Executive Officer

(1) Mr. Melo Acosta has resigned from his position as Chief Executive Officer effective May 16, 2016. From that date, Mr. Bernardo Noreña will be Corficolombiana's Chief Executive Officer.

Biographical information of our executive officers and key employees who are not directors is set forth below. Ages displayed are as of December 31, 2015.

Alejandro Figueroa Jaramillo, age 74, has been the Chief Executive Officer of Banco de Bogotá since 1988. Mr. Figueroa Jaramillo has been employed with Banco de Bogotá since 1978, where he also served as Executive Vice President and Chief Financial Officer. He has also served as a principal member of the Board of Directors of Grupo Aval since 1999. He is the Chairman of the Board of Directors of Porvenir and has been a member of the Board of Directors of Porvenir since 1991. He has also been a member of the Board of Directors of Corficolombiana since 1998 and of Fundación Grupo Aval since 2011. He previously served as Vice-Minister of Economic Development of Colombia and President of Almaviva, Banco de Bogotá's bonded warehouse. He holds a degree in Civil Engineering from Facultad de Minas de la Universidad Nacional in Antioquia and a Master of Arts degree in Economics from Harvard University, and he is currently a Ph.D. candidate in Economics at Harvard University.

Juan María Robledo Uribe, age 71, has acted as Executive Vice President of Banco de Bogotá from 1990 to 1992, from 1993 to 2001 and since 2003. He has been employed with Banco de Bogotá for over 40 years, where he has also served as Vice President of Banking Services and Vice President of Commercial Banking. Mr. Robledo Uribe has served as an alternate member on the Board of Directors of Grupo Aval since 2000. He has been a member of the Board of Directors of Corficolombiana from 1993 to 2001 and since 2006, of Fidubogotá since 2007, of Porvenir since 1991 and of Fundación Grupo Aval since 2011. He has also served as President of Banco del Comercio, which merged into Banco de Bogotá in 1992, and of Corficolombiana from 2003 until 2005. He holds a degree in Economics from the Universidad del Rosario.

Germán Salazar Castro, age 60, has acted as International and Treasury Vice-president of Banco de Bogotá from 1992 to 1996 and since 1998. Mr. Salazar Castro has served in several positions at Banco de Bogotá since 1979 and has also previously served as Vice-President of Banco de Bogotá Trust Co New York and President of the First Bank of the Americas. He is a member of the Board of Directors of Fidubogotá, Casa de Bolsa and Asociación Nacional de Instituciones Financieras S.A. ANIF. He holds a degree in Economics from Universidad Javeriana and postgraduate studies in Credit Banking and Finances from Chemical Bank and Finance from New York University.

Maria Luisa Rojas Giraldo, age 62, has acted as Chief Financial Officer of Banco de Bogotá since 1995. Ms. Rojas Giraldo has served in several positions at Banco de Bogotá since 1984, including credit analyst, investment banking executive and financial control planning director. She has also been an alternate member of the Board of Directors of Fidubogotá, Corporación de Ahorro y Vivienda Las Villas, currently Banco AV Villas, and Corporación Financiera Colombiana. She holds a degree in Economics from Universidad de Los Andes and postgraduate studies in Financial Management from Stanford University Graduate School of Business and Development Economics from Boston University Graduate School.

César Castellanos Pabón, age 46, was appointed as Credit Vice-president of Banco de Bogotá in 2012. Mr. Castellanos Pabón has served in several positions at Banco de Bogotá since 2002, including as Credit Officer and Commercial Director for different business segments. He previously served as Relationship Manager for Corporate Banking at Banco Standard Chartered Colombia, as Business Manager at Corporación Financiera del Pacífico and as Commercial Director at Multileasing. He holds a degree in Economics from Universidad Santo Tomás and a degree in Business Administration from Institución Universitaria Politécnico Grancolombiano.

Luis Carlos Moreno Pineda, age 64, has acted as Administrative Vice-president of Banco de Bogotá since 1994. Mr. Moreno Pineda has served in several positions at Banco de Bogotá since 1977. He is a member of the Board of Directors of Megalinea, Unión Comercial de Transportes S.A. and Fundación Clínica de Maternidad. He holds a degree in Law from the Universidad del Rosario and postgraduate studies in Commercial Law from the same university and Advance Management Development from Universidad de los Andes.

Fernando Pineda Otalora, age 55, has acted as Commercial Vice-president for the SME and Personal Banking division of Banco de Bogotá since 2009. Mr. Pineda Otalora has served in several positions at Banco de Bogotá since 1983 and is a member of the Board of Directors of ACH Colombia and Megalinea S.A., an alternate member of the Board of Directors of Fidubogotá and an advisor to the Board of Directors of Almaviva. He holds a degree in Industrial Engineering from Universidad Javeriana and a Master in Business Administration from Universidad de la Sabana's Escuela de Dirección y Negocios.

Liliana Marcela de Plaza Buritica, age 52, was appointed as Commercial Vice-President for Official, Institutional and Social Banking in 2012. Ms. De Plaza Buritica has previously served as commercial Vice-president for Megabanco division of Banco de Bogotá, Commercial Vice-president at Megabanco, Area Manager at Banco Santander Colombia, Regional Manager of Banco Sudameris and several positions at Banco de Colombia, currently Bancolombia. She is an alternate member of the Board of Directors of Megalinea. She holds a degree in Economics from Universidad de Medellín and postgraduates studies in Financial Management from Universidad de los Andes.

Rafael Arango Calle, age 53, was appointed as Commercial Vice-president for the Corporate Banking division of Banco de Bogotá in 2012. Mr. Arango Calle has served in several positions at Banco de Bogotá since 1999 in the Commercial and Credit divisions and he is advisor to the Board of Directors of Almaviva. He previously served as consultant to the office of the Mayor of Bogotá, as President at Colcorp, and in different positions in Bancolombia. He holds a degree in Economics from Universidad Javeriana.

Julián Sinisterra Reyes, age 52, was appointed as Commercial Vice-president for the Credit Card division of Banco de Bogotá in 2012. Mr. Sinisterra Reyes previously served as Commercial Vice-President at Copa Airlines, as Vice-President for the cell phone division at Samsung Electronics, as Manager at Molvitech and as Commercial and Marketing Vice-President at MoviLine (BellSouth). He is member of the Board of Directors of Megalinea and Credibanco. He holds a degree in Business Administration from Universidad Icesi.

Jaime Gamboa Rodriguez, age 54, has acted as Chief Information and Operations Officer of Banco de Bogotá since 2009. Mr. Gamboa Rodriguez has served in several positions at Banco de Bogotá since 1987 and is a member of the Board of Directors of ACH Colombia, ATH S.A. and an alternate member of the Board of Directors of Megalinea. He holds a degree in Electronic Engineering and a specialization in Managerial Systems from Universidad Javeriana and a Master in Business Administration from Universidad de los Andes.

Gustavo Arturo Pelaez Trujillo, age 60, has acted as General Comptroller of Banco de Bogotá since 2007. Mr. Pelaez Trujillo has served in several positions at Banco de Bogotá since 1979. He holds a degree in Law from Universidad Pontificia Bolivariana.

José Joaquín Díaz Perilla, age 77*,* has acted as Legal Manager of Banco de Bogotá since 1974. Mr. Díaz Perilla has served in several positions at Banco de Bogotá since 1967 and is a member of the Board of Directors of Banco de Bogotá (Nassau) Ltd, Fidubogotá and Almaviva. He has also been a lecturer in banking and commercial law at Universidad del Rosario, Universidad de los Andes, Universidad Externado. He holds a degree in Law from Universidad del Rosario.

Alberto Pérez Vélez, age 66, has acted as General Counsel of Banco de Bogotá since 2007. Mr. Pérez Velez has served in several positions at Banco de Bogotá since 1973. He holds a degree in Law from Universidad del Rosario.

José Elías Melo Acosta, age 56, has served as Chief Executive Officer of Corficolombiana since 2008. Mr. Melo Acosta previously served as President of Megabanco from 1999 to 2006, of Banco del Estado in 1999 and of Confederación de Cooperativas de Colombia from 1994 to 1998. He also served in the past in several positions within the Colombian government including as Minister of Employment and Social Security, Superintendency of Finance, Vice Minister of Finance and Public Credit and Secretary of the Monetary Board of the Banco de la República. He has been a member of the Board of Directors of Fundación Grupo Aval since 2011. He holds a degree in Law with a specialty in Socioeconomic Sciences from Universidad Javeriana.

Miguel Largacha Martínez, age 53, has served as Chief Executive Officer of Porvenir since 2008. Mr. Largacha Martínez previously served as President of BBVA Horizonte, and held other positions within BBVA Colombia S.A., including Executive Vice President and Legal Vice President of Banco Ganadero (the predecessor to BBVA Colombia S.A.). He has been a member of the Board of Directors of Fundación Grupo Aval since 2011. He holds a degree in Law from Universidad Javeriana and has further completed postgraduate studies in Financial Legislation and Executive Management at the Universidad de los Andes.

Ernesto Castegnaro, age 66, has served as Chief Executive Officer of BAC Credomatic since 1983. Mr. Castegnaro joined BAC Credomatic in 1976 and has over 30 years of experience managing credit card operations and over 25 years managing banking operations. He is also a director on the MasterCard Latin America Board of Directors. Mr. Castegnaro holds an MBA in Banking and Finance from INCAE and a degree in Civil Engineering from University of Costa Rica.

Bernardo Noreña, age 53, has been appointed as the Chief Executive Officer of Corficolombiana effective May 16, 2016. Dr. Noreña previously worked at Citibank for 19 years where he most recently served as President of Citibank Colombia Dr. Noreña holds a degree in Economics from Pontificia Universidad Javierana and an MBA from the University of Notre Dame.

Audit Committee

Our audit committee advises the Board of Directors generally on internal control matters, and it specifically undertakes to:

- review financial statements prior to their submission to the Board of Directors and to the General Shareholders' meeting;
- ensure that the preparation, presentation and disclosure of financial information complies with the provisions of applicable regulations, verifying that necessary controls are in place;
- supervise the internal auditor to verify if its actions address the internal control needs of the company and to identify limitations with respect to its duties;
- review all internal control reports of the company and supervise compliance with such reports by the company's management;
- propose, for the Board of Directors' approval, the structure, procedures and methodologies necessary for the proper functioning of the internal control system and prepare the report that the Board must present to General Shareholders' meeting with regard to these topics;
- assess the entity's internal control structure in order to determine if the procedures in place reasonably protect the entity's assets as well as the assets of third parties that the entity manages or has custody of, and whether there are controls in place to ensure that transactions are being adequately authorized and recorded;

- issue its opinion on the independence of the external auditor, based on standards set forth by Colombian regulations;
- issue its opinion every six-months on related party transactions;
- monitor the company's levels of risk exposure at least every six-months and propose mitigation measures as needed;
- propose to the board of directors control systems to prevent, detect and adequately respond to the risk of fraud and improper conduct by company employees;
- provide assistance to our Board of Directors in fulfilling its responsibilities with respect to compliance with legal and regulatory requirements, the powers and limits assigned to the different positions and areas related to the administration of internal control system, including risk management;
- make recommendations to the General Shareholders' meeting concerning the engagement of the independent accounting firm;
- issue reports to the Board of Directors on matters deemed relevant;
- analyze the operation of the information systems, their reliability and integrity for making decisions;
- define procedures to consolidate all information from the control bodies, for its presentation to the Board of Directors;
- present to the Board of Directors for its consideration any modifications to the rules of procedure; and
- any other tasks set forth by the Board of Directors.

Pursuant to regulations of the Superintendency of Finance, the Audit Committee has a charter approved by the Board of Directors, which sets forth the main aspects related to the operation of such committee, including, among others, its composition and duties.

PRINCIPAL SHAREHOLDER

Our only class of outstanding share capital consists of our common shares. Grupo Aval controls and is the beneficial owner of 68.7% of our issued and outstanding share capital at the date of this offering memorandum. Beneficial ownership generally includes voting or investment power over securities as determined under SEC rules. Percentage of beneficial ownership is based on 331,280,555 of our aggregate share capital outstanding as of December 31, 2015, comprising 100% common shares. At December 31, 2015, Mr. Luis Carlos Sarmiento Angulo is the beneficial owner of 96.7% of Grupo Aval's common shares and 43.5% of Grupo Aval's preferred shares. Mr. Luis Carlos Sarmiento Angulo additionally beneficially owns 8.3% of Banco de Bogotá.

The principal shareholder, as a common shareholder, does not have any different or special voting rights in comparison to any other common shareholder.

The following table presents the share ownership structure of Banco de Bogotá at December 31, 2015.

	Banco de Bogotá ownership
	(in percentages)
Grupo Aval	68.7
Mr. Sarmiento Angulo (additional beneficial ownership)	8.3
Other investors (1)	13.3
General public	9.6
Total	100.0

(1) Based on publicly available information, we have identified a group of investors who have maintained ownership of record of at least one percent in Banco de Bogotá over a significant period of time.

RELATED PARTY TRANSACTIONS

We currently engage in, and expect from time to time in the future to engage in, financial and commercial transactions with "related parties" (within the meaning of the SEC rules). Unless otherwise indicated below, such transactions are conducted on an arm's-length basis in the ordinary course of business, on terms that would apply to transactions with third parties.

Loans or deposits involving related parties

The following chart presents outstanding amounts of related party transactions involving loans from Banco de Bogotá or one of its consolidated subsidiaries to any of the following individuals and entities, and deposits and bonds owed by Banco de Bogotá or one of its consolidated subsidiaries to any of the following individuals and entities.

	Transactions between Banco de Bogotá and its consolidated subsidiaries, and				
	Banco de Bogotá directors and key management and their affiliates (1)	Mr. Sarmiento Angulo and his affiliates other than Grupo Aval group (5)	Close family members of Mr. Sarmiento Angulo and their affiliates	Mr. Sarmiento Gutiérrez and his affiliates other than Grupo Aval group	Grupo Aval's non-Banco de Bogotá subsidiaries (6)
	(in Ps billions)				
At December 31, 2015					
Outstanding loans granted by us (2)	21,851.7	347,094.3	62,517.4	30.4	391,134.4
Outstanding loans granted to us (3)	272.7	2,409.0	36.1	—	3, 639,870.9
Deposits (4)	8,684.8	631,766.7	3,642.0	—	602,443.1
Bonds	—	—	—	—	126,837.3
At December 31, 2014					
Outstanding loans granted by us (2)	25,078.4	331,105.2	54,114.8	33.2	2,064.0
Outstanding loans granted to us (3)	21.0	929.1	4.1	—	2,105,352.6
Deposits (4)	9,246.1	101,634.8	2,609.4	—	1,728.133.3
Bonds	—	—	—	—	94,502.2

(1) Key management includes executive officers of Banco de Bogotá as well as each of the presidents of Porvenir, Corficolombiana and BAC Credomatic.

(2) Includes loans approved but not yet disbursed. All outstanding loans are made on an arm's length basis, at market rates, on terms and conditions not materially different from those available to the general public, including interest and collateral. See below "—Loans granted by us to related parties."

(3) Includes loans approved but not yet disbursed. See below "—Loans granted to Banco de Bogotá and its subsidiaries by shareholders of Banco de Bogotá and their affiliates."

(4) All deposits, including time deposits and investment portfolios, of all related parties held with us are made on an arm's length basis and held at market rates and on terms and conditions not materially different from those available to the general public.

(5) Includes Mr. Sarmiento Angulo, Organización Luis Carlos Sarmiento Angulo Ltda., Seguros de Vida Alfa S.A., Seguros Alfa S.A., Adminegocios Bienes y Comercio S.A., Actiunidos S.A. and Rendifin S.A., each of which are beneficially owned by Mr. Sarmiento Angulo.

(6) Excludes Mr. Sarmiento Angulo and his affiliates and Mr. Sarmiento Gutiérrez and his affiliates.

Certain members of our board of directors and key management own shares of Banco de Bogotá which were acquired in the open market and represent less than 0.1% of our total outstanding shares. See "Principal Shareholder." We do not, and have not offered or granted any share options to any of our directors or employees.

Loans granted to Banco de Bogotá and its subsidiaries by shareholders of Banco de Bogotá and their affiliates

On December 21, 2015, Banco de Bogotá entered into a U.S.$ 500 million subordinated ten-year loan at an interest rate of 6.75% with Grupo Aval Limited, a subsidiary of Grupo Aval. This subordinated obligation was approved by the Superintendency of Finance to be included as Tier 2 into Banco de Bogotá's regulatory capital ratio.

On December 20, 2013, our subsidiary BAC International Bank entered into a U.S.$ 180 million subordinated eight-year loan at an interest rate of 6.75% with Grupo Aval Limited, a subsidiary of Grupo Aval. This subordinated obligation was approved by the Superintendency of Finance of Panama to be included as Tier 2 capital in BAC International Bank's regulatory capital ratio. As of December 31, 2015 BAC International Bank still outstanding loan with Grupo Aval Limited.

In December 2013, an affiliate of Grupo Aval, Grupo Aval Limited, purchased 16,845,918 of the shares issued by the bank to finance the BBVA Panama acquisition. During 2014, Grupo Aval purchased all of these shares from Grupo Aval Limited. As of December 31, 2015, Grupo Aval owns 227,710,487 of our shares, or 68.7% of our issued and outstanding shares, and entities affiliated with Mr. Sarmiento Angulo (other than through Grupo Aval and its subsidiaries) own 27,501,206 of our shares, or 8.3%. See "Principal Shareholder".

On December 24, 2012, Porvenir entered into a stock purchase agreement with BBVA and Compañía Chilena de Inversiones S.L., an affiliate of BBVA, to acquire 99.99% of the outstanding shares of BBVA Horizonte for U.S.$530 million (subject to certain adjustments). Grupo Aval was the guarantor and also granted a loan to Porvenir. On April 17, 2013 Porvenir entered into U.S.$184 million ten-year loan at interest rate of 5.5% with Grupo Aval Limited, a subsidiary of Grupo Aval. As of December 31, 2015 Porvenir still outstanding loan with Grupo Aval Limited.

Loans granted by us to related parties

Key management of Banco de Bogotá and Grupo Aval, and their respective affiliates, who meet our credit eligibility requirements may subscribe to loans in the ordinary course of business, on market terms and conditions available to the general public, with us, or any other Grupo Aval subsidiary bank.

All outstanding loans with our related parties are made in the ordinary course of business and on terms and conditions, including interest rates and collateral, not materially different from those available to the general public, and did not involve more than the normal risk of collectability or present other unfavorable features.

Other transactions with Grupo Aval and its subsidiaries

We coordinate our electronic channels within our branches, Porvenir and with other Grupo Aval banks through A Toda Hora S.A., a subsidiary of Banco AV Villas.

We also participate in the *Red Grupo Aval* network, which coordinates connectivity between branches, technical support, webpages and transactional Internet, mobile banking, non-banking correspondence and payments and collections.

Porvenir has entered into service agreements with us and Banco de Occidente, Banco Popular and Banco AV Villas to maintain an operating presence in certain of our and their respective branches. The agreements provide for a collection service for Porvenir's customers, allowing them to use each bank's branch network to transfer money to Porvenir's mandatory and voluntary pension funds and severance funds, without any charges or fees to the customer. It also requires Porvenir and each bank to monitor and record any cash transactions and comply with anti-money laundering and terrorism financing regulations. These agreements do not have a definite termination date and can be terminated at any time by providing notice to the other party. The agreements were concluded on an arms'-length basis.

Funds managed by Porvenir have equity interests in Corficolombiana, subsidiary of Banco de Bogotá, Banco AV Villas, Banco de Bogotá and Banco Popular, subsidiaries of Grupo Aval, and Grupo Aval. These equity participations were mainly derived from merger between Porvenir and Horizonte at December 2013. As of January 03, 2016 funds managed by Porvenir owns a total of: (i) 71,287 shares of Banco AV Villas, (i) 507,461 shares of Banco de Bogotá, (iii) 22,702,486 shares of Grupo Aval, (iv) 92,808,832 shares of Banco Popular; and (v) 7,193,805 shares of Corficolombiana. The Superintendency of Finance has mandated that Porvenir must sell or otherwise dispose of these equity participation before 2020. Porvenir must provide the Superintendency of Finance with a periodic report of any actions directed towards disposition.

Banco de Bogotá controls Porvenir through shareholders agreements with Grupo Aval and Banco de Occidente. Also, Banco de Bogotá controls Corficolombiana through shareholders agreements with Banco de Occidente and Banco Popular.

Other transactions with Mr. Sarmiento Angulo and his affiliates (outside of Grupo Aval)

In addition to his beneficial ownership in Grupo Aval, at December 31, 2015, Mr. Sarmiento Angulo beneficially owned 8.3% of Banco de Bogotá, see "Principal Shareholder."

At December 31, 2015, Mr. Sarmiento Angulo also has beneficial ownership in our subsidiaries, as follows: 53.1% of Porvenir, 34.9% of Casa de Bolsa, 20.1% of Corficolombiana, 4.5% of Almaviva Global Cargo S.A., a subsidiary of Almaviva, and 1.4% of Fidubogotá.

Like all shareholders of Banco de Bogotá, Mr. Sarmiento Angulo receives dividends prorated to his shareholding interest in Banco de Bogotá.

Insurance services

Seguros de Vida Alfa S.A., or "Vida Alfa," a life insurance affiliate of Mr. Sarmiento Angulo, provides insurance required by law, as well as annuities, relating to the mandatory pension funds managed by Porvenir. The insurance provider is selected by Porvenir through a competitive bidding process once every four years. Premiums under this insurance policy are deducted by Porvenir from the individual customers' account and transferred to Vida Alfa on behalf of the individual customer.

The table below presents the insurance premiums paid by Porvenir for the periods indicated.

Period	**Amount**
	(in Ps billions)
For the year ended December 31, 2015	870.3
For the year ended December 31, 2014	747.8

Vida Alfa also provides:

- life insurance, as sole provider and as co-insurer with non-affiliated insurers (pursuant to a competitive bidding process), for individual borrowers of Banco de Bogotá to cover the risk of non-payment upon death. Premiums are paid by the borrowers; and

- workers compensation for all employees of Banco de Bogotá and its subsidiaries (except for BAC Credomatic).

Seguros Alfa S.A., or "Alfa," a property and casualty insurance affiliate of Mr. Sarmiento Angulo, provides fire and earthquake insurance for mortgage loans granted by Banco de Bogotá. In addition, Alfa provides surety bonds and property insurance for Banco de Bogotá and subsidiaries. Banco de Bogotá and its subsidiaries also provide insurance products affiliated with Vida Alfa and Alfa through their bancassurance lines. These transactions are conducted on an arm's-length basis in the ordinary course of business. Alfa has in the past, but not currently, provided bankers blanket bond coverage to us and our subsidiaries, reinsured under prevailing market conditions, and surety bonds for Corficolombiana's toll-road concessions.

Other

The following companies are beneficially owned by Mr. Sarmiento Angulo, and may continue to, provide services to us and our subsidiaries for amounts that are immaterial: Construcciones Planificadas S.A. (office renovations), Vigía S.A. (security services), and Corporación Publicitaria S.A. (advertising).

DESCRIPTION OF THE NOTES

The Bank will issue the notes described in this offering memorandum under an indenture (the "Indenture") to be executed between the Bank and Citibank, N.A., as trustee, registrar, paying agent and transfer agent (the "trustee"). A copy of the Indenture will be available for inspection during normal business hours at the corporate trust office of the trustee in New York City and any other paying agents. You should refer to the Indenture for a complete description of the terms and conditions of the notes and the Indenture, including the Obligations of the Bank and your rights.

The following is a summary of the material terms and provisions of the notes. The following summary does not purport to be a complete description of the notes and is subject to the detailed provisions of, and qualified in its entirety by reference to, the Indenture. Definitions of certain terms used in this description are set forth under "—Definitions." As used in this "Description of the Notes" section, the "Bank" means Banco de Bogotá, S.A., a sociedad anónima organized and existing under the laws of Colombia, and its successors, but not any of its subsidiaries.

The notes are being issued by the Bank as subordinated notes under the laws of Colombia (with the effects set forth in Decree 2555 of 2010). The notes are not treated under the banking laws and regulations of Colombia as bank deposits, and the holders are not required to open accounts with the Bank. Holders will not have recourse to deposit insurance or any other protections afforded to depositors in financial institutions under the laws of any jurisdiction.

Under Colombian banking laws, banks are permitted to issue subordinated debt, including the notes, and to include the outstanding aggregate principal amount of the subordinated debt as a component of Tier Two Capital. Technical Capital consists of Common Equity Tier One Capital, Additional Tier One Capital, and Tier Two Capital, which includes subordinated debt such as the notes. However, under current capital adequacy rules, (i) in the year ended December 31, 2018, the amount of subordinated debt that will be eligible to be included in Tier Two Capital will be equal to 90% of the aggregate outstanding amount of such subordinated debt, (ii) during the period commencing on January 1, 2019 and ending on December 31, 2025, such percentage will decrease by 10% each year, and (iii) from January 1, 2026, subordinated debt will not be eligible to be included in Tier Two Capital. Notwithstanding the preceding sentence, beginning on the fifth year prior to the maturity of the subordinated debt, the amount of such subordinated debt that will be eligible to be included in Tier Two Capital will be the lesser of (a) the amount of such subordinated debt calculated as indicated in the preceding sentence and (b) the amount of such subordinated debt depreciated during the five-year period prior to maturity of such debt using the straight line depreciation method on an annual basis. See "Supervision & Regulation—Capital adequacy requirements" for a description of current and future capital adequacy rules.

General

The notes:

- will be direct, unsecured and subordinated obligations of the Bank, junior in right of payment to all existing and future senior liabilities of the Bank;
- will rank pari passu with other subordinated obligations
- will initially be issued in an aggregate principal amount of U.S.$600,000,000;
- will mature on May 12, 2026
- will be issued in minimum denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof; and
- will be represented by registered notes in global form and may be exchanged for notes in certificated form only in limited circumstances.

Interest on the notes:

- will accrue on their outstanding principal amount at the rate of 6.250% per year; provided that in the event that the Bank defaults on the payment of principal, premium, if any, interest or such other amounts as may be payable in respect of the notes, the Bank will pay interest on overdue principal and premium, if any, at the rate borne by the notes plus 1.000% per year, and it will pay interest on overdue installments of interest at the same rate to the extent lawful;

- will accrue from the date of issuance or from the most recent interest payment date;

- will be payable in cash semi-annually in arrears on May 12 and November 12 of each year, commencing on November 12, 2016;

- will be payable to the holders of record on the April 27 and October 28 immediately preceding the related interest payment dates (whether or not such record date is a business day); and

- will be computed on the basis of a 360-day year comprised of twelve 30-day months.

The Bank may from time to time, without notice or consent of the holders of the notes, create and issue an unlimited principal amount of additional notes having the same terms and conditions (except for issue date, issue price and, if applicable, the first interest payment date) as, and forming a single series with, the notes initially issued in this offering; *provided* that, if the additional notes are not fungible with the notes for U.S. federal income tax purposes, the additional notes will have separate CUSIP and ISIN numbers.

The notes and the Indenture will not contain a covenant limiting the amount of additional indebtedness or other obligations that we or our subsidiaries may incur.

Subordination of the notes

The payment of all obligations on or relating to the notes will be subordinated in right of payment to the prior payment in full in cash or cash equivalents of all obligations due in respect of Senior External Liabilities of the Bank, whether outstanding on the Issue Date or incurred after that date and will be senior only to all classes of the Bank's capital stock and subordinated debt that is expressly junior to the notes. The notes will rank *pari passu* with all other unsecured and subordinated Indebtedness of the Bank, if any, that complies with the requirements set forth in Decree 2555 (or any other Colombian law or regulation regulating Tier Two Capital in effect from time to time), other than subordinated Indebtedness, that, under its terms, is designated as junior to the notes. Pursuant to Colombian banking laws, the notes will constitute "subordinated bonds" (*bonos subordinados*).

The creditors holding Senior External Liabilities will be entitled to receive payment in full in cash or cash equivalents of all obligations due in respect of Senior External Liabilities before the holders will be entitled to receive any payment or distribution of any kind or character with respect to any obligations on or relating to the notes in the event of any distribution to creditors of the Bank:

- in a total or partial liquidation, dissolution or winding up of the Bank; or

- in the event that the SFC takes possession of the Bank and determines to liquidate the Bank.

As a result of these subordination provisions in the event of a liquidation of the Bank, the notes will be senior only to the Bank's capital stock and subordinated debt that is expressly junior to the notes, and, accordingly, holders may recover less ratably than creditors of the Bank who hold Senior External Liabilities.

At December 31, 2015, the Bank had unconsolidated subordinated indebtedness equivalent to U.S.$1,083.0 million and did not have any secured indebtedness. At December 31, 2015, the Bank had total unconsolidated Senior External Liabilities equivalent to U.S.$18,157.9 million. At December 31, 2015, the Bank's subsidiaries had external liabilities equivalent to U.S.$23,390.3 million.

Open market purchases

The Bank or its affiliates may at any time purchase notes in the open market or otherwise at any price. Notes so purchased by the Bank may be held, resold in accordance with the Securities Act of 1933, as amended, or any exemption therefrom, or surrendered to the trustee for cancellation, unless such purchase, resale or surrender for cancellation would have the effect of disqualifying all of the outstanding notes from Tier Two Capital status under applicable Colombian banking law, except for any transactions which result in no notes being outstanding. Such right shall not be construed as an option or right of pre-payment, cancellation or similar right of the holders.

Payments

The Bank will make all payments on the notes exclusively in U.S. dollars or such other currency of the United States as at the time of payment will be legal tender for the payment of public and private debts.

The Bank will make payments of principal of and premium, if any, and interest on the notes to the paying agents. The trustee will initially act as a paying agent with respect to the notes. So long as the notes are listed on the Luxembourg Stock Exchange for trading on the Euro MTF market, the Bank will also maintain a paying agent in Luxembourg.

The Bank will pay interest on the outstanding principal amount of the notes to the Persons in whose name the notes are registered on the relevant record date (which, in the case of global notes, will be DTC) and will pay principal of and premium, if any, on the notes to the Persons in whose name the notes are registered at the close of business on the fifteenth day before the due date for payment (which, in the case of global notes, will be DTC). Payments of principal, premium, if any, and interest in respect of each note will be made by the paying agents by wire transfer to a U.S. dollar account maintained by the payee with a bank in New York City. The Bank will make final payments of principal and premium, if any, only upon surrender of the relevant notes at the specified office of the trustee or any of the paying agents.

Under the terms of the Indenture, payment by the Bank of any amount payable under the notes to the paying agents in accordance with the Indenture will satisfy the obligation of the Bank to make such payment; *provided* that the liability of any paying agent will not exceed any amounts paid to it by the Bank, or held by it, on behalf of the holders under the Indenture. The Bank has agreed in the Indenture to indemnify the holders in the event that there is subsequent failure by the trustee or any paying agent to pay any amount due in respect of the notes in accordance with the Indenture as will result in the receipt by the holders of such amounts as would have been received by them had no such failure occurred.

All payments will be subject in all cases to any applicable tax or other laws and regulations, but without prejudice to the provisions of "—Additional amounts." No fees or expenses will be charged to the holders in respect of such payments.

Subject to applicable law, the trustee and the other paying agents, if any, will pay to the Bank upon request any monies held by them for the payment of principal, premium, if any, or interest that remains unclaimed for two years, and, thereafter, holders entitled to such monies must look to the Bank for payment as general creditors. After the return of such monies by the trustee or the other paying agents to the Bank, neither the trustee nor the other paying agents, if any, will be liable to the holders in respect of such monies.

Form, denomination and title

The notes will be issued in fully registered form without coupons attached in minimum denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof.

Notes sold in reliance on Regulation S will be represented by a permanent global note in fully registered form without coupons deposited with a custodian for and registered in the name of a nominee of DTC. Notes sold in reliance on Rule 144A will be represented by a permanent global note in fully registered form without coupons deposited with a custodian for and registered in the name of a nominee of DTC. Beneficial interests in the global notes will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its direct and indirect participants, including Euroclear and Clearstream. Except in certain limited circumstances, definitive registered notes will not be issued in exchange for beneficial interests in the global notes.

Title to the notes will pass by registration in the register. The holder of any note will (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it, writing on, or theft or loss of, the definitive note issued in respect of it) and no Person will be liable for so treating the holder.

Transfer of notes

Notes may be transferred in whole or in part in an authorized denomination upon the surrender of the note to be transferred, together with the form of transfer endorsed on it duly completed and executed, at the specified office of the registrar or any transfer agent. Transfer of beneficial interests in the global notes will be effected only through records maintained by DTC and its participants. Notes will be subject to certain restrictions on transfer as more fully set out in the Indenture and as described under "Transfer Restrictions."

The trustee will initially act as the registrar and as a transfer agent with respect to the notes. So long as the notes are listed on the Luxembourg Stock Exchange for trading on the Euro MTF market and the rules of such exchange so require, the Bank will also maintain a transfer agent in Luxembourg.

Transfers will be effected without charge by or on behalf of the Bank, the registrar or the transfer agents, but upon payment, or the giving of such indemnity or security as the registrar or the relevant transfer agent may require, in respect of any tax or other governmental charges which may be imposed in relation to it.

No holder may require the transfer of a note to be registered during the period of 15 days ending on the due date for any payment of principal of or premium, if any, or interest on that note.

Additional amounts

All payments by the Bank in respect of the notes will be made free and clear of and without any withholding or deduction for or on account of any present or future Taxes (as defined below), unless the withholding or deduction of such Taxes is required by law or the official interpretation thereof, or by the administration thereof. If the Bank will be required by any law of any Taxing Jurisdiction (as defined below) to withhold or deduct any Taxes from or in respect of any sum payable under the notes, the Bank will (a) pay such additional amounts ("Additional Amounts") as may be necessary in order that the net amounts receivable by holders of any notes after such withholding or deduction equals the respective amounts which would have been receivable by such holders in the absence of such withholding or deduction, (b) make such withholding or deduction, and (c) pay the full amount withheld or deducted to the relevant tax or other authority in accordance with applicable law, except that no such Additional Amounts will be payable in respect of any note:

(i) to the extent that such Taxes are imposed or levied by reason of such holder (or the beneficial owner) having some connection with the Taxing Jurisdiction other than the mere holding (or beneficial ownership) of such note or receiving principal or interest payments on the note (including but not limited to citizenship, nationality, residence, domicile, or existence of a business, permanent establishment, a dependent agent, a place of business or a place of management present or deemed present in the Taxing Jurisdiction);

(ii) to the extent that any Tax is imposed other than by deduction or withholding from payments of principal of or premium, if any, or interest on the notes;

(iii) in the event that the holder (or beneficial owner) fails to comply with any certification, identification or other reporting requirement concerning its nationality, residence, identity or connection with the Taxing Jurisdiction if (1) compliance is required by applicable law, regulation, administrative practice or treaty as a precondition to exemption from all or part of the Taxes, and (2) the Bank has given the holders (or beneficial owners) at least 30 days prior notice that they will be required to comply with such requirement;

(iv) in the event that the holder fails to surrender (where surrender is required) the note for payment within 30 days after the Bank has made available a payment of principal or interest, provided that the Bank will pay Additional Amounts to which a holder would have been entitled had the note been surrendered on the last day of such 30-day period;

(v) to the extent that such Taxes are imposed by reason of an estate, inheritance, gift, personal property, value added, use or sales tax or any similar taxes, assessments or other governmental charges;

(vi) by or on behalf of a holder who would have been able to avoid such withholding or deduction of Taxes by presenting the relevant note to another paying agent in a member state of the European Union; or

(vii) any combination of items (i) through (vi) above.

In addition, no Additional Amounts will be paid (i) to a holder that is a fiduciary or a partnership or not the sole beneficial owner of such payment to the extent that a beneficiary or settlor with respect to such fiduciary, a member of such partnership or such beneficial owner would not have been entitled to receive the Additional Amounts had such beneficiary, settlor, member or beneficial owner been the holder or (ii) with respect to any withholding or deduction that is imposed in connection with Sections 1471-1474 of the U.S. Internal Revenue Code of 1986, as amended, and the U.S. Treasury regulations thereunder ("FATCA"), any intergovernmental agreement between the United States and any other jurisdiction implementing, or relating to, FATCA or any law, regulation or official guidance enacted or issued in any jurisdiction with respect thereto.

"Taxes" means all taxes, withholdings, duties, assessments or governmental charges of whatever nature (including any penalties, interest and other liabilities relating thereto) imposed or levied by or on behalf of Colombia or the jurisdiction of incorporation of any successor entity to the Bank or the jurisdictions of any paying agents or, in each case, any political subdivision thereof or any authority or agency therein or thereof having power to tax (each, a "Taxing Jurisdiction").

The Bank will provide the trustee with the official acknowledgment of the relevant taxing authority (or, if such acknowledgment is not available, other reasonable documentation) evidencing any payment of any Taxes in respect of which the Bank has paid any Additional Amounts. Copies of such documentation will be made available to the holders of the notes or the paying agents, as applicable, upon request therefor.

The Bank will also pay any present or future stamp, issue, registration, court or documentary taxes or any excise or property taxes, charges or similar levies (including any penalties, interest and other liabilities relating thereto) which arise in any jurisdiction from the execution, delivery, registration or the making of payments in respect of the notes, excluding any such taxes, charges or similar levies imposed by any jurisdiction that is not a Taxing Jurisdiction other than those resulting from, or required to be paid in connection with, the enforcement of the notes following the occurrence of any Default or Event of Default.

All references in this offering memorandum to principal of and premium, if any, and interest on the notes will include any Additional Amounts payable by the Bank in respect of such principal, premium, if any, and interest.

Covenants

The Indenture contains the following covenants:

Mergers, consolidations and transfers of assets

The Bank will not consolidate with or merge into, or sell, lease, convey or transfer, in one transaction or a series of transactions, all or substantially all of the Bank's properties and assets to any Person, unless:

(1) the surviving entity, if other than the Bank, is organized and existing under the laws of Colombia or the United States and assumes under a supplemental indenture all of the Obligations under the notes and the Indenture;

(2) immediately prior to such transaction and immediately after giving effect to such transaction, no Default or Event of Default will have occurred and be continuing; and

(3) the Bank or the surviving entity will have delivered to the trustee an Officers' Certificate and an Opinion of Counsel, in form and substance satisfactory to the trustee, stating that such consolidation, merger, sale, assignment, conveyance, transfer, lease or other disposition, and if a supplemental indenture is required in connection with such transaction, such supplemental indenture, comply with the requirements of the Indenture and that all conditions precedent in the Indenture relating to such transaction have been satisfied and that the Indenture and the notes constitute legal, valid and binding obligations of the continuing person, enforceable in accordance with their terms.

The trustee will be entitled to fully rely exclusively and conclusively on, and will accept with no liability therefor, such Officers' Certificate and Opinion of Counsel as sufficient evidence of the satisfaction of the conditions precedent set forth in this covenant, in which event it will be conclusive and binding on the holders.

Maintenance of office or agent for service of process

The Bank will maintain an office or agent for service of process in the Borough of Manhattan, The City of New York, where notices to and demands upon the Bank in respect of the notes and the Indenture may be served. Initially, this agent will be the Banco de Bogotá S.A., New York Agency, and the Bank will agree not to change the designation of such agent without prior notice to the trustee and designation of a replacement agent in the Borough of Manhattan, The City of New York.

Reporting requirements

The Bank will cause to be provided to the trustee (1) in English (or accompanied by an English translation thereof) as soon as available and in any case within 75 days after the end of each first and third fiscal quarters, its unaudited unconsolidated balance sheet and statement of income and its unaudited balance sheet and statement of income consolidated for its banking and other financial institution subsidiaries, in each case, calculated in accordance with IFRS and as reported to the Superintendency of Finance, and (2) in English (or accompanied by an English translation thereof) as soon as available and in any case within 135 days after the end of each second quarter and fiscal year, its audited consolidated and unconsolidated balance sheet, statement of income, statement of changes in stockholders' equity and statement of cash flow, at and for the six month periods then ended, calculated in accordance with IFRS and accompanied by a report thereon by an independent public accountant of recognized international standing, together with an English translation of the management report (*informe de gestión*) that the Bank sends to its shareholders.

For as long as the notes are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, the Bank will furnish to any holder of notes issued under Rule 144A, or to any prospective purchaser designated by such holder of notes, upon request of such holder of notes, financial and other information described in paragraph (d)(4) of Rule 144A with respect to the Bank to the extent required in order to permit such holder of notes to comply with Rule 144A with respect to any resale of its note, unless during that time the Bank is subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act, or is exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act and no such information about the Bank is otherwise required pursuant to Rule 144A.

Delivery of such reports, information and documents to the trustee is for informational purposes only, and the trustee's receipt of such shall not constitute constructive notice of any information contained therein or determinable from information contained therein, including the Bank's compliance with any of its covenants hereunder (as to which the trustee is entitled to fully rely both conclusively and exclusively on Officers' Certificates with no liability therefor).

Further actions

The Bank will, at its own cost and expense, satisfy any condition or take any action (including the obtaining or effecting of any necessary consent, approval, authorization, exemption, filing, license, order, recording or registration) at any time required, as may be necessary, in accordance with applicable laws and/or regulations, to be taken, fulfilled or done in order to (i) enable the Bank to lawfully enter into, exercise its rights and perform and comply with its Obligations under the Indenture and the notes, as the case may be; (ii) ensure that its Obligations under the Indenture and the notes are legally binding and enforceable; (iii) make the Indenture and the notes admissible in evidence in the courts of the State of New York and Colombia; (iv) preserve the enforceability of, and maintain the trustee's rights under, the Indenture; and (v) respond to any reasonable requests received from the trustee to facilitate the trustee's exercise of its rights and performance of its Obligations under the Indenture and the notes, including exercising and enforcing its rights under, and carrying out the terms, provisions and purposes of, the Indenture and the notes.

Events of default

Each of the following is an "Event of Default" with respect to the notes:

(1) failure by the Bank to pay interest on any of the notes when it becomes due and payable and the continuance of any such failure for thirty (30) days;

(2) failure by the Bank to pay the principal on any of the notes when it becomes due and payable, whether at stated maturity or otherwise, and the continuance of such failure for seven (7) days;

(3) the Bank or any Significant Subsidiary pursuant to or within the meaning of any Bankruptcy Law:

    (a) commences a voluntary case;

    (b) consents to the entry of an order for relief against it in an involuntary case;

    (c) consents to the appointment of a Custodian of it or for all or substantially all of its assets;

    (d) makes a general assignment for the benefit of its creditors;

    (e) is subject to any other Intervention Measure or Preventive Measure; or

(4) a court of competent jurisdiction or relevant entity enters an order or decree under any Bankruptcy Law that:

    (a) is for relief against the Bank or any Significant Subsidiary as debtor in an involuntary case;

    (b) appoints a Custodian of the Bank or any Significant Subsidiary or a Custodian for all or substantially all of the assets of the Bank or any Significant Subsidiary; or

    (c) orders the liquidation of the Bank or any Significant Subsidiary, and the order or decree remains unstayed and in effect for sixty (60) days.

If the Bank fails to make payment of principal of or interest or Additional Amounts, if any, on the notes (and, in the case of payment of principal such failure to pay continues for seven (7) days, or in the case of interest or Additional Amounts, such failure to pay continues for thirty (30) days), each holder will have the right to demand and collect under the Indenture and the Bank will pay to the holders the applicable amount of such due and payable principal, accrued interest and Additional Amounts, if any, on the notes; *provided*, *however*, that to the extent that the SFC has adopted an Intervention Measure in connection with the Bank, under the Bankruptcy Law, the holders will not be able to commence proceedings to collect amounts owed outside the intervention proceeding.

The trustee will not be charged with knowledge of any Default or Event of Default or knowledge of any cure of any Default or Event of Default unless either (i) an authorized officer of the trustee with direct responsibility for the Indenture has actual knowledge of such Default or Event of Default or (ii) written notice of such Default or Event of Default has been given to the trustee by the Bank or any holder as provided for in the Indenture.

The Bank will deliver to the trustee, within ten (10) business days after obtaining actual knowledge thereof, written notice as provided for in the Indenture of any Default or Event of Default that has occurred and is still continuing, its status and what action the Bank is taking or proposing to take in respect thereof. The Indenture will provide that the trustee may withhold notice to the holders of any Default or Event of Default (except in payment of principal of, or interest or premium (and Additional Amounts), if any, on the notes) if the trustee in good faith determines that it is in the interest of the holders.

Subject to, and to the extent permitted by, the subordination provisions of the notes, no holder shall have any right to institute any proceeding, judicial or otherwise with respect to the Indenture, or for the appointment of a receiver or trustee, or for any other remedy thereunder, unless:

- such holder has previously given written notice to the trustee of a continuing Event of Default with respect to the notes;

- the holders of not less than 25% in principal amount of the outstanding notes shall have made written request to the trustee to institute proceedings in respect of such Event of Default in its own name as trustee thereunder;

- such holder or holders have offered to the trustee an indemnity or security reasonably satisfactory to the trustee against the costs, expenses and liabilities to be incurred in compliance with such request;

- the trustee for 60 days after its receipt of such notice, request and offer of indemnity or security has failed to institute any such proceeding; and
- no direction inconsistent with such written request has been given to the trustee during such 60-day period by the holders of a majority in principal amount of the outstanding notes, it being understood and intended that no one or more of such holders shall have any right in any manner whatsoever by virtue of, or by availing of, any provision of the Indenture to affect, disturb or prejudice the rights of any other of such holders, or to obtain or to seek to obtain priority or preference over any other of such holders or to enforce any right under the Indenture, except in the manner therein provided and for the equal and ratable benefit of all such holders;

provided, *however*, that to the extent that the SFC has adopted Intervention Measures in connection with the Bank, under the Bankruptcy Law, holders will not be able to commence proceedings to collect amounts owed outside such Intervention Measures.

There is no right of acceleration in the case of a default in any payment on the notes (whether when due or otherwise) or the performance of any of the Bank's other obligations under the Indenture or the notes. See "Risk Factors—Risks Relating to the Notes—Holders of the notes will not have the right to accelerate the notes." Notwithstanding the immediately preceding sentence, the holders will have the right to accelerate the payments due under the notes during the occurrence of an Event of a Default; *provided* that there will have been a change, amendment or modification to the Colombian banking laws that would permit such right without disqualifying the notes from Tier Two Capital status and the holders exercise such right in accordance with applicable Colombian banking law.

Subject to, and to the extent permitted by, the subordination provisions of the notes, if any Event of Default occurs and is continuing, the trustee may pursue any available remedy (excluding acceleration, except as provided herein) to collect the payment of principal and interest on the notes or to enforce the performance of any provision of the Notes or the Indenture; *provided*, *however*, that to the extent that the SFC has adopted Intervention Measures in connection with the Bank, under the Bankruptcy Law, holders will not be able to commence proceedings to collect amounts owed outside such Intervention Measures.

Notwithstanding any other provision of the Indenture other than the subordination provisions of the notes, the holder of any note shall have the right, which is absolute and unconditional, to receive payment of the principal of and premium, if any, and interest on such note and to institute suit for the enforcement of any such payment (excluding acceleration, except as provided herein), and such rights shall not be impaired without the consent of such holder; *provided*, *however*, that to the extent that the SFC has adopted Intervention Measures in connection with the Bank, under the Bankruptcy Law, holders will not be able to commence proceedings to collect amounts owed outside such Intervention Measures.

Defeasance

The Bank may at any time irrevocably deposit with the trustee in trust, for the benefit of the holders of the notes, money or U.S. government obligations, or a combination thereof, in such amounts as will be sufficient, in the opinion of an internationally recognized firm of independent public accountants expressed in a written certificate delivered to the trustee upon which the trustee shall be entitled to exclusively, fully and conclusively rely with no liability therefor, without consideration of any reinvestment, to pay the principal of and premium, if any, and interest on the notes to maturity and comply with certain other conditions, including the delivery of an opinion of U.S. counsel as to certain tax matters upon which the trustee shall be entitled to exclusively, fully and conclusively rely with no liability therefor. Consequently, the Bank will be released from all of its obligations with respect to the notes except for certain obligations ("defeasance"), including those regarding any trust established for a defeasance and obligations to register the transfer or exchange of the notes, to replace mutilated, destroyed, lost or stolen notes and to maintain agencies in respect of notes. This will also release the Bank from its obligations under certain covenants set forth in the Indenture, and any omission to comply with such obligations will not constitute a Default or an Event of Default with respect to the notes issued under the Indenture ("covenant defeasance"). Defeasance shall not be construed as an option or right of pre-payment or similar right or option.

Amendment, supplement, waiver

Subject to certain exceptions, the Indenture and the notes may be amended or supplemented with the written consent of the holders of at least a majority in principal amount of the notes then outstanding, and any Default or Event of Default and its consequences may be waived with the consent of the holders of at least a majority in principal amount of the notes then outstanding. However, without the consent of each holder of an outstanding note affected thereby, no amendment may:

(1) reduce the rate of or extend the time for payment of interest on any note;

(2) reduce the principal of or change the Stated Maturity of any note;

(3) reduce the amount payable upon the redemption of any note or change the time at which any note may be redeemed;

(4) change the currency for payment of principal of or premium, if any, or interest on any note;

(5) impair the right to institute suit for the enforcement of any payment on or with respect to any note;

(6) waive a Default or Event of Default in the payment of principal of and premium, if any, and interest on the notes;

(7) amend or modify any provisions of any future guarantee or collateral that may be added in the future with respect to the notes in a manner that could materially and adversely affect the holders;

(8) modify or change the subordination provisions, including related definitions, of the notes or the Indenture in a manner that could materially and adversely affect the holders (except for any modifications that are desirable, or necessary to comply with Decree 2555 of 2010 or its successors including, but not limited to Decree 1771 of 2012 and to Decree 2392 of 2015);

(9) reduce the principal amount of notes whose holders must consent to any amendment, supplement or waiver; or

(10) make any change in the amendment or waiver provisions which require each holder’s consent.

The trustee and the holders of the notes will receive prior notice as described under “—Notices” of any proposed amendment to the Indenture or the notes described in this paragraph.

The consent of the holders of the notes is not necessary to approve the particular form of any proposed amendment. It is sufficient if such consent approves the substance of the proposed amendment.

The Bank and the trustee may, without notice to or the consent or vote of any holder of the notes, amend or supplement the Indenture or the notes for the following purposes:

(1) to cure any ambiguity, defect or inconsistency (including, without limitation, any inconsistency between the text of the Indenture or the notes and the description of the Indenture and the notes contained in this “Description of the Notes” section of this offering memorandum);

(2) to comply with the covenant described under “—Covenants—Mergers, consolidations and transfers of assets”;

(3) to add guarantees or collateral with respect to the notes;

(4) to add to the covenants of the Bank for the benefit of holders of the notes;

(5) to surrender any right conferred by the Indenture upon the Bank;

(6) to evidence and provide for the acceptance of an appointment by a successor trustee;

(7) to provide for the issuance of additional notes; or

(8) to make any other change that does not materially and adversely affect the rights of any holder of the notes.

After an amendment described in the preceding paragraphs becomes effective, the Bank is required to mail to the holders a notice briefly describing such amendment; however, the failure to give such notice to all holders of the notes, or any defect therein, will not impair or affect the validity of the amendment.

Any notes owned by the Bank or any of their Affiliates will be disregarded for purposes of determining whether holders of the requisite principal amount of notes outstanding have given any request, demand, authorization, direction, consent or waiver under the Indenture.

Notices

For so long as notes in global form are outstanding, notices to be given to holders will be given to DTC, in accordance with its applicable policies as in effect from time to time. If notes are issued in individual definitive form, notices to be given to holders will be deemed to have been given upon the mailing by first class mail, postage prepaid, of such notices to holders of the notes at their registered addresses as they appear in the trustee's records. In addition, so long as the notes are listed on the Luxembourg Stock Exchange for trading on the Euro MTF market and the rules of such exchange so require, notices will also be published in a leading newspaper having general circulation in Luxembourg (which is expected to be *Luxembourger Wort*) or on the website of the Luxembourg Stock Exchange (*www.bourse.lu*). If such publication is not practicable, notice will be considered to be validly given if otherwise made in accordance with the rules of the Luxembourg Stock Exchange. Any such notice will be deemed to have been delivered on the date of first publication.

No personal liability of directors, officers, employees and shareholders

No director, officer, employee or shareholder of the Bank will have any liability for any obligations of the Bank under the notes or the Indenture or for any claim based on, in respect of, or by reason of, such obligations or the creation of such obligations. Each holder by accepting a note waives and releases all such liability. Such waiver and release are part of the consideration for issuance of the notes. The waiver may not be effective to waive liabilities under the U.S. Federal securities laws.

Trustee

Citibank, N.A. is the trustee under the Indenture.

The Indenture contains provisions for the indemnification of the trustee and for its relief from responsibility. The obligations of the trustee to any holder are subject to such exculpations, immunities and rights as are set forth in the Indenture.

Except during the continuance of an Event of Default, the trustee need perform only those duties that are specifically set forth in the Indenture and no others, and no implied covenants or obligations will be read into the Indenture against the trustee. In case an Event of Default has occurred and is continuing, the trustee will exercise such of those rights and powers vested in it by the Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs. No provision of the Indenture will require the trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of its duties thereunder, or in the exercise of its rights or powers, unless it receives indemnity or security satisfactory to it against any loss, liability or expense.

The Bank and its Affiliates may from time to time enter into normal banking and trustee relationships with the trustee and its Affiliates.

The trustee may hold notes in its own name.

In the event that the Notes are listed on the Luxembourg Stock Exchange for trading on the Euro MTF Market, the Bank shall use their commercially reasonable efforts to maintain such listing; *provided* that if, as a result of the European Union regulated market amended Directive 2004/109/EC (the "Transparency Directive") or any legislation implementing the Transparency Directive or other directives or legislation, the Bank could be required to publish financial information either more regularly than it otherwise would be required to or according to accounting principles which are materially different from the accounting principles which the Bank would otherwise use to prepare its published financial information, the Bank may delist the Notes from the Luxembourg Stock Exchange in accordance with the rules of the exchange and may seek, but is not required to seek, an alternative admission to listing, trading and/or quotation for the Notes on a different section of the Luxembourg Stock Exchange or by such other listing authority, securities exchange and/or quotation system inside or outside the European Union as the Board of Directors of the Bank may decide.

Registrar, transfer agent and paying agents

The trustee will initially act as registrar for the notes. The trustee will also act as transfer agent and paying agent for the notes. The Bank has the right at any time to change or terminate the appointment of the registrar, any paying agents or any transfer agents and to appoint a successor registrar or additional or successor paying agents or transfer agents in respect of the notes. Registration of transfers of the notes will be effected without charge, but upon payment (with the giving of such indemnity as the Bank and the trustee may require) in respect of any tax or other governmental charges that may be imposed in relation to it.

For so long as the notes are listed on the Luxembourg Stock Exchange for trading on the Euro MTF market, the Bank will maintain a paying agent and transfer agent in Luxembourg. The Bank has initially appointed Banque Internationale à Luxembourg S.A. as Luxembourg paying agent and transfer agent. To the extent that the Luxembourg paying agent is obliged to withhold or deduct tax on payments of interest or similar income, the Bank will, to the extent permitted by law, ensure that it maintains an additional paying agent in a Member State of the European Union that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other Directive on the taxation of savings implementing the conclusions of the European Council of Economic and Finance Ministers (ECOFIN) meeting of 26 and 27 November 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive.

Banque Internationale à Luxembourg S.A. has also been appointed as listing agent.

Governing law, submission to jurisdiction and claims

The Indenture and the notes will be governed by, and construed in accordance with, the laws of the State of New York.

Each of the parties to the Indenture will submit to the jurisdiction of the U.S. federal and New York state courts located in the Borough of Manhattan, New York City for purposes of all legal actions and proceedings instituted in connection with the Indenture and the notes. The Bank has appointed Banco de Bogotá S.A., New York Agency, 375 Park Avenue, Suite 3407, New York, New York 10152, as its authorized agent upon which process may be served in any such action.

According to the laws of the State of New York, claims against the Bank for the payment of principal of and premium, if any, and interest on the notes must generally be made within six years from the due date for payment thereof.

Waiver of immunities

To the extent that the Bank may claim for itself or its assets immunity from a suit, execution, attachment, whether in aid of execution, before judgment or otherwise, or other legal process in connection with the Indenture or notes and to the extent that in any jurisdiction there may be immunity attributable to the Bank or its assets, whether or not claimed, the Bank will for the benefit of the holders irrevocably waive and agree not to claim such immunity to the full extent permitted by law.

Currency indemnity

U.S. dollars are the sole currency of account and payment for all sums payable by the Bank under or in connection with the Indenture and the notes, including damages. Any amount received or recovered in a currency other than U.S. dollars (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of the Bank or otherwise) by any holder of a note in respect of any sum expressed to be due to it from the Bank will only constitute a discharge of the Bank to the extent of the U.S. dollar amount that the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If that U.S. dollar amount is less than the U.S. dollar amount expressed to be due to the recipient under any note, the Bank will indemnify such holder against any loss sustained by it as a result. In any event, the Bank will indemnify the recipient against the cost of making any such purchase.

For the purposes of the preceding paragraph, it will be sufficient for the holder of a note to certify in a satisfactory manner (indicating the sources of information used) that it would have suffered a loss had an actual purchase of dollars been made with the amount so received in that other currency on the date of receipt or recovery (or, if a purchase of dollars on such date had not been practicable, on the first date on which it would have been practicable, it being required that the need for a change of date be certified in the manner mentioned above). These indemnities constitute a separate and independent obligation from the other obligations of the Bank, will give rise to a separate and independent cause of action, will apply irrespective of any indulgence granted by any holder of a note and will continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any note.

Definitions

The following is a summary of certain defined terms used in the Indenture. Reference is made to the Indenture for the full definition of all such terms.

"amend" means to amend, supplement, restate, amend and restate or otherwise modify; and "amendment" will have a correlative meaning.

"asset" means any asset or property.

"Affiliate" means, with respect to any specified Person, (a) any other Person which, directly or indirectly, is in control of, is controlled by or is under common control with such specified Person or (b) any other person who is a director or officer (i) of such specified Person, (ii) of any subsidiary of such specified Person or (iii) of any Person described in clause (a) above. For purposes of this definition, control of a Person means the power, direct or indirect, to direct or cause the direction of the management and policies of such Person whether by contract or otherwise and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Bankruptcy Law" means the provisions of the Financial Statute concerning bankruptcy of financial institutions, Decree 2555, and any other Colombian law or regulation regulating the insolvency of financial entities from time to time.

"Board of Directors" means, with respect to any Person, (i) in the case of any corporation, the board of directors of such Person, (ii) in the case of any limited liability company, the board of managers of such Person, (iii) in the case of any partnership, the board of directors of the general partner of such Person and (iv) in any other case, the functional equivalent of the foregoing.

"business day" means a day other than a Saturday, Sunday or other day on which banking institutions in New York or Colombia are authorized or required by law to close.

"Decree 2555" means Decree 2555 of 2010, as amended from time to time, including but not limited, by Decree 1771 of 2012 and Decree 2392 of 2015.

"Custodian" means any receiver, trustee, assignee, liquidator or similar official under any Bankruptcy Law.

"Default" means any event, act or condition that is, or after notice or passage of time or both would be, an Event of Default.

"Exchange Act" means the U.S. Securities Exchange Act of 1934, as amended.

"Financial Statute" means Decree 663 of 1993, as amended, of the Republic of Colombia.

"holder" means the Person in whose name a note is registered in the register.

"IFRS" means International Financial Reporting Standards, as issued by the International Accounting Standards Board, as in effect from time to time.

"Indebtedness" means, with respect to any Person, any obligation for the payment or repayment of money borrowed or otherwise evidenced by debentures, notes, bonds, or similar instruments or any other obligation (including all trade payables and other accounts payable and including payments relating to bank deposits) that would appear or be treated as indebtedness upon a balance sheet if such Person prepared it in accordance with IFRS as applicable to financial institutions.

"Intervention Measures" means the measures described in Article 114 of the Financial Statute that allow the SFC to take possession of a financial institution.

"Issue Date" means the date on which the notes are originally issued.

"Obligation" means any principal, interest, penalties, fees, indemnification, reimbursements, costs, expenses, damages and other liabilities payable under any Indebtedness.

"Officer" means any of the following of the Bank: the Chairman of the Board of Directors, the Chief Executive Officer, the Chief Financial Officer, the President, any Vice President, the Treasurer or the Secretary.

"Officers' Certificate" means a certificate signed by two Officers.

"Opinion of Counsel" means an opinion from legal counsel, who may be an employee of or counsel for the Bank, who is reasonably acceptable to the trustee, provided that an opinion of a nationally recognized legal counsel selected by the Bank will be deemed reasonable.

"Person" means any individual, corporation, partnership, limited liability company, joint venture, incorporated or unincorporated association, joint-stock company, trust, unincorporated organization, government or any agency or political subdivision thereof or any other entity.

"Preventive Measures" means the measures described in Article 113 of the Financial Statute that the SFC can take with respect to a financial institution prior to and in order to avoid having to take an Intervention Measure.

"SEC" means the U.S. Securities and Exchange Commission, or any successor thereto.

"Securities Act" means the U.S. Securities Act of 1933, as amended.

"Senior External Liabilities" means any liabilities to third parties that constitute external debt of the Bank (*pasivo externo*) under Colombian banking laws (whether outstanding on the Issue Date or thereafter created, incurred or assumed), unless, the instrument creating or evidencing the same or pursuant to which the same is outstanding expressly provides that such external debt will not be senior in right of payment to the notes. Under Colombian banking laws, "external debt" (*pasivo externo*) means, in the case of the Bank, any and all liabilities to third parties, as reflected in the unconsolidated financial statements of the Bank from time to time or any and all liabilities to third parties in the event of liquidation.

"SFC" means the Colombian Financial Superintendency (*Superintendencia Financiera de Colombia*).

"Share Capital" means, with respect to any Person, any and all shares of capital stock, interests, rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated, whether voting or non-voting), such Person's equity including any preferred stock, but excluding any debt securities convertible into or exchangeable for such equity.

"Significant Subsidiary" means any Subsidiary, including each of the consolidated subsidiaries of such Subsidiary, that is scheduled as a consolidated subsidiary in note 1(c) (or its equivalent) of the Bank's audited financial statements as of and for the year ended December 31 of the most recently completed fiscal year for which audited consolidated financial statements are available, that meets any of the following conditions:

(i) the Bank's and its other Subsidiaries' investments in and advances to the Subsidiary exceed 20% of the total assets of the Bank and its Subsidiaries consolidated as of the end of the most recently completed fiscal year; or

(ii) the Bank's and its other Subsidiaries' proportionate share of the total assets (after intercompany eliminations) of the Subsidiary exceeds 20% of the total assets of the Bank and its Subsidiaries consolidated as of the end of the most recently completed fiscal year; or

(iii) the Bank's and its other Subsidiaries' equity in the income from continuing operations before income taxes, extraordinary items and cumulative effect of a change in accounting principle of the Subsidiary exclusive of amounts attributable to any non-controlling interests exceeds 20% of such income of the Bank and its Subsidiaries consolidated as of the end of the most recently completed fiscal year (it being understood that the foregoing definition will be interpreted in accordance with Rule 1-02 under Regulation S-X promulgated by the SEC). Each Subsidiary of a Significant Subsidiary will itself be deemed to be a Significant Subsidiary unless such Subsidiary, including each of the consolidated subsidiaries of such Subsidiary, does not meet any of the above conditions, in which case neither such Subsidiary nor any of the consolidated subsidiaries of such Subsidiary will be deemed to be a Significant Subsidiary. As of December 31, 2015, Corporación Financiera Colombiana S.A. and Leasing Bogotá S.A., Panamá are the only Significant Subsidiaries of the Bank.

"Stated Maturity" means, with respect to any security, the date specified in such security as the fixed date on which any principal of such security is due and payable, including pursuant to any mandatory redemption or purchase provision (but excluding any provision providing for the purchase of such security at the option of the holder thereof upon the happening of any contingency unless such contingency has occurred).

"Subsidiary" means any Person of which more than 50% of the total voting power of shares of Share Capital or other interests (including partnership interests) entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by (a) the Bank, (b) the Bank and one or more Subsidiaries or (c) one or more Subsidiaries.

"Technical Capital" means the *patrimonio técnico* of banks consisting of Tier One Capital (*patrimonio básico ordinario*), Additional Tier One Capital (*patrimonio básico adicional*) and Tier Two Capital (*patrimonio adicional*) pursuant to Decree 2555, or any other Colombian law or regulation regulating the *patrimonio técnico* in effect from time to time.

"Tier One Capital" means, "*patrimonio básico ordinario*", as defined in Article 2.1.1.1.7 of Decree 2555 or any other Colombian law or regulation regulating *patrimonio básico ordinario* in effect from time to time.

"Additional Tier One Capital" means, "*patrimonio básico adicional*", as defined in Article 2.1.1.1.8 of Decree 2555 or any other Colombian law or regulation regulating *patrimonio básico adicional* in effect from time to time.

"Tier Two Capital" means, "*patrimonio adicional*", as defined in Article 2.1.1.1.9 of Decree 2555 or any other Colombian law or regulation regulating *patrimonio adicional* in effect from time to time.

TAX CONSIDERATIONS

Certain Colombian taxation considerations

The following summary contains a description of the principal Colombian income tax considerations in connection with the purchase, ownership and sale of the notes, but does not purport to be a comprehensive description of all Colombian tax considerations that may be relevant to a decision to purchase the notes. This summary does not describe any tax consequences arising under the laws of any state, locality or taxing jurisdiction other than those of Colombia.

This summary is based on the tax laws of Colombia as in effect on the date of this offering memorandum, as well as regulations, rulings and decisions in Colombia available on or before such date and now in effect. All of the foregoing is subject to changes that could apply retroactively and could affect the continued validity of this summary.

Prospective purchasers of the notes should consult their own tax advisors as to Colombian tax consequences of the purchase, ownership and sale of the notes, including, in particular, the application of the tax considerations discussed below to their particular situations, as well as the application of state, local, foreign or other tax laws.

Article 25-a(3) as amended by Law 1607 of 2012, and Article 266(3) as amended by Law 1607 of 2012, of the Colombian Tax Code (*Estatuto Tributario*) provide that indebtedness granted from outside of Colombia to local banks is not considered Colombian source income for Colombian tax purposes and such indebtedness is not deemed to be held in Colombia. Furthermore, Article 266(6) added by Law 1430 of 2010, provides that debt securities issued by a Colombian issuer and traded abroad (traded in a foreign exchange system) are not deemed to be held in Colombia.

As a result, under current Colombian law, payments of principal and interest on the notes to holders of the notes who are not resident or domiciled in Colombia are not subject to Colombian income tax, and no income tax will be withheld from payments by us to holders of the notes not resident or domiciled in Colombia.

In addition, and given that the notes will be deemed to be a loan possessed abroad, gains realized on the sale or other disposition of the notes will not be subject to Colombian income tax or withholdings as long as the holder of the notes is not a Colombian resident for tax purposes or is not domiciled in Colombia for tax purposes.

Residency and domicile for Colombian tax purposes

Pursuant to current Colombian law, non-Colombian entities and individuals who are not residents of Colombia are subject to Colombian income tax, but only on Colombian-source income. Foreign entities whose effective place of management is located in Colombia are considered as Colombian entities for tax purposes. Therefore, such qualification implies that both foreign and Colombian source income obtained by such foreign entities is subject to income tax in Colombia. The Colombian Tax Code provides the specific criteria and requirements to be considered as an entity effectively managed from Colombia.

An entity is considered a Colombian entity if it is incorporated under the laws of Colombia, has its domicile in the country or has its effective place of management in Colombia.

Likewise, an individual is deemed to be a tax resident of Colombia if he or she meets any of the following criteria:

- Such person physically stays in Colombia for more than 183 calendar days within any given 365 consecutive day term;
- Such person has been serving the Colombian Government in a foreign state and that person has been exempt from taxes during such service by virtue of the Vienna Conventions on diplomatic relations;

- Such person is a Colombian national residing abroad and any of the following conditions are met:
    1. Such person has a spouse or permanent companion, or dependent children, who are residents of Colombia, or
    2. 50% or more of such person's total income is sourced in Colombia, or
    3. 50% or more of such person's assets are managed in Colombia, or
    4. 50% or more of such person's assets are deemed to be possessed in Colombia, or
    5. Such person has been summoned by the Colombian Tax Office to provide proof of residency in another country (other than Colombia) and has failed to provide such evidence, or
    6. Such person is a resident of a country deemed a tax haven under Colombian law.

In any of the six cases immediately above, the Colombian national should not be considered as a tax resident if:

1. 50% or more of the individual's annual income is sourced in the jurisdiction where he or she is a resident, or
2. 50% or more of such individual's assets are located in the jurisdiction where he or she is a resident.

Changes to tax laws and regulations, and interpretations thereof, can affect holders' tax burden by increasing tax rates, creating new taxes, limiting tax deductions, and eliminating tax incentives and tax-exempt income.

Certain U.S. federal income tax considerations

The following are certain U.S. federal income tax consequences to the U.S. Holders described below of owning and disposing of notes purchased in this offering at the "issue price," which we assume will be the price indicated on the cover of this offering memorandum, and held as capital assets for U.S. federal income tax purposes.

You are a U.S. Holder if for U.S. federal income tax purposes you are a beneficial owner of a note and are:

- a citizen or individual resident of the United States;
- a corporation, or other entity taxable as a corporation, created or organized in or under the laws of the United States, any state therein or the District of Columbia; or
- an estate or trust the income of which is subject to U.S. federal income taxation regardless of its source.

This discussion does not describe all of the tax consequences that may be relevant to you in light of your particular circumstances, including alternative minimum tax consequences and differing tax consequences that may apply to you if you are, for instance:

- a financial institution;
- an insurance company;
- a regulated investment company;
- a dealer or trader that uses a mark-to-market method of accounting;
- holding notes as part of a "straddle" or integrated transaction;
- a person whose functional currency is not the U.S. dollar;
- a partnership for U.S. federal income tax purposes; or
- a tax-exempt entity.

If you are a partnership for U.S. federal income tax purposes, the U.S. federal income tax treatment of your partners will generally depend on the status of the partners and your activities.

This summary is based on the Internal Revenue Code of 1986, as amended (the "Code"), administrative pronouncements, judicial decisions and final, temporary and proposed Treasury Regulations, changes to any of which subsequent to the date of this offering memorandum may affect the tax consequences described herein. This summary does not address any aspect of state, local, or non-U.S. taxation, any taxes other than income taxes, or the potential application of the Medicare contribution tax. If you are considering the purchase of notes, you should consult your tax adviser with regard to the application of the U.S. federal tax laws to your particular situation, as well as any tax consequences arising under the laws of any state, local or non-U.S. taxing jurisdiction.

Interest

Stated interest on a note will be taxable to you as ordinary interest income at the time it accrues or is received, in accordance with your method of accounting for U.S. federal income tax purposes. It is expected, and therefore this discussion assumes, that the notes will be issued without original issue discount for U.S. federal income tax purposes.

The amount of interest taxable as ordinary income will include amounts withheld in respect of any Colombian taxes and any Additional Amounts paid with respect thereto. Interest income earned with respect to a note will constitute foreign-source income for U.S. federal income tax purposes, which may be relevant to you in calculating your foreign tax credit limitation. The limitation on foreign taxes eligible for credit is calculated separately with respect to specific classes of income and for these purposes, interest on the notes will generally be treated as either "passive category" income or, with respect to certain U.S. Holders, "general category" income. Subject to applicable limitations, some of which vary depending on your particular circumstances, any Colombian income taxes withheld from interest income on a note will be creditable against your U.S. federal income tax liability. The rules governing foreign tax credits are complex, and you should consult your tax adviser regarding the availability of foreign tax credits in your particular circumstances.

Sale or other taxable disposition of the notes

Upon the sale or other taxable disposition of a note, you will recognize taxable gain or loss equal to the difference between the amount realized on the sale or other taxable disposition and your adjusted tax basis in the note. Your adjusted tax basis in the note will generally be the cost of your note. Gain or loss, if any, will generally be U.S.-source income or loss for purposes of computing your foreign tax credit limitation. For these purposes, the amount realized does not include any amount attributable to accrued interest, which is treated as described under "Interest" above.

Gain or loss realized on the sale or other taxable disposition of a note will generally be capital gain or loss and will be long-term capital gain or loss if at the time of sale or other taxable disposition the note has been held for more than one year. Long-term capital gain recognized by non-corporate taxpayers is subject to reduced U.S. federal income tax rates. The deductibility of capital losses is subject to limitations.

Information with respect to foreign financial assets

Individuals (and certain entities controlled by individuals) that own "specified foreign financial assets" with an aggregate value in excess of certain thresholds are generally required to file an information report with respect to such assets with their tax returns. "Specified foreign financial assets" include any financial accounts maintained by non-U.S. financial institutions, as well as debt securities of non-U.S. issuers not held in accounts maintained by financial institutions. The notes may be subject to these rules. U.S. Holders should consult their tax advisers regarding the application of these rules to their ownership of the notes.

Backup withholding and information reporting

Information returns may be filed with the Internal Revenue Service (the "IRS") in connection with payments on the notes and the proceeds from a sale or other disposition of the notes unless you are an exempt recipient. You may be subject to backup withholding on these payments in respect of your notes unless you provide your taxpayer identification number and otherwise comply with applicable requirements of the backup withholding rules or you provide proof of an applicable exemption. Amounts withheld under the backup withholding rules are not additional taxes and may be allowed as a credit against your U.S. federal income tax liability and may entitle you to a refund, provided that the required information is timely furnished to the IRS.

PLAN OF DISTRIBUTION

Subject to the terms and conditions contained in a purchase agreement between us and the initial purchasers, we have agreed to sell to the initial purchasers, and each of the initial purchasers has, severally and not jointly, agreed to purchase from us, the principal amount of the notes that appears opposite its name in the table below.

Initial Purchaser	Principal Amount of Notes
Credit Suisse Securities (USA), LLC	U.S.$200,000,000
HSBC Securities (USA) Inc.	U.S.$200,000,000
J.P. Morgan Securities LLC	U.S.$200,000,000
Total	U.S.$600,000,000

The purchase agreement provides that the obligation of the initial purchasers to purchase the notes is subject to certain conditions precedent and that the initial purchasers will purchase all of the notes if any of the notes are purchased. The initial purchasers may offer and sell notes through any of their affiliates.

We have agreed to indemnify the initial purchasers against certain liabilities, including liabilities under the Securities Act, and to contribute to payments the initial purchasers may be required to make in respect of any of these liabilities.

The notes have not been and will not be registered under the Securities Act. The initial purchasers have agreed that they will offer or sell the notes only (1) to qualified institutional buyers in the United States in reliance on Rule 144A under the Securities Act and (2) outside the United States pursuant to Regulation S under the Securities Act. See "Transfer Restrictions."

Affiliates of Banco de Bogotá may acquire a portion of the notes offered hereby.

New issue of securities

The notes are a new issue of securities with no established trading market. Application will be made to list the notes on the official list of the Luxembourg Stock Exchange for trading on the Euro MTF Market. However, we cannot assure you that the application will be approved. The initial purchasers may make a market in the notes after completion of the offering, but will not be obligated to do so, and may discontinue any market-making activities at any time without notice. Neither we nor the initial purchasers can provide any assurance as to the liquidity of the trading market for the notes or that an active public market for the notes will develop. If an active public trading market for the notes does not develop, the market price and liquidity of the notes may be adversely affected.

No sales of similar securities

We have agreed that we will not, for a period of 30 days after the date of this offering memorandum, without the prior written consent of Credit Suisse Securities (USA), LLC, HSBC Securities (USA) Inc. and J.P. Morgan Securities LLC, offer, sell, contract to sell or otherwise dispose of any debt securities substantially similar to the notes offered hereby, except for the notes sold to the initial purchasers pursuant to the purchase agreement.

Stabilization transactions

In connection with the offering of the notes, the initial purchasers may engage in over-allotment and stabilizing transactions but are not required to do so. Over-allotment involves sales in excess of the offering size, which creates a short position for the initial purchaser. Stabilizing transactions involve bids to purchase the notes in the open market for the purpose of pegging, fixing or maintaining the price of the notes. Stabilizing transactions may cause the price of the notes to be higher than it would otherwise be in the absence of those transactions. If the initial purchasers engage in stabilizing covering transactions, they may discontinue them at any time.

Sales outside the United States

Neither we nor the initial purchasers are making an offer to sell, or seeking offers to buy, the notes in any jurisdiction where the offer and sale is not permitted. You must comply with all applicable laws and regulations in force in any jurisdiction in which you purchase, offer or sell the notes or possess or distribute this offering memorandum, and you must obtain any consent, approval or permission required for your purchase, offer or sale of the notes under the laws and regulations in force in any jurisdiction to which you are subject or in which you make such purchases, offers or sales. Neither we nor the initial purchasers will have any responsibility therefor.

Colombia

The notes will be automatically registered in Colombia on the National Registry of Securities and Issuers (*Registro Nacional de Valores y Emisores*) maintained by the Superintendency of Finance, however, the notes may not be offered to persons in Colombia except pursuant to a public offering pursuant to Section 6.13.1.1.1. of Decree 2555 of 2010, as amended, or an exemption therefrom under Colombian law.

European Economic Area

In relation to each member state of the European Economic Area (each, a "Member State") which has implemented the Prospectus Directive (each, a "Relevant Member State"), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "Relevant Implementation Date"), no offer of the notes to the public in that Relevant Member State prior to the publication of a prospectus in relation to the notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive and the 2010 PD Amending Directive to the extent implemented, except that it may, with effect from and including the Relevant Implementation Date, make an offer of notes to the public in that Relevant Member State at any time:

- to any legal entity which is a "qualified investor" as defined in the Prospectus Directive or the 2010 PD Amending Directive if the relevant provision has been implemented;

- to fewer than (i) 100 natural or legal persons per Relevant Member State (other than "qualified investors" as defined in the Prospectus Directive or the 2010 PD Amending Directive if the relevant provision has been implemented) or (ii) if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150 natural or legal persons per Relevant Member State (other than "qualified investors" as defined in the Prospectus Directive or the 2010 PD Amending Directive if the relevant provision has been implemented); or

- in any other circumstances falling within Article 3(2) of the Prospectus Directive or Article 3(2) of the 2010 PD Amending Directive to the extent implemented.

Each person in a Relevant Member State who initially acquires any notes as a "financial intermediary," as that term is used in Article 3(2) of the Prospectus Directive, will be deemed to have represented acknowledged and agreed that (x) the notes acquired by it in the offering have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Relevant Member State other than "qualified investors" as defined in the Prospectus Directive, or in circumstances in which the prior consent of the subscribers has been given to the offer or resale, or (y) where notes have been acquired by it on behalf of persons in any Relevant Member State other than "qualified investors" as defined in the Prospectus Directive, the offer of those notes to it is not treated under the Prospectus Directive as having been made to such persons.

For the purposes of the foregoing, the expression "offer of notes to the public," in relation to any notes in any Relevant Member State, means the communication in any form and by any means of sufficient information on the terms of the offer and the notes to be offered so as to enable an investor to decide to purchase or subscribe the notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State; "Prospectus Directive" means Directive 2003/71/EC, and includes any relevant implementing measure in the Relevant Member State; and "2010 PD Amending Directive" means Directive 2010/73/EC.

United Kingdom

The initial purchasers have advised us that:

(a) they have only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the United Kingdom Financial Services and Markets Act of 2000 ("FSMA") received by it in connection with the issue or sale of such notes in circumstances in which Section 21(1) of the FSMA does not, or would not, apply to us; and

(b) they have complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any notes in, from or otherwise involving the United Kingdom.

Switzerland

The notes may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange ("SIX") or on any other exchange or regulated trading facility in Switzerland.

This document has been prepared without regard to the disclosure standards for issuance prospectuses under article 652a or article 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under article 27 et seq. of the SIX Listing Rules or the listing rules of any other exchange or regulated trading facility in Switzerland. Neither this document nor any other offering or marketing material relating to the notes or the offering may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this document nor any other offering or marketing material relating to the offering, the company or the notes have been or will be filed with or approved by any Swiss regulatory authority. In particular, this document will not be filed with, and the offer of notes will not be supervised by, the Swiss Financial Market Supervisory Authority, FINMA, and the offer of notes has not been and will not be authorized under the Swiss Federal Act on Collective Investment Schemes ("CISA"). The investor protection afforded to acquirers of interests in collective investment schemes under the CISA does not extend to acquirers of notes.

Hong Kong

This offering memorandum has not been approved by or registered with the Securities and Futures Commission of Hong Kong or the Registrar of Companies of Hong Kong. No person may offer or sell in Hong Kong, by means of any document, any notes other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance. No person may issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the notes which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

Japan

The notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan, as amended, or the "FIEL," and, accordingly, the notes may not be offered or sold, directly or indirectly, in Japan or to, or for the benefit of any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to a resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEL and any other applicable laws, regulations and ministerial guidelines of Japan.

Singapore

This offering memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this offering memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the notes may not be circulated or distributed, nor may the notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act (Chapter 289) (the "SFA"), (ii) to a relevant person, or any person pursuant to Section 275(1 A), and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA. Where the notes are subscribed or purchased under Section 275 by a relevant person which is: (a) a corporation (which is not an accredited investor) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor, then shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest in that trust shall not be transferable for 6 months after that corporation or that trust has acquired the notes under Section 275 except: (i) to an institutional investor under Section 274 of the SFA or to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA; (ii) where no consideration is given for the transfer; or (iii) by operation of law.

Canada

The notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this offering memorandum (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 Underwriting Conflicts (NI 33-105), the initial purchasers are not required to comply with the disclosure requirements of NI 33-105 regarding initial purchases' conflicts of interest in connection with this offering.

Relationships with the initial purchasers

In the ordinary course of business, the initial purchasers and their affiliates have provided, and may in the future provide, investment banking, commercial banking, cash management, foreign exchange or other financial services to us and our affiliates for which they have received customary compensation and may receive compensation in the future.

In the ordinary course of their various business activities, the initial purchasers and certain of their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and such investment and securities activities may involve securities and/or instruments of Banco de Bogota or its affiliates. The initial purchasers and certain of their affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such securities or instruments and may at any time hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Settlement

Delivery of the notes is expected on or about May 12, 2016, which will be the third business day following the date of pricing of the notes.

TRANSFER RESTRICTIONS

The notes have not been registered and will not be registered under the Securities Act, any U.S. state securities laws or the laws of any other jurisdiction, except for the registration in the Colombian National Registry of Securities and Issuers which occurs automatically, but which does not enable us to publicly offer or sell the notes in Colombia. The notes may not be offered or sold except pursuant to transactions exempt from, or not subject to, registration under the Securities Act and the securities laws of any other jurisdiction. Accordingly, the notes are being offered and sold only:

- in the United States to qualified institutional buyers (as defined in Rule 144A) in reliance on Rule 144A under the Securities Act; and
- outside of the United States, to certain persons, other than U.S. persons, in offshore transactions in reliance on Regulation S under the Securities Act.

Purchasers' representations and restrictions on resale and transfer

Each purchaser of notes (other than the initial purchasers in connection with the initial issuance and sale of notes) and each owner of any beneficial interest therein will be deemed, by its acceptance or purchase thereof, to have represented and agreed as follows:

(1) it is purchasing the notes for its own account or an account with respect to which it exercises sole investment discretion and it and any such account is either (a) a qualified institutional buyer and is aware that the sale to it is being made pursuant to Rule 144A or (b) a non-U.S. person that is outside the United States;

(2) it acknowledges that the notes have not been registered under the Securities Act or with any securities regulatory authority of any U.S. state or any other jurisdiction and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except as set forth below;

(3) it understands and agrees that notes initially offered in the United States to qualified institutional buyers will be represented by a global note and that notes offered outside the United States pursuant to Regulation S will also be represented by a global note;

(4) it will not resell or otherwise transfer any of such notes except (a) to the Issuer, (b) within the United States to a qualified institutional buyer in a transaction complying with Rule 144A under the Securities Act, (c) outside the United States in compliance with Rule 903 or 904 under the Securities Act, (d) pursuant to another exemption from registration under the Securities Act (if available) or (e) pursuant to an effective registration statement under the Securities Act;

(5) it agrees that it will give to each person to whom it transfers the notes notice of any restrictions on transfer of such notes;

(6) it acknowledges that prior to any proposed transfer of notes (other than pursuant to an effective registration statement or in respect of notes sold or transferred either pursuant to (a) Rule 144A or (b) Regulation S) the holder of such notes may be required to provide certifications relating to the manner of such transfer as provided in the indenture;

(7) it acknowledges that the trustee, registrar or transfer agent for the notes will not be required to accept for registration the transfer of any notes acquired by it, except upon presentation of evidence satisfactory to the Issuer that the restrictions set forth herein have been complied with;

(8) it acknowledges that the Issuer, the initial purchasers and other persons will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of the acknowledgements, representations and agreements deemed to have been made by its purchase of the notes are no longer accurate, it will promptly notify the Issuer and the initial purchasers; and

(9) if it is acquiring the notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each account.

Legends

The following is the form of restrictive legend which will appear on the face of the Rule 144A global note, and which will be used to notify transferees of the foregoing restrictions on transfer:

> **"This note has not been registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), or any U.S. state securities laws. The holder hereof, by purchasing this note, agrees for the benefit of the issuer that this note or any interest or participation herein may be offered, resold, pledged or otherwise transferred only (1) to the issuer, (2) so long as this note is eligible for resale pursuant to Rule 144A under the Securities Act ("Rule 144A"), to a person who the seller reasonably believes is a qualified institutional buyer (as defined in Rule 144A) in accordance with Rule 144A, (3) in an offshore transaction in accordance with Rule 903 or 904 of Regulation S under the Securities Act, (4) pursuant to an exemption from registration under the Securities Act (if available) or (5) pursuant to an effective registration statement under the Securities Act, and in each of such cases in accordance with any applicable securities laws of any state of the United States or other applicable jurisdiction. The holder hereof, by purchasing this note, represents and agrees that it shall notify any purchaser of this note from it of the resale restrictions referred to above.**
>
> **This legend may be removed solely at the discretion and at the direction of the issuer."**

The following is the form of restrictive legend which will appear on the face of the Regulation S global note and which will be used to notify transferees of the foregoing restrictions on transfer:

> **"This note has not been registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), or any U.S. state securities laws. The holder hereof, by purchasing this note, agrees that neither this note nor any interest or participation herein may be offered, resold, pledged or otherwise transferred in the absence of such registration unless such transaction is exempt from, or not subject to, such registration and in accordance with any applicable securities laws of any other applicable jurisdiction.**
>
> **This legend may be removed solely at the discretion and at the direction of the issuer."**

The resale restriction periods may be extended, in Banco de Bogotá's discretion, in the event of one or more issuances of additional notes, as described under "Description of the Notes." The above legends (including the restrictions on resale specified thereon) may be removed solely in Banco de Bogotá's discretion and direction.

For further discussion of the requirements (including the presentation of transfer certificates) under the indenture to effect exchanges or transfers of interest in global notes and certificated notes, see "Description of the Notes."

LISTING AND GENERAL INFORMATION

1. The creation and issuance of the notes has been authorized by the resolutions of the Board of Directors of Banco de Bogotá dated April 26, 2016.

2. Except as disclosed herein, there are no litigation or arbitration proceedings against or affecting Banco de Bogotá or any of its assets and Banco de Bogotá is not aware of any pending or threatened proceedings, which are or might reasonably be expected to be material in the context of the issuance of the notes.

3. Except as disclosed herein, there has been no adverse change, or any development reasonably likely to involve an adverse change, in the condition (financial or otherwise) or general affairs of Banco de Bogotá since December 31, 2015 (the end of the most recent period for which audited consolidated financial statements have been prepared) that is material in the context of the issuance of the notes.

4. For so long as any notes remain outstanding, copies of the indenture under which the notes will be issued may be inspected during normal business hours at the offices of each of the Luxembourg paying agent, the Luxembourg transfer agent, the Luxembourg listing agent and Banco de Bogotá's principal office, at the addresses listed on the inside back cover page of this offering memorandum.

5. For so long as any notes remain outstanding, copies of the following documents (together, where necessary, with English translations thereof) may be obtained during normal business hours at the offices of each of the Luxembourg paying agent, the Luxembourg transfer agent, the Luxembourg listing agent and Banco de Bogotá's principal office, at the addresses listed on the inside back cover page of this offering memorandum:

- the latest published audited year-end financial statements of Banco de Bogotá; and
- the by-laws of Banco de Bogotá.

6. The global notes representing the notes have been accepted into the systems used by DTC. The CUSIP and ISIN numbers, as applicable, for the notes are as follows:

Rule 144A note CUSIP: 059514AC3	Rule 144A note ISIN: US059514AC35
Regulation S note CUSIP: P09252AK6	Regulation S note ISIN: USP09252AK62

7. The Purchase Agreement, the Indenture and the Notes are governed by the laws of the State of New York.

VALIDITY OF THE NOTES

The validity of the notes will be passed upon for Banco de Bogotá by Davis Polk & Wardwell LLP, U.S. counsel to Banco de Bogotá S.A., and by DLA Piper Martinez Neira Ltda, Colombian counsel to Banco de Bogotá S.A.

The validity of the notes will be passed upon for the initial purchasers by Simpson Thacher & Bartlett LLP, U.S. counsel to the initial purchasers, and by Gomez-Pinzón Zuleta Abogados S.A., Colombian counsel to the initial purchasers.

INDEPENDENT AUDITORS

The consolidated statements of financial position of Banco de Bogotá and its subsidiaries as of December 31, 2015 and 2014, and January 01, 2014, the consolidated statement of income, comprehensive income, changes in equity and cash flows for the years ended December 2015 and 2014, have been audited by KPMG Ltda.

INDEX TO FINANCIAL STATEMENTS

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Independent Auditors' Report

To Board of Directors the Shareholders
Banco de Bogotá S.A.

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Banco de Bogotá S.A, and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at December 31, 2015 and 2014 and January 1, 2014, the consolidated statements of income, comprehensive income, changes in equity and cash flows for the years ended December 2015 and 2014, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards' Board ("IASB"), and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of theGroup as atDecember 31, 2015 and2014 and January 1, 2014, and of its consolidated financial performance and its consolidated cash flows for the years endedDecember 31, 2015 and 2014 in accordance with International Financial Reporting Standards as issued by the IASB.

KPMG Ltda.

April 28, 2016
Bogota D.C., Colombia

Banco de Bogotá S.A. and Subsidiaries
Consolidated Statement of Financial Position
At December 31, 2015, December 31 and January 1, 2014
(In millions of Colombian pesos)

	Notes	2015 U.S. dollars million		December 31, 2015	December 31, 2014	January 1, 2014
Assets						
Cash and cash equivalents	6	**5.667**	**$**	**17.848.395**	**13.588.672**	**11.050.047**
Financial assets held for trading	7,10					
Debt securities		787		2.477.464	2.020.425	3.816.005
Equity instruments		454		1.430.031	1.258.841	1.156.586
Trading derivatives		216		679.398	824.013	154.428
		1.457		**4.586.893**	**4.103.279**	**5.127.019**
Financial assets available for sale	8					
Debt securities		3.788		11.931.289	10.086.895	8.925.072
Equity instruments		221		697.324	703.548	692.206
		4.009		**12.628.613**	**10.790.443**	**9.617.278**
Other financial assets at fair value through profit or loss	17	**601**		**1.891.692**	**1.738.599**	**1.565.709**
Financial assets in debt securities held to maturity	9	**394**		**1.239.917**	**1.296.076**	**1.544.896**
Loan portfolio	11					
Commercial		19.244		60.609.310	47.809.186	41.300.100
Consumer		7.776		24.490.342	18.418.745	14.476.925
Mortgage		3.375		10.627.866	7.610.873	5.488.358
Microcredit		122		385.639	353.025	333.499
		30.517		**96.113.157**	**74.191.829**	**61.598.882**
Loan impairment allowance		(678)		(2.134.598)	(1.768.105)	(1.529.183)
		29.839		**93.978.559**	**72.423.724**	**60.069.699**
Other accounts receivable	12	**998**		**3.143.340**	**2.533.863**	**1.910.792**
Hedging derivatives	10	**13**		**39.804**	**64.853**	**18.213**
Non-current assets held for sale	13	**63**		**198.881**	**207.785**	**299.879**
Investments in associates and joint ventures	14	**288**		**905.748**	**692.402**	**538.428**
Tangible assets	15					
Own-use property, plant and equipment		1.382		4.350.655	3.904.582	3.571.254
Investment properties		93		292.902	180.925	157.594
Biological assets		76		240.212	202.399	201.183
		1.551		**4.883.769**	**4.287.906**	**3.930.031**
Goodwill	16	1.951		6.143.920	4.955.177	4.218.492
Concession arrangement rights	17	759		2.390.701	1.842.736	1.759.175
Other intangible assets	18	143		451.091	283.868	146.422
		2.853		**8.985.712**	**7.081.781**	**6.124.089**
Income tax	19					
Current		165		519.831	227.554	61.957
Deferred		292		920.432	169.420	150.871
		457		**1.440.263**	**396.974**	**212.828**
Other assets		**158**		**497.678**	**431.508**	**333.634**
Total assets		**48.348**	**$**	**152.269.264**	**119.637.865**	**102.342.542**

See notes to the consolidated financial statements.

Banco de Bogotá S.A. and Subsidiaries
Consolidated Statement of Financial Position (Continuation)
At December 31, 2015, December 31 and January 1, 2014
(In millions of Colombian pesos)

	Notes	2015 U.S. dollars million		December 31, 2015	December 31, 2014	January 1, 2014
Liabilities and equity						
Liabilties						
Financial liabilities at fair value	10					
Trading derivatives		**278**	**$**	**874.478**	**950.482**	**194.090**
Financial liabilities at amortized cost						
Customer deposits	20					
Current accounts		7.899		24.877.931	20.250.127	16.566.049
Time Certificates of deposit		12.300		38.739.335	31.705.188	24.852.211
Savings accounts		8.943		28.165.323	21.554.821	22.162.073
Other deposits		83		261.570	142.664	191.341
		29.225		**92.044.159**	**73.652.800**	**63.771.674**
Financial obligations	21					
Interbank funds		1.993		6.275.762	3.244.340	4.326.495
Bank loans and others		6.500		20.470.035	13.920.825	11.120.363
Bonds Issued		2.222		6.999.327	5.485.045	4.701.727
Borrowing from development entities		483		1.521.430	1.337.292	1.075.555
		11.198		**35.266.554**	**23.987.502**	**21.224.140**
Total financial lilabilities at amortized cost		**40.423**		**127.310.713**	**97.640.302**	**84.995.814**
Hedging derivatives	10	**107**		**338.217**	**571.645**	**54.138**
Provisions	23					
Litigation		64		201.053	187.184	113.324
Other provisions		121		382.497	472.912	528.778
		185		**583.550**	**660.096**	**642.102**
Income tax liability						
Current		138		433.877	314.864	348.826
Deferred		264		832.005	758.470	800.016
		402		**1.265.882**	**1.073.334**	**1.148.842**
Employee benefits	22	170		**536.816**	**510.253**	**468.122**
Other liabilities	24	1.246		**3.923.014**	**2.967.740**	**2.520.321**
Total liabilities		**42.811**	**$**	**134.832.670**	**104.373.852**	**90.023.429**
Equity	25					
Controlling interest						
Subscribed and paid-in capital		1		3.313	3.313	3.075
Additional paid-in capital		1.817		5.721.621	5.721.621	4.221.859
Reserves and undistributed profits from prior periods		1.745		5.495.664	4.803.393	4.836.580
Retained earnings from IFRS firts time adoption		(46)		(145.878)	(141.851)	(141.794)
Net income for the year		337		1.059.865	742.034	0
Other comprehensive income	27	369		1.162.137	330.209	(134.903)
Controlling interest equity		**4.223**		**13.296.722**	**11.458.719**	**8.784.817**
Non-controlling interest	26	**1.314**		**4.139.872**	**3.805.294**	**3.534.296**
Total equity		**5.537**	**$**	**17.436.594**	**15.264.013**	**12.319.113**
Total liabilities and equity		**48.348**	**$**	**152.269.264**	**119.637.865**	**102.342.542**

See notes to the consolidated financial statements

Banco de Bogotá S.A. and Subsidiaries
Consolidated Statement of Income
For the Years Ended December 31, 2015 and 2014
(In millions of Colombian pesos, except net earnings per share)

	Notes	2015 U.S. dollars million		December 31, 2015	December 31, 2014
Interest and similar income					
Loan portfolio interest		2.604	$	8.200.446	6.311.402
Interest on investments in debt securities, at amortized cost		185		582.901	488.677
		2.789		**8.783.347**	**6.800.079**
Interest and similar expenses					
Deposits					
Current account deposits		53		166.833	149.300
Time certificates of deposit		514		1.618.480	1.172.009
Savings deposits		225		710.194	585.175
		792		**2.495.507**	**1.906.484**
Financial obligations					
Interbank funds		77		243.822	147.365
Bank loans and others		158		497.082	371.699
Bonds and investment securities		146		460.676	336.930
Borrowings from development entities		29		91.638	67.753
		410		**1.293.218**	**923.747**
Net interest income		**1.587**		**4.994.622**	**3.969.848**
Impairment loss on financial assets					
Loan portfolio and accounts receivable		423		1.331.806	1.056.226
Non- current assets held for sale		7		21.267	11.485
Investments in debt and equity securities		0		(413)	491
Recoveries		(32)		(100.435)	(80.061)
		398		**1.252.225**	**988.141**
Net interest and similar income, after impairment loss on financial assets		**1.189**		**3.742.397**	**2.981.707**
Income from commissions and fees					
Trust activities		53		167.563	157.890
Pension and severance fund management		250		786.029	756.955
Commissions on banking services		433		1.364.689	1.045.491
Commissions on credit cards		313		984.917	670.180
Commissions on drafts, checks and checkbooks		13		41.272	34.741
Office network services		8		25.057	31.041
Storage services		36		112.447	132.203
Other commissions		3		9.619	0
		1.109		**3.491.593**	**2.828.501**
Expenses for commissions and fees	30	**110**		**345.033**	**273.264**
Net income from commissions and fees		**999**	$	**3.146.560**	**2.555.237**

See notes to the consolidated financial statements

Banco de Bogotá S.A. and Subsidiaries
Consolidated Income Statement (Continuation)
For the Years Ended December 31, 2015 and 2014
(In millions of Colombian pesos, except net earnings per share)

	Notes	2015 U.S. dollars million		December 31, 2015	December 31, 2014
Profit or loss from financial assets or liabilities for trading, net					
Net loss on financial derivatives for trading		(79)	$	(249.500)	(288.546)
Net gain in hedging		133		420.394	221.557
Net gain/(loss) on investments		(5)		(15.245)	336.102
		49		**155.649**	**269.113**
Profit or loss from assets or liabilities designed at fair value with changes in income statement.		**49**		**153.094**	**172.889**
Other net income					
Net gain on exchange difference		153		480.431	340.178
Net gain on sale of investments		21		67.059	78.093
Earnings on the sale of non-current assets held for sale		5		16.549	(25.347)
Share of profits of associate and joint ventures		65		204.760	107.033
Dividends		9		28.634	103.475
Income from the sale of goods and services of non-financial companies	32	298		937.376	710.078
Other operating income		116		366.695	269.938
		667		**2.101.504**	**1.583.448**
Other expenses					
Personnel expenses		704		2.217.743	1.700.159
General and administrative expenses	31	824		2.595.996	1.936.266
Depreciation and amortization of tangible and intangible assets		116		364.328	265.713
Other operating expenses		33		103.571	113.345
		1.677		**5.281.638**	**4.015.483**
Profit before income tax		**1.276**		**4.017.566**	**3.546.911**
Income tax expense	19	438		1.378.545	1.298.193
Net income for the year		**838**		**2.639.021**	**2.248.718**
Net income for the year attributable to:					
Controlling interest		601		1.893.971	1.551.699
Non-controlling interest		237		745.050	697.019
		838	$	**2.639.021**	**2.248.718**
Basic and diluted net earnings per share of controlling interest, in Colombian pesos		1,82	$	5.717,12	4.683,94

See notes to the consolidated financial statements

Number of common shares subscribed and paid	105.186	331.280.555,00	331.280.555,00

Banco de Bogotá S.A. and Subsidiaries
Consolidated Statement of Comprehensive Income
For the years ended December 31, 2015 and 2014
(In millions of Colombian pesos)

	Note	2015 U.S. dollars million		December 31, 2015	December 31, 2014
Net income for the year		**838**	**$**	**2.639.021**	**2.248.718**
Items that may be or are reclassified to profit or loss		**284**		**892.486**	**612.733**
Hedge accounting:					
Foreing currrency traslation difference for subsidiaries		754		2.375.002	1.348.339
Hedging exchange difference from derivatives in foreign currency		(534)		(1.683.347)	(870.967)
Hedging in foreing currency with financial liabilities		(215)		(677.722)	(462.371)
Cash Flow hedging		5		15.441	7.001
Investment available for sale		(116)		(364.425)	91.787
Interest in other comprehensive income of subsidiaries and adjustment for exchange difference in foreign branches		43		135.888	28.907
Income tax		347		1.091.414	470.037
Others		0		235	0
Items that will not be reclassified to income for the period		**2**		**6.169**	**(272)**
Employee benefits		4		13.225	(474)
Deferred income tax		(2)		(7.056)	202
Total other comprehensive income	19	**286**		**898.655**	**612.461**
Total comprehensive income, net of taxes		**1.124**	**$**	**3.537.676**	**2.861.179**
Net income for the year attributable to:					
Controlling interest		866		2.725.899	2.016.811
Non-controlling interest		258		811.777	844.368
		1.124	**$**	**3.537.676**	**2.861.179**

See the notes to the consolidated financial statements.

Banco de Bogotá S.A. and Subsidiaries
Consolidated Statement of Changes in Equity
For the years ended December 31, 2015 and 2014
(In millions of Colombian pesos)

	Note	Attributable to equity holders of the Group									
		Share capital	**Additional paid-in capital**	**Reserves**	**Retained earnings from IFRS first time adoption**	**Undistributed profist from prior periods**	**Net income from the year**	**Other comprehen-sive income**	**Total**	**Non-controlling interest**	**Total equity**
Balance at January 1, 2014		**$ 3.075**	**4.221.859**	**3.975.018**	**(141.794)**	**861.562**	**0**	**(134.903)**	**8.784.817**	**3.534.296**	**12.319.113**
Transfer of income for the period						809.665	(809.665)		0		0
Issuance of shares		238	1.499.762			0			1.500.000	448.600	1.948.600
Appropriation of reserves				553.397		(553.397)			0		0
Dividend distribution in shares									0	(448.600)	(448.600)
Dividend distribution in cash	25			(32.739)		(756.379)			(789.118)	(573.370)	(1.362.488)
Donations						(40)			(40)		(40)
Exchange translation						(53.694)			(53.694)		(53.694)
Other movements					(57)	0			(57)		(57)
Comprehensive income						0	1.551.699	465.112	2.016.811	844.368	2.861.179
Balance at December 31, 2014		**$ 3.313**	**5.721.621**	**4.495.676**	**(141.851)**	**307.717**	**742.034**	**330.209**	**11.458.719**	**3.805.294**	**15.264.013**
Transfer of income for the previous year						742.034	(742.034)	0	0	0	0
Transfer of income for the period						834.106	(834.106)		0	0	0
Issuance of shares						0			0	332.840	332.840
Appropriation of reserves				1.363.809		(1.363.809)			0	0	0
Dividend distribution in shares										(332.840)	(332.840)
Dividend distribution in cash	25					(854.704)			(854.704)	(477.200)	(1.331.904)
Donations						(40)			(40)	0	(40)
Transfers					(4.027)	4.027			0		0
Other movements				(124)		(33.028)			(33.152)	0	(33.152)
Comprehensive income							1.893.971	831.928	2.725.899	811.777	3.537.676
Balance at December 31, 2015		**$ 3.313**	**5.721.621**	**5.859.361**	**(145.878)**	**(363.697)**	**1.059.865**	**1.162.137**	**13.296.722**	**4.139.872**	**17.436.594**
2015 U.S. dollars millions		**1**	**1.817**	**1.860**	**(46)**	**(115)**	**337**	**369**	**4.223**	**1.314**	**5.537**

See the notes to the consolidated financial statements.

Banco de Bogotá S.A. and Subsidiaries

Consolidated Statements of Cash Flows

For the years of ended December 31, 2015 and 2014

(In millions of Colombian pesos)

	Notes	2015 U.S. dollars million		December 31, 2015	December 31, 2014
Cash flow from operating activities:					
Net income for the year		838	$	2.639.021	2.248.718
Adjustments to reconcile net income with net cash provided (used in) operating activities:					
Depreciation	15	89		278.779	238.022
Amortization	17 y 18	96		300.918	233.735
Impairment of loan portfolio and accounts receivables, net	11 y 12	424		1.334.122	1.081.747
Impairment of foreclosed assets, net		7		21.703	11.752
(Recovery) impairment of investments, net		(1)		(1.585)	2.717
Gain on non-current assets held for sale		(6)		(17.565)	(27.199)
Gain on sale of investments		(6)		(18.378)	(865)
(Gain) loss on sale of property, plant and equipment		(1)		(2.296)	2.605
Loss on sale of investment properties		0		1.166	0
(Gain) loss from valuations of derivatives		(59)		(184.981)	66.989
Impairment of tangible assets		0		947	22
Effect of foreign currency translation		(18)		(56.119)	726.550
Income from equity method in associates		(65)		(204.760)	(107.033)
Gain on valuation of investments		(9)		(27.558)	(297.151)
Premiums/discounts amortizations on held to maturity investments		(58)		(181.444)	(187.882)
Fair value adjustments on investment properties		(22)		(68.681)	0
Fair value adjustments on biological assets	15	(7)		(22.922)	15.332
Effect of UVR currency translation on bonds oustanding		7		23.110	1.492
Interest received		2.444		7.695.817	6.273.252
Interest paid		(1.203)		(3.788.726)	(2.830.230)
Income tax payments		(163)		(513.083)	(316.471)
Income tax	19	438		1.378.545	1.298.193
Changes in operating assets and liabilities:					
Decrease in trading investments		405		1.276.153	4.163.371
Increase in derivatives		(512)		(1.612.890)	(373.475)
Increase in loan portfolio		(5.916)		(18.631.040)	(20.497.469)
Increase in account receivable		(127)		(398.652)	(716.612)
Increase in other assets		(6)		(19.600)	(100.295)
Decrease in other liabilities and provisions		(28)		(89.015)	(263.980)
Decrease (increase) in employee benefits		(4)		(12.134)	45.187
Increase in customer deposits		2.960		9.322.458	12.078.197
Net cash (used in) provided from operating activities		**(503)**		**(1.578.690)**	**2.769.219**
Cash flows from investing activities:					
Net payments and receipts form the purchase and sale of available for sale investments		(436)		(1.372.473)	(1.128.264)
Additions to property, plant and equipment	15	(228)		(719.039)	(521.512)
Additions to investment properties	15	(11)		(33.170)	(55.623)
Additions to biological assets	15	(11)		(35.265)	(26.360)
Additions to associates and joint ventures		0		(69)	0
Additions to concession arrangement rights	17	(209)		(659.406)	(253.466)
Additions to intangible assets	18	(75)		(237.388)	(163.184)
Proceeds from sale of property, plant and equipment	15	48		150.081	161.062
Proceeds from sale of investment properties	15	1		2.446	3.957
Proceeds from sale of biological assets	15	6		20.374	9.812
Proceeds from sale of associates and joint ventures		4		14.043	88.321
Additions to held to maturity investments		(592)		(1.865.468)	(1.484.991)
Redemptions of held to maturity investments		407		1.281.077	1.683.382
Proceeds from non-current assets held for sale	13	35		109.587	227.329
Net cash used in investment activities		**(1.061)**		**(**	**1.459.537)**

(Continue)

Banco de Bogotá S.A. and Subsidiaries

Consolidated Statements of Cash Flows

For the years of ended December 31, 2015 and 2014

(In millions of Colombian pesos)

	Notes	2015 U.S. dollars million		December 31, 2015	December 31, 2014
Cash flows from financing activities:					
Dividends paid		(415)		(1.308.261)	(1.370.117)
Increase (decrease) in interbank borrowings and overnight funds, net		1.046		3.294.197	(1.016.485)
Acquisition of long-term financial liabilities		3.887		12.241.950	9.319.695
Payment of long-term financial liabilities		(2.564)		(8.075.359)	(7.446.592)
Issuance of outstanding debt securities		361		1.136.244	529.765
Payment of outstanding debt securities		(195)		(612.836)	(257.510)
Issuance of common shares		0		0	1.500.000
Net cash from financing activities		**2.120**		**6.675.935**	**1.258.756**
Effect of foreign currency translation on cash and cash equivalents		796		2.507.148	(29.813)
Net increase in cash and cash equivalents		1.352		4.259.723	2.538.625
Cash and cash equivalents at the beginning of the period	6	4.315		13.588.672	11.050.047
Cash and cash equivalents at the end of the period		**5.667**	**$**	**17.848.395**	**13.588.672**

See the notes to the consolidated financial statements.

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

NOTE 1–REPORTING ENTITY

Banco de Bogotá S.A. (hereinafter “the Group”) is a corporation (publicly held) organized under the laws of Colombia with its main offices and business address registered in the city of Bogotá, D.C., Colombia, located at Street 36 No. 7-47, Bogotá, Colombia it was incorporated by means of Public Document No. 1923, drawn up and notarized on November 15, 1870 at the Office of the Second Notary Public in Bogotá D.C. The Colombian Superintendency of Finance renewed the Group operating license indefinitely. The duration established in the bylaws extends to June 30, 2070. However, said term may be reduced by dissolution or increased through extension prior to that date. The business of the Group is to perform all operations and to enter into all contracts legally permitted for commercial banking establishments, subject to the requirements and limitations existing under Colombian law.

At December 31, 2015, the Group was operating with thirty eight thousand fifty-seven (38,057) employees on contract, seven hundred-three (703) working under apprenticeship or training agreements, and three thousand one hundred seventy-two (3,172) temporary employees. In addition, the Group has four thousand sixty-three (4,063) staff members contracted through outsourcing with specialized companies. It has one thousand five hundred thirthy-one (1,531) offices, seven thousand eight hundred sixty-six (7,866) correspondent banks, three thousand five hundred sixty two (3,562) ATMs, two (2) agencies abroad (one in New York and another in Miami), and a branch in Panama City that is licensed to operate as a local bank.

The following are those entities directly consolidated by Banco de Bogotá S. A., in preparing its consolidated financial statements:

Name of Subsidiary	Main Activity	Place of Business	Total % voting rights of Group	Total % indirect voting rights of Group
National Subsidiaries				
Fiduciaria Bogotá S.A.	Enters into mercantile trust agreements and fiduciary mandates without transferring ownership, as provided for by law. Its primary corporate purpose is to acquire, transfer, encumber and manage movable assets and real estate, and to invest in all kinds of credit operations, as a debtor or creditor.	Bogotá, Colombia	94.99%	
Almaviva S.A. (2) and subsidiary	Almaviva is a customs agent and a comprehensive logistics operator. Its primary corporate purpose is the deposit, storage and custody, management and distribution, purchase and sale of domestic and foreign goods and products, at the customer’s expense. It also issues certificates of deposit and warehouse liens.	Bogotá, Colombia	94.92%	0.88%
Megalínea S.A.	It is a technical and administrative services company whose corporate purpose is management and pre-legal collection, legal collection and out-of-court collection on loans.	Bogotá, Colombia	94.90%	
Porvenir S.A. (3) and subsidiary	Porvenir is a pension and severance fund manager. Its corporate purpose is the administration and management of pension and severance funds authorized by law. According to respective legal provisions, these constitute private equity separate from the equity of the fund manager.	Bogotá, Colombia	36.51%	10.40%
Corporación Financiera Colombiana S.A. and subsidiary	Corporación Financiera Colombiana S.A. provides specialized services in private banking, investment banking, and cash and equity investments. Its corporate purpose is to carry out all acts and contracts authorized for this type of lender under the General Regulations on the Financial System or any other special provisions or regulations that may replace, amend or add to them. Corporación Financiera Colombiana S.A. also has an interest in entities in various sectors, such as the financial, energy and gas, construction and infrastructure, agricultural and hotel service sectors, among others.	Bogotá, Colombia	38.19%	

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

Name of Subsidiary	Main Activity	Place of Business	Total % voting rights of Group	Total % indirect voting rights of Group
Casa de Bolsa S.A. (4)	The firm is dedicated to brokerage activities and securities management, Its corporate purpose involves the management of mutual funds and securities, proprietary trading, stock brokerage transactions and consu on the capital market, as per the conditions determined by the Board of Directors of the Central Bank of Colombia.	Bogotá, Colombia	22.80%	40.77%
Foreign Subsidiaries				
Leasing Bogotá Panama S.A. and subsidiaries	Its corporate purpose consists of holdings in other entities in the financial sector and involvement in investment activities. Through its subsidiaries, the company provides a wide variety of financial services to individuals and institutions, mainly in Costa Rica, El Salvador, Guatemala, Honduras, Mexico, Nicaragua and Panama.	Panama, Republic of Panama	100.00%	
Banco de Bogotá Panama S.A.	With an international license to conduct banking business abroad, it operates in the Republic of Panama and consolidates with another subsidiary, Banco de Bogotá (Nassau) Limited.	Panama, Republic of Panama	100.00%	
Bogotá Finance Corporation.	It is a financial corporation and its corporate purpose is the issuance of securities at floating rates guaranteed by the parent company. Over the past few years, the company has maintained an investment as its only income-earning activity.	Cayman Islands	100.00%	
Corporación Financiera Centroamericana S.A. (Ficentro) (5)	This financial Institution is authorized to grant loans, but not to receive funds from the public. It is supervised by Panama's Ministry of Finance. It is in the business of collecting on loans and managing assets received for sale.	Panama, Republic of Panama	49.78%	49.78%

A group of shareholders representing the majority voting rights of Corporación Financiera Colombiana S.A. and Porvenir S.A. signed an agreement giving Banco de Bogotá control of the company, since it is the largest shareholder.

Main Subsidiaries with Indirect Interest		
BAC Credomatic Inc.	A holding company established to manage foreign affiliates or subsidiaries in Costa Rica, El Salvador, Guatemala, Honduras, México, Nicaragua and Panama, among others. (Consolidates with Leasing Bogotá Panama S.A.).	Panama, Republic of Panama
Hoteles Estelar S.A.	Construction, operation and management of its own hotels or those belonging to third parties, both in Colombia and abroad.	Bogotá, Colombia
Estudios y Proyectos del Sol S.A.S.	Infrastructure projects	Bogotá, Colombia
Pizano S.A.	Wood processing and the manufacture of wood-based industrial articles or products, construction materials, decorative items and finished goods.	Bogotá, Colombia
Organización Pajonales S. A.	Investment in or promotion of companies dedicated to agricultural, livestock, forest products and agro-industrial production.	Bogotá, Colombia
Promigas S.A. E.S.P.	Natural gas transmission and distribution.	Bogotá, Colombia
Estudios, Proyectos e Inversiones de los Andes S.A.	Infrastructure projects.	Bogotá, Colombia
Plantaciones Unipalma de los Llanos S.A	Cultivation, production and sale of products derived from African palm.	Bogotá, Colombia
Constructora de Infraestructura Vial S.A.S-CONINVIAL	Road concessions and highway infrastructure.	Bogotá, Colombia

(1) In percentage terms, represents economic and voting interest, the Bank's direct and indirect interest in each of its subsidiaries has not varied over the past year.
(2) Indirect interest through Banco de Bogotá Nassau Ltd. with 0.88% for a total 95.81%.
(3) Indirect interest through Fiduciaria Bogotá, with 10.40% for a total 46.91%.
(4) Indirect interest through Corporación Financiera Colombiana S.A. and its subsidiaries with 40.77% for a total 61.75%.
(5) Indirect interest through Corporación Financiera Colombiana S.A. with 49.78% for a total 99.56%.

The Group is controlled by Grupo Aval Acciones y Valores S.A., who has a total interest of 67.38%.

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

2.1 Compliance Statement

The Group consolidated financial statements, attached hereto, have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations from the International Financial Reporting Standards Committee (IFRIC) that are currently in force, and on the basis of historic costs, except in the case of financial assets for trading or available for sale, derivative instruments, investment properties and biological assets, which are recorded at fair value. They were authorized for issue by the Group´s board of directors on April 26, 2016.

Under Colombian regulations, IFRS application has been mandatory since 2015, with comparative figures for 2014 and preparation of a statement of financial position starting as of January 1, 2014. However, this implementation has been carried out partially and in accordance with the International Financial Reporting Standards (IFRS in English, NIIF in Spanish) in force as December 31, 2013. Nevertheless, for the purpose of presenting its financial statements internationally, the Group has decided to prepare them in accordance with the IFRS issued by the IASB currently in force. Consequently, these consolidated financial statements, which are prepared on an annual basis, differ in certain aspects from the consolidated financial statements the Group presents for Colombian legal purposes, which are prepared on a half-yearly basis and pursuant to its bylaw. The Group´s latest consolidated financial statements prepared in accordance with the accounting principles previously accepted in Colombia were issued as of December 31, 2014 (See Note 35 on first-time adoption of IFRS).

The main accounting principles applied in the preparation of the Group consolidated financial statements at December 31, 2015, December 31, 2014 and January 1, 2014 are the following.

2.2 Basis for Presentation of the Financial Statements

a) Presentation of the Financial Statements

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

- The statement of financial position is presented showing asset and liability accounts ordered pursuant to their liquidity; in the event of respective sale or settlement, considering that this type of presentation provides the most relevant and reliable information for a banking entity. Accordingly, each of the notes on assets and liabilities presents the amount expected to be collected or paid within twelve months and thereafter, in accordance with International Accounting Standard (IAS) 1 “Presentation of Financial Statements”.

- The income statement and other comprehensive income are presented separately in two statements as allowed by IAS 1 “Presentation of Financial Statements”. Likewise, the income statement is shown according to the type or nature of the expenditure. This is the model most commonly used by banking entities.

- The cash flow statement is presented using the indirect method, wherein the net cash flow from operating activities is determined by adjusting the net income for the effects of the non-cash items, net changes in assets and liabilities derived from operating activities, and any other items with monetary effects that are included as cash flows from investing or financing activities. Interest income and expenses are classified as cash flow operating activities.

b) Consolidated Financial Statements

According to International Financial Reporting Standards IFRS 10, the Group must consolidate its financial statements with entities over which it has control. The Group has control over another entity if, and only if, it meets all of the following conditions:

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

In the process of consolidation, the Group combines the assets, liabilities and profits or loss accounts of the entities under control previous unification of their accounting policies. In this process, any intragroup transactions and unrealized gains between them are eliminated. The share of non-controlling interest in the equity of controlled entities is presented in the consolidated statement of financial position of the Group separate from the equity of the controlling interests.

For consolidation purposes, the financial position and results of the Group foreign subsidiaries are translated to Colombian pesos, as follows: a) Assets and liabilities are translated at the closing rate at the date of the financial statements; b) Income and expenses are translated at the average exchange rate of the year: and c) All resulting exchange differences are recognized in other comprehensive income in the equity.

c) Investment in Associates

Investments in associates in which the Group has significant influence but no control are known as "Investments in Associates" and are recorded using the equity method of accounting. The Group is presumed to exercise significant influence over another entity if it directly or indirectly holds 20% or more of the voting power of the investee, unless it can be clearly demonstrated that such influence does not exist. Under the equity method, investments in associate companies are recorded initially at cost and adjusted periodically to reflect changes in the investor´s share of the investee's net assets.

The Group includes its share of the net income of the investee in the consolidated income statement and in other comprehensive income includes its share in the investee OCI account.

Gains and losses resulting from transactions between the Group and its associated companies are recognized in the Group financial statements only to the extent of the group interest in the associate, unless the transaction provides evidence of impairment in the book value of the transferred assets. In the process the accounting policies of associate companies have been unified with the Group accounting policies.

d) Joint Arrangement

A joint arrangement is one in which two or more parties have joint control of the arrangement; in other words, only when decisions about the relevant activities require the unanimous consent of the parties sharing the control.

IFRS 11 classifies a joint arrangement as a joint operation or joint venture, depending on the contractual rights and obligations of the parties of the arrangement.

In joint operations, the parties with joint control of the arrangement have rights to the assets and obligations for the liabilities related to the arrangements and, in joint ventures, the parties with joint control over the arrangements have rights to the net assets of the arrangement.

Joint operations are included in the Group's consolidated financial statements based on its share of each of the respective assets, liabilities, revenues and expenses, pursuant to the terms of the arrangement.

The Group's joint ventures are recorded under the equity method, in the same manner as a investments in associates are measured.

2.3 Group Functional Currency

The Group´s management considers the Colombian peso to be the currency that best represents the economic effects of transactions, events and conditions, for that reason, the accompanying financial statements and disclosures are presented in millions of Colombian Pesos as the reporting currency.

The main activity of the Group is granting loans to clients in Colombia and to performing investments in securities issued by the Republic of Colombia or by national entities, registered or not with the National Securities and Issuers Registry - RNVE - in Colombian Pesos, and to a lesser extent, granting loans to Colombian residents in foreign currency and investments in securities issued by foreign banking entities, securities issued by foreign companies of the real sector whose stock is listed on one or several stock exchanges internationally recognized, bonds issued by multilateral credit entities, foreign governments or public entities. Such loans and investments are financed mainly with clients' deposits and obligations in Colombia, also in Colombian Pesos. Performance of the Group in Colombia is measured and reported to their shareholders and to the general public in Colombian Pesos. As a consequence, the Group's management defined that the Colombian peso is the currency which more faithfully represents the economic effects of transactions, events, underlying conditions of each bank and consequently presentation and functional currency defined for submitting the consolidated financial statements of the Group is also the Colombian peso. The foreign subsidiaries have diferent functional currencies, mainly US dollars.

2.4 Foreign Currency Transactions

Foreign currency transactions are converted into Colombian Pesos at the prevailing exchange rate at the date of the transaction. Monetary assets and liabilities in foreign currency are converted into the reporting currency using the prevailing exchange rate at the closing date of the statement of financial position, and non-monetary assets in foreign currency are measured at the historical exchange rate. Profits or losses resulting from the translated process are included in the consolidated income statement.

At December 31, 2015 and December 31, 2014, the exchange between US dollars and Colombian pesos rates were $3,149.47 and $2,392.46 per US 1, respectively.

2.5 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 the acquisition that are subject to an insignificant risk of changes in their fair value and are used by the Company in the management of its short-term commitments.

2.6 Financial Assets

a) Definition

A financial asset is any asset that is cash, an equity instrument of another entity, a contractual right to receive cash or another financial asset from another entity or to exchange financial assets or liabilities with another entity under conditions that are potentially on favorable terms, or a contract that may be settled using the entity's own equity instruments.

b) Classification

For accounting purposes, financial assets other than cash, investments in associated Companies, non-current assets available for sale and derivative instruments, which are addressed separately in this accounting policies note, are classified into four categories when they are recognized initially.

- At fair value through profit or loss: A financial asset is classified as at fair value through profit or loss if it is acquired for sale in the near term or it is part of a portfolio of financial assets created to generate short-term profits.
- Held to maturity investments: These are debt securities with fixed or determinable payments and fixed maturity dates that the Group has the ability to hold to maturity.
- Loans and receivables: These are financial assets with fixed or determinable rates that are not quoted in active market and are different from those classified as trading or available for sale.
- Available for sale: These are financial assets that are designated initially as available for sale and not classified as "loans and receivables", or as held to maturity investment.

c) Initial Measurement

Regular purchases and sales of financial investment assets are recognized on the date the Group agrees to purchase or sell the asset. Financial assets for trading purposes are recognized initially at their fair value and the transaction costs are entered as an expense when they are incurred.

Financial assets classified as held to maturity investments, loans and receivables, and financial assets available for sale are recorded at their transaction value when they are acquired or issued, which is similar to their fair value. Plus the transaction costs directly attributable to their acquisition or issue, less commissions received.

d) Subsequent Measurement

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

- At fair value through profit or loss: Their fair value is measured daily and any changes in fair value are recorded on the income statement as a credit or debit, as appropriate.
- Loans and receivables and investments held to maturity: These are measured using the amortized cost method calculated according to the effective interest method.

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

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

- Available for sale:

Financial assets in debt securities available for sale are adjusted initially at their amortized cost, based on the effective interest method with credit to income. Simultaneously, that amortized cost is adjusted to their fair value with charge or credited, as appropriate, to the account “Other Comprehensive Income” under equity.

The initial cost of financial assets in equity instruments available for sale is adjusted at their fair value and charged or credited, as appropriate, to “Other Comprehensive Income -OCI” under equity. The dividends on these instruments are recognized in income when the Group is entitled to receive the payment.

When financial assets available for sale are sold, the amounts accumulated in the OCI account are transferred to the income statement.

e) Reclassifications

After being classified initially, financial assets may not be reclassified into other categories, except under the special circumstances outlined in IAS 39. And, if those circumstances exist, the reclassification is recorded as follows:

- If it is reclassified at fair value through profit or loss to other categories then it is registered at their fair value.
- If it is reclassified from available for sale to at fair value through profit or loss then the amount accumulated in the OCI account is transferred to income.
- If it is reclassified from available for sale to held to maturity investments then the amount accumulated in the OCI account is amortized with debit or credit to income, as appropriate, based on the effective interest rate method.
- If it is reclassified from held to maturity investment to at fair value through profit or loss then the difference between the amortized cost and fair value is recorded under income.
- If it is reclassified from held to maturity investment to available for sale then the difference between the amortized cost and fair value is entered in OCI.

f) Fair Value of Financial Assets

According to IFRS 13 - "Fair Value Measurement”, fair value is the price that would be received on the sale of an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date.

Based on that, fair value measurements of financial assets are carried out as follows:

- For high liquidity investments in Colombia, the Group uses dirty prices supplied by service pricing provided officially authorized by the Superintendency of Finance in Colombia and Bloomberg for securities traded on international markets. See Note 5.

- Fair value of financial assets that are not traded on an active market is determined through the use of valuation techniques. The Group used several methods and markets assumptions based on market conditions existing at each reporting date. The valuation techniques include using comparable recent transactions under the same conditions, references to other securities substantially similar to the financial instrument under valuation, discounted cash flow analyses, and models of options prices and other valuation techniques commonly used by participants in the market, making maximum use of market data See Note 5.

g) Impairment Losses of Financial Assets

At the end of each accounting period, the Group assesses if there is objective evidence that financial assets of a group measured at amortized cost and of available for sale investments which are recorded at fair value with changes in OCI are impaired. Impairment indicators include: significant economic difficulties of the debtor, the probability of the debtor to present bankruptcy or financing restructuring and default in payments. If there is objective evidence of impairment, an allowance charged to the income statement is recorded.

The amount of the allowance is determined as follows:

- The Group assesses individually financial assets considered significant classified as held to maturity, available for sale and loans and the receivables deemed significant f by analyzing the debt profile of each debtor, the collateral provided, and the information obtained from credit bureaus. Financial assets are considered impaired when, in light of current information and past events, it appears likely the Group will not recover all amounts due in the original contract, including the interest and commissions agreed on. When a financial asset has been identified as impaired, the amount of the loss is measured as the difference between the book value of the loan and its present value of future expected cash flows, in accordance with the debtor's condition, discounted at the original contractual rate agreed on or by the fair value of the collateral that covers the financial assets, less estimated sale costs when that collateral is determined to be the primary source of repayment of the loan.

- For the financial assets traded that are not considered significant individually and for the portfolio of individually significant financial assets that are not considered impaired in the individual analysis described above, the Group assesses impairment collectively by grouping into segments portfolios of financial assets with similar characteristics. This is performed using statistical techniques based on an analysis of historical losses to determine an estimated percentage of losses that have been incurred on these assets at the date of the balance sheet, but have not been identified individually. (See Note 5 for details about how the collective provisions are calculated by the Group).

  Once the impairment provisions losses have been estimated, they are charged to the income of the period and credited to a provision sub-account in the respective financial asset category.

  In the case of available for sale financial assets, the cumulative loss in OCI is transferred immediately to the income statement. Once a provision is made for a financial asset or a group of similar financial assets, due to an impairment loss, interest income of the loan continues to be recognized using the same original contractual loan interest rate applied to the book new value of the loan.

  Impaired financial assets are written off from the statement of financial position when the recovery of any recognized amount is considered to be unlikely. Collections of financial assets after the write off are recorded in the income statement.

h) Troubled Debt Restructured Loans

Troubled debt restructured loans are those which have collection problems and for which the Group grants to the debtor a concession that would not have been considered in any other situation. These concessions generally involve interest-rate reductions, an extension of deadlines for payment or reductions in the balance due troubled debt loan.

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognized. If the cash flows of the renegotiated asset are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognized and the new financial asset is recognized at fair value. The impairment loss before an expected restructuring is measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset, then the estimated cash flows arising from the modified financial asset are included in the measurement of the existing asset based on their expected timing and amounts discounted at the original effective interest rate of the existing financial asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

i) Transfer and Derecognition of Financial Assets

The accounting treatment of transfers of financial assets is conditioned by the way the risks and rewards, associated with the asset, are transferred. Those financial assets are derecognized from the consolidated statement of financial position only when the cash flows they generate have been extinguished or when the implicit risks and benefits have been substantially transferred to third parties. In this last case, the transferred financial asset is retired from the consolidated balance sheet, while simultaneously recognizing any right or obligation retained or created as a result of the transfer.

The Group is considered to have substantially transferred its risks and rewards when the transferred risks and rewards significantly represent the total risks and rewards of the transferred assets. If the risks and/or rewards associated with the transferred financial asset are substantially retained:

- The transferred financial asset is not derecognized in the balance sheet and continues to be valued using the same criteria as before the transfer;
- An associated financial liability is recorded in an amount that equals the compensation received, which is subsequently valued at amortized cost; and
- Both the income associated with the transferred financial assets (but not derecognized) and the expenses associated with the new financial liability will continue to be recorded in the consolidated financial statements of the Group.

j) Off-setting of Financial Instruments on the Statement of Financial Position

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

2.7 Derivatives Financial Instruments and Hedge Accounting

According to IAS 39 "Financial Instruments recognition", a derivative is a financial instrument whose value changes in time in response to changes in a variable 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 if its operations, the Group generally trades on financial markets with financial instruments designated "for trading", such as forward contracts, futures contracts, swaps, options and spot transactions, and for hedging purposes with contracts that fulfill the definition of a derivative.

Derivative transactions are registered at fair value at the moment of the initial recognition. Subsequent changes in fair value are adjusted with credit or debit to income, as the case may be, unless the derivative instrument is designated as a hedge. If so, it will depend on the nature of the hedged item and the type of hedging relationship, as indicated below.

- For hedging of a fair value of assets or liabilities and firm commitments, changes in the fair value of the derivative instrument are recorded in consolidated income statement, the same way that the change in the fair value of the asset, liability or firm commitment attributable to the hedged risk.

- For cash flow hedging of a particular risk associated with a recognized asset or liability or a projected highly probable transaction, the effective portion of changes in the fair value of the derivatives is entered in the "other comprehensive income" account under equity. The gain or loss on the derivative related to the part that is not effective to the hedge or does not relate to the hedged risk is recognized immediately in the consolidated income statement.

  Amounts accumulated in "other comprehensive income" are transferred to earnings during the same period in which the hedged item is recognized as income.

- Hedging of a net investment in a foreign operation is recorded similarly to cash flow hedging: the part of the gain or loss of the hedging instrument that determines effective hedging is recorded in "other comprehensive income", while the ineffective part is recorded in the consolidated income statement. The gains or losses on a hedging instrument that are accumulated in equity are recorded in the consolidated income statement when the net investment in a foreign associate is disposed of entirely or proportionally when it is sold in part.

At the beginning of the hedging transaction, the Group documents the existing relationship between the hedge instrument and the hedged item, as well as the risk-management objective and the strategy behind the hedging. The Group also documents its assessment on the starting date of the transaction, and on a recurring basis, as to whether the hedging relationship is highly effective in offsetting the changes in fair value or in the cash flow of the hedged items.

Financial assets and liabilities from transactions with derivatives are not offset in the statement of financial position. However, when there is a legal and exercisable right to offset the recorded values and there is an intention to settle on a net basis or to realize the assets and settle the liability at the same time, they are presented as net values in the statement of financial position.

2.8 Noncurrent Assets Held for Sale

Foreclosed assets and noncurrent assets held for sale that the Group intends to sell in a period not greater than one year, and whose sale is considered highly likely, are recorded as "noncurrent assets held for sale". These assets are recorded at their book value when transferred to this account or at their fair value, less the estimated cost of disposal, whichever is lower.

2.9 Financial Guarantees

Financial guarantees are agreements that require the issuer to make specific payments to reimburse the creditor for losses incurred when a specific debtor fails to meet its payment obligation in accordance with the original or amended terms of a debt instrument, regardless of its legal form.

On initial recognition, granted financial guarantees are recognized at fair value, which is generally the present value of the fees, commissions and interest receivable from these contracts over the term thereof. Simultaneously the Group recognizes a credit on the asset side of the consolidated balance sheet for the amount of fees, commissions and similar interest received at the inception of the transactions and the amounts receivable at the present value of the fees, commissions and interest outstanding.

Financial guarantees are initially recognized at fair value and liability, which is generally the present value of the fees, commissions and interest receivable from these contracts over the term thereof.

Provisions constituted for financial guarantee agreements that are considered impaired are reported under liability as “Provisions - Provisions for contingent risks and commitments” and against income for the period.

Income obtained from guarantee instruments is reported in the “income from commissions” account and is calculated by applying the percentage of commission specified in the agreement to the nominal amount of the guarantees.

2.10 Property, Plant and Equipment for Own-Use

Property, plant and equipment includes own assets or those received under capital lease and held by the Group for current or future use, and are expected to be used for more than one period.

They are recorded on the statement of financial position at their acquisition or construction cost, less their respective accumulated depreciation and, if applicable, the estimated losses that result from comparing the net book value of each asset to its respective recoverable amount.

Depreciation in property, plant and equipment is calculated by applying the straight-line method to the acquisition cost of these assets, less the residual value thereof. It is understood that the land on which buildings and other constructions are built has an indefinite useful life; therefore, it is not subject to depreciation.

Depreciation is calculated by the straight-line method during the estimated useful life of the asset.

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

The following are the annual rates of depreciation for each asset item:

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	5 to 25 Years
Vehicles	5 to 10 years
Office equipment, furniture and fixtures	3 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 buildings	5 to 10 years
Computers	
PCs / 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
Leasehold improvements	3 to 5 years
Gas pipelines, networks and lines	75 years
Compressors	8 to 35 years

Maintenance and conservation expenses for property and equipment are recorded as “administrative costs” for the period in which they are incurred.

2.11 Investment Properties

According to International Accounting Standard (IAS) 40 on “Investment Properties”, these are defined as land or buildings - considered all or in part - that are held for rent, valuation of the asset, or both, rather than for own use. Investment properties are recorded initially at cost, which includes all costs associated with the transaction. Subsequently, those assets are measured according to the fair value model, with changes in fair value adjusted with a charge or credit to income, as appropriate.

2.12 Leased Assets

Leased assets delivered on lease are classified at the time the agreement is signed as either finance or operating leases. A lease is classified as a finance lease when all the rewards and risks of the asset leased are substantially transferred.

A lease is classified as an operating lease if all of the property’s advantages and risks are not substantially transferred. Lease agreements that are classified as finance leases are included on the balance sheet under “loans and receivables” and are recorded the same way as other loans granted, as indicated above in Note 2.5. Lease agreements classified as operating leases are recorded as tangible assets and are recorded and depreciated the same way as property, plant and equipment for own use.

Rental proceeds are recorded in income, using the straight line accrual method.

2.13 Assets Received on Lease

At their initial recognition, assets received on lease are classified as financial or operating lease in the same way using the same analysis described above.

Lease agreements classified as Financial Leases are included in the statement of financial position as property, plant and equipment for own use or as investment properties, depending on their objective. Initially, they are recorded in assets and in liabilities simultaneously for an amount equal to the fair value of the asset received on lease or for the present value of the minimum lease payments if the latter is lower. The present value of minimum lease payments is established using the interest rate implicit in the lease agreement or, if it does not contain a rate, the average interest rate on the bonds placed by the Group on the market is used.

Any initial direct cost incurred by the lessee is added to the amount recognized as an asset.

Subsequent to their initial recognition, assets received in financial leases are treated for accounting purposes the same way as the own property and equipment or investment property where they were recorded initially. The value recorded as a liability is included in the financial liabilities account and is recorded in the same was as financial liabilities See Note 2.19.

Payments under contracts classified as operating leases are recorded in income over the term of the lease. Any lease incentives received are recorded as an integral part of the total lease expense during the term of the lease.

2.14 Biological Assets

In accordance with International Accounting Standard (IAS) 41 on “Agriculture”, agricultural activities conducted by any of the Group’s subsidiaries in relation to biological assets (animals or plants) are recorded separately in this account, at the time of initial recognition and at the end of the reporting period, at their fair value, less the cost of sale, except in the case of crops in the growing period when, for some reason, their fair value cannot be measured reliably. In this case, they are measured at cost, less any accumulated impairment loss.

The gains or losses arising in initial and subsequent recognition at the fair value of agricultural products are included in the profit or loss account.

Costs incurred in the agricultural production process are also taken directly to the consolidated income statement.

The fair value of biological assets is determined using valuations done by experienced in-house professionals, based on discounted cash flow models of the respective biological asset. The expected cash flow over the entire life of the plantation is determined using the current market price of agricultural products and the estimated productive life of the plants, net of maintenance and harvesting costs, and any cost required to maintain the plant during its production.

The productive life of plants is estimated considering the age of the plant, its location and the type of product. The fair value of plant output is highly dependent on the current market price for each product.

2.15 Government Grants

Under Colombian law, the government grants to the agricultural sector special concessions in interest rates on borrowings from government development entities. These concessions are recognized as income when the subsidiary in the agricultural sector fulfills certain requirements.

2.16 Business Combinations and Goodwill

Pursuant to IFRS 3 on "Business Combinations", business acquisitions in which the Group obtains control of an entity, all or in part, are recorded by the acquisition method. Under this method, the purchase price is distributed among the identifiable assets acquired, including any intangible asset and liability assumed, based on their respective fair values. If non-controlling minority interests remain when the Group gainis control of the business, they are recorded at fair value or at the proportional share of current ownership instruments, in the amounts recognized in the identifiable net assets of the acquired entity. The Group decides which of these options to use. The difference between the price paid, plus the value of the non-controlling interest and the net value of the acquired assets and liabilities, determined as described above in this paragraph, is recorded in assets as "goodwill".

The goodwill acquired in a business combination is allocated to each of the groups of cash generating units "CGU" that are expected to make a profit as a result of the business combination. The registered goodwill is not amortized after that, but is subject to subsequent annual assessments for impairment of the cash-generating unit to which the goodwill is assigned and from which benefits derived from the synergies of the business combination are expected.

2.17 Other Intangible Assets

These consist primarily of computer software and licenses, which are measured initially by the cost incurred in their acquisition or the cost of the internal development phase. Costs incurred in the research phase are taken directly to income.

Development expenses that are directly attributable to the design and testing of computer programs that are identifiable, unique and susceptible to being controlled by the Group are recognized as intangible assets provided they meet the following conditions:

- Technically, it is possible to complete production of the intangible asset in a way that makes it available for use.
- Management intends to complete the intangible asset in question, in order to use it.
- The Group has the capacity for using the intangible asset.
- It is possible to demonstrate how the intangible asset will generate likely economic benefits in the future.
- Adequate financial or other types of resources are available to complete development of the intangible asset and to use it.
- Disbursement which is attributable to intangible assets during its development can be appraised in a reliable manner.

Directly attributable costs that are capitalized as part of software include the cost of the personnel who develop these programs and an appropriate proportion of overhead expenses.

Expenses that do not meet these criteria are recognized as expenses when incurred. Disbursements on an intangible asset that is recognized initially as an expense may not be recognized at a later date as part of the cost of an intangible asset.

Following their initial recognition, these assets are measured at cost, less amortization. This is performed during their estimated useful life, which is three to ten years in the case of computer programs and ten years for licenses. Amortization is recognized on a straight-line basis, according to estimated useful life. When closing an accounting period, the Group assesses whether or not there is any internal or external evidence that an intangible asset is impaired.

2.18 Service Concession Arrangements Rights

The concession arrangement in which the Group, through some of its subsidiaries, is committed to the Colombian government for the construction or maintenance of infrastructure facilities during a specific period, and in which the subsidiaries receive revenue for the duration of the agreement, either through direct contributions from the government or through fees or tolls charged to those who use the infrastructure, are recorded either as financial assets or as intangible assets, pursuant to the accounting interpretation outlined in IFRIC 12 on “Service Concession Arrangements”.

A financial asset is recognized when, according to the conditions of the agreement, the subsidiary has an unconditional contractual right to receive, from the Colombian government, cash or another financial asset for the construction or services provided, or when the Colombian government guarantees a minimum amount of revenue from tolls or through rates charged to users of the facility under concession during the life of the concession agreement.

An intangible asset is recognized when the subsidiaries in the concession agreement here no unconditional right to receive cash, and their revenue is conditioned by the extent of the public’s use of the service provided with the asset under concession. In some cases, there may be mixed agreements in which one part of the agreement is a financial asset or another part is an intangible asset.

Accordingly, the rights in concession arrangements are recorded as follows:

- During the construction stage of the works under concession, according to International Accounting Standard IAS 11 on “Construction Contracts”, all estimated income from construction and the costs associated with construction are recorded in the consolidated income statement with reference to the stage of completion of the project at the end of the period. Any expected additional losses are recorded immediately as an expense.

- If the concession agreement is classified as a financial asset, the asset that emerges from the agreement is recorded at fair value, which is determined as at the present value of the future payments to which the subsidiary is entitled, discounted using the market interest rate for similar loans at the moment the subsidiary is entitled to collect, and remeasured at each reporting period. Financial assets are recorded in the Concession Rights line item in the statement of financial position.

- If the concession agreement is classified as an intangible asset, the fair value of that intangible is calculated indirectly according to its sale price, regardless of the service rendered, and amortized in the consolidated income statement since the date when the construction is completed and the respective asset is placed at the service of its users, for the life of the concession agreement. Revenue received from tolls or fees, once construction of the asset is completed and it is placed at the service of the public, is recorded when actually received.

2.19 Impairment of Non-Financial Assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than investment properties and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

Goodwill is tested annually for impairment. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that is largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The 'recoverable amount' of an asset or CGU is the greater of its value in use and its fair value less costs to sell. 'Value in use' is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

The Group's corporate assets do not generate separate cash inflows and are used by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGUs to which the corporate assets are allocated.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

2.20 Financial Liabilities

A financial liability is any contractual obligation the Group has to deliver cash or other financial assets to an entity or person, or to exchange financial assets or financial liabilities under conditions that are potentially unfavorable for the Group. It is also an agreement that can or will be settled using equity instruments owned by the entity. Financial liabilities are recognized initially at fair value less the transaction costs directly attributable there to. Subsequently, these financial liabilities are measured at their amortized cost according to the effective interest method, using the rate determined initially, and charged to income as a financial expense.

Financial liabilities are derecognized from the consolidated balance sheet only when the obligations they generate have been discharged or when they are acquired with the intention of either settling them or reselling them.

2.21 Employee Benefits

Pursuant to International Accounting Standard IAS 19 – "Employee Benefits", the Group recognizes all forms of compensation afforded to employees in exchange for their services.

This compensation is divided into three types:

- Short-term Employee Benefits

These benefits include salaries, legally required and discretionary service bonuses, vacation paid, severance payments and interest on severance, vacation bonuses, and payroll tax contributions to Colombian government agencies, which are all paid within 12 months after the end of the period. These benefits are recognized on an accrual basis and are charged to the consolidated income statement.

- Post-employment Benefits

These are benefits the entities in the Group pay to their employees upon retirement or completion of their period of employment. They are different from dismissal compensation and, in line with Colombian labor law, they pertain to retirement pensions assumed directly by the entities in the Group, severance payable to employees who are subject to the labor regime that existed prior to Law 50 and certain extra-legal benefits or those agreed in collective labor conventions.

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

Variations in the liability due to changes in actuarial assumptions are recorded in equity in "Other Comprehensive Income".

Variations in actuarial liabilities due to changes in employment benefits granted to employees that have a retroactive effect are recorded as an expense on the earlier of the following dates:

a) When a modification of the granted employment benefit takes place.

b) When provisions for restructuring costs are recognized by a subsidiary or a business of the Company.

- Other Long-term Employee Benefits.

These include all employee benefits other than short-term employee benefits and employee work-contract termination benefits. In accordance with the collective conventions and regulations of each company these correspond primarily to seniority bonds.

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

- Termination Benefits

These benefits are payments the entities in the Group are required to make due to a unilateral decision on their part to terminate the employee's contract or a decision by the employee to accept an offer from the Group in exchange for terminating his or her employment contract. Under Colombian law, such payments relate to compensations and other benefits the entities unilaterally decide to grant their employees in these cases.

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

- Upon formal notification to the employee of the Company's/Group's decision to terminate the contract.
- When provisions for the cost of restructuring by a Group subsidiary or business that involves the payment of termination benefits are recorded, provided such provisions comply with the requirements for the recognition of provisions established in accordance with IAS 37 – "Provisions, Contingent Liabilities and Contingent Assets".

2.22 Income Tax

The income tax expense includes the current tax and deferred income tax. It is recognized in the consolidated income statement except for the part pertaining to the items recognized in the "Other Comprehensive Income" account. In this case, the tax is also recognized in that account.

Current income tax is calculated according to the tax laws that are in effect in Colombia at the close of an accounting period or in the country where any of the Group's subsidiaries are domiciled. The management of each of the Group regularly assesses the positions taken in tax returns with respect to situations in which the applicable tax laws are subject to interpretation and creates provisions, when appropriate, based on the amounts expected to be paid to the tax authorities.

Deferred taxes are recognized on the basis of temporary differences between the tax bases of the assets and liabilities and the amounts recognized in the consolidated financial statements. These differences result in amounts that are deductible or taxable when there are fiscal income or losses pertaining to future periods when the asset's carrying value is recovered or the liability is settled. However, deferred tax liabilities are not recognized if they are generated by the initial recognition of goodwill. A deferred tax is not entered on the books if it results from the initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, does not affect accounting or tax income or loss. Deferred tax is calculated using the tax rates that are in force on the balance sheet date and are expected to apply when the deferred tax asset is realized or when the deferred tax liability is offset.

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

Deferred tax liabilities are alloted provisions to cover temporary taxable differences. The only exception is for deferred tax liabilities associated with investments in subsidiaries, when the possibility to reverse the temporary difference is controlled by the Group, and will not likely be reversed in the near future. The Group does not usually have the ability to reverse temporary differences of investments in associates.

Deferred tax assets are recognized for deductible temporary differences in investments in subsidiaries, but only to the extent that the temporary difference is likely to be reversed in the future and if there is sufficient taxable income against which the temporary difference can be used.

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

2.23 Levies

Levies are recorded on the books as liabilities when the event occurs or when the Group performs an activity on which taxes must be paid, according to legislation that is in effect.

Pursuant to the above, an equity tax created by the Colombian Congress in late 2014, which is calculated over the equity of companies in Colombia, determined under fiscal rules as of January 1, every year since 2015 through 2018, is recorded on an annual basis as a liability when incurred and charged to income, according to the provisions outlined in IFRIC 21 on “Levies”.

2.24 Provisions

Provisions for environmental, dismantling and restoration, restructuring costs and legal claims are recognized when the Group has a current legal or constructive obligation to do so as a result of past events, when an outflow of resources likely will be required to settle the obligation, and when the amount has been reliably estimated. Restructuring provisions include lease termination penalties and employee termination payments.

When there are several similar obligations, the probability of a cash outflow being required is determined by considering the type of obligations as a whole. A provision is made, even if the likelihood of a cash outflow with respect to any item included in the same category of obligations is small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation, using a discount rate before taxes that reflects current market assessments of the value of money over time and the specific risks of the obligation. An increase in the provision due to the passage of time is recognized as an interest expense.

2.25 Revenues

Revenues are measured by the fair value of the compensation received or to be received, and represent amounts to be collected for goods delivered, net discounts, returns and the value added tax (VAT). The Group recognizes revenue when its amount can be measured reliably, when it is likely that future economic benefits will flow to the entity, and when the specific criteria for each of the Group’s activities have been met.

- Rendering Services

The Group provides a variety of services. 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 services 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.

- Customer Loyalty Program

The financial institutions and hotels in the Group operate a number of customer loyalty programs in which customers accumulate points for purchases made 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 rewards 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 rewards points is recognized when these points are redeemed.

- Income from commissions and fees

Commissions are recorded as income in the consolidated income statement.

This is done as follows:

- Commissions on banking services are recorded when the respective services are rendered.
- The annual commission on credit cards is recorded and amortized by the straight-line method during the useful life of the product.
- Commissions incurred when new loans are granted are deferred and taken to income during the term of the loan, net of costs incurred, using the effective interest method.
- Sales.

Revenue from the sale of goods or fixed assets of the Group’s subsidiaries that operate in the non-financial sector is recognized when the risks and returns of the product sold have been transferred to the buyer.

2.26 Basic and Diluted Net Income Per Share

Net income per share is calculated by dividing the net income for the period attributable to the Group’s shareholders by the weighted average number of common shares outstanding during the period. Diluted earnings per share are determined the same way, on the basis of net profit, but the weighted average number of shares outstanding is adjusted to account for the potential dilutive effect of stock options. The Group does not have financial instruments with potential voting rights.

2.27 Operating Segments

The Group separately discloses information on each of the operating segments that have been identified and exceed the quantitative thresholds set for an operating segment, as per IFRS 8.

- Their reported income from ordinary activities, including sales to external customers as well as inter-segment sales or transfers, is equal to or more than 10 percent of the revenue from the combined ordinary activities, both internal and external, of all the operating segments.
- The amount of their reported income is, in absolute terms, equal to or more than 10 percent of either of the following, whichever is greater: (i) the combined reported earnings of all the operating segments that might not have shown losses, and (ii) the combined reported losses of all the operating segments that might have shown a loss.
- Their assets are equal to or more than 10 percent of the combined assets of all the operating segments.

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

The information relating to other business activities of the operating segments that are not reportable is combined and disclosed in the "Others" category.

According to IFRS 8, an operating segment is a component of a unit that:

- Contracts business activities from which it may earn revenue and incur expenses (including revenue and expenses from transactions with other components of the same entity);
- Has its operating income reviewed regularly by the Chief Operating Decision Maker who makes decisions on resource allocation to the segment and assesses its performance; and
- Has discrete financial information available on said income.

2.28 New and Amended IFRSs

Below is a list of the new and amended standards that have been issued by the IASB and are effective for annual periods starting on or after January 1, 2016. Management is in the process of assessing the potential impact of these pronouncements on the Group's consolidated financial statements.

New or Amended Standard	Title of the Standard	Effective for Annual Periods On or After
Annual Improvements	Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations	January 1, 2016
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortization	January 1, 2016
Amendments to IAS 27	Equity Method in Separate Financial Statements	January 1, 2016
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Postponed
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception	January 1, 2016
Amendments to IAS 1	Disclosure Initiative	January 1, 2016
Amendments to IAS 7	Disclosure Initiative	January 1, 2017
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealized Losses	January 1, 2017
IFRS 15	Revenue from Contracts with Customers	January 1, 2018
IFRS 9	Financial Instruments	January 1, 2018
IFRS 16	Leases	January 1, 2019

Annual Improvements to IFRSs 2012-2014 Cycle were published in September 2014 and set out amendments to certain IFRSs. These amendments result from proposals made during the IASB's Annual Improvements process, which provides a vehicle for making non-urgent but necessary amendments to IFRSs.

The IFRSs amended and the topics addressed by these amendments are as follows:

Annual Improvements	Subject of Amendment
IFRS 5 Non-current Assets Held for Sale and Discontinued Operations	Changes in methods of disposal
IFRS 7 Financial Instruments: Disclosures	Servicing contracts and applicability of the amendments to IFRS 7 to condensed interim financial statements
IAS 19 Employee Benefits	Discount rate: regional market issue
IAS 34 Interim Financial Reporting	Disclosure of information 'elsewhere in the interim financial report'

Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Ventures were issued in May 2014 and add new guidance on how to account for the acquisition of an interest in a joint operation in which the activity constitutes a business, as defined in IFRS 3 Business Combinations.

Under these amendments, the acquirer of a joint operation that constitutes a business shall apply all of the principles on business combinations accounting in IFRS 3, and other IFRS, that do not conflict with the guidance in this IFRS and disclose the information that is required in those IFRS in relation to business combinations.

Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortization were issued in May 2014 and clarify that the use of revenue-based methods to calculate depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the assets.

These amendments also clarify that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset.

Amendments to IAS 27 Equity Method in Separate Financial Statements were issued in August 2014 and will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in the separate financial statements.

Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture were issued in September 2014 and address and acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

In December 2015 the IASB postponed the effective date of these amendments indefinitely pending the outcome of its research project on the equity method of accounting.

Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception was issued in December 2014, and introduces clarifications to the requirements when accounting for investment entities. These amendments clarify which subsidiaries of an investment entity are consolidated in accordance with IFRS 10 Consolidated Financial Statements, instead of being measured at fair value through income.

Amendments to IAS 1 Disclosure Initiative were issued in December 2014 and clarify that companies should use professional judgment in determining what information to disclose in the financial statements, and where and in what order information is presented in the financial disclosures.

Amendments to IAS 7 Disclosure Initiative were issued in January 2016 and clarify that companies should provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealized Losses were issued in January 2016 and clarify the requirements on recognition of deferred tax assets for unrealized losses, to address diversity in practice. Earlier application is permitted.

IFRS 15 Revenue from Contracts with Customers ("IFRS 15") was issued in May 2014. IFRS 15 provides a single, comprehensive revenue recognition model for all contracts with customers to improve comparability within industries, across industries, and across capital markets.

This standard contains principles that an entity will apply to determine the measurement of revenue and timing of when it is recognized. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. IFRS 15 is effective on January 1, 2018, with early adoption permitted. The Group is expected to be impacted to some extent by the significant increase in required disclosures. The Company's management is currently in the process of assessing the changes that are beyond disclosures, and the effect of the adoption of this standard regarding technology systems, processes, and internal controls to capture new data and address changes in financial reporting.

IFRS 9 Financial Instruments ("IFRS 9") addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39") that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at amortized cost and those measured at fair value. The determination is made at initial recognition. The basis of classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the financial asset. The guidance in IAS 39 on impairment of financial assets and hedge accounting continues to apply. For financial liabilities, this standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. Some amendments to IFRS 9 and IFRS 7 Financial Instruments: Disclosures ("IFRS 7") were issued in December 2011.

These amendments to IFRS 9 modify the mandatory effective date of this standard and the relief from restating prior periods, and also add transition disclosures to IFRS 7 that are required to be applied when IFRS 9 is first applied. The Company's management is currently evaluating the impact IFRS 9 will have on its consolidated financial statements and disclosures.

IFRS 16 Leases ("IFRS 16") was issued in January 2016 and replaces IAS 17 Leases. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. The major change introduced by IFRS 16 is that leases will be brought onto the companies' statements of financial position, increasing the visibility of their assets and liabilities. IFRS 16 removes the classification of leases as either operating leases or finance leases for the lessee, treating all leases as finance leases. Short-term leases (less than 12 months) and leases of low-value assets are exempt from the requirements. Early application of IFRS 16 is permitted as long as the IFRS 15 Revenue from Contracts with Customers is also applied.

The Company's management is currently evaluating the impact IFRS 16 will have on its consolidated financial statements and disclosures.

NOTE 3 – CRITICAL ESTIMATES AND JUDGMENT IN APPLYING ACCOUNTING POLICIES

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

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

Held-to-maturity financial assets

Management applies judgment in assessing whether financial assets can be categorized as held-to-maturity, in particular (a) its intention and ability to hold the assets to maturity and (b) whether the assets are quoted in an active market. If the Group fails to keep these investments to maturity other than in certain specific circumstances - for example, selling an insignificant amount close to maturity - it will be required to reclassify the entire class as available-for-sale. The investments would, therefore, be measured at fair value rather than amortized cost. If the entire class of held-to-maturity investments is tainted, the carrying amount would decrease by $29,510 as of December 31, 2015 (December 31, 2014: Increase by $13,477), with a corresponding entry in other comprehensive income.

An active market exists if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm’s length basis.

The Group considers a market for a particular financial instrument as active if trades in the instrument occur on more than 90% of the trading days.

Impairment of Available-for-sale Financial Assets

The Group determines that available-for-sale investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. For an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment. In this respect, the Group regards a decline in fair value in excess of 20% to be “significant” and a decline in a quoted market price that persisted for nine months or longer to be “prolonged”. In making this judgement, the Group evaluates, among other factors, the volatility in the security price. In addition, impairment may be appropriate when there is evidence of changes in technology or deterioration in the financial health of the investee, industry and sector performance, or operational or financing cash flows. Had all the declines in fair value below cost been considered significant or prolonged, the Group would suffer an additional impairment loss of $813,619 as of December 31, 2015 (December 31, 2014: $23,196), being a reclassification from other comprehensive income to profit or loss for the year.

Financial assets Impairment Provisions

According to IAS 39, the Group regularly reviews its loan portfolio for impairment. In determining if any impairment must be recorded against the year’s income, management judges whether or not there is observable data showing a decrease in the estimated cash flow from the loan portfolio before the decrease in said flow can be identified for a particular loan in the portfolio.

The process used to calculate the provision includes an analysis of specific, historical and subjective components. The methods used by the Group include the following:

- A regular, detailed analysis of the loan portfolio.
- A system of classifying loans according to risk levels.
- A regular review of the summary of loan-loss provisions.

- Identification of loans to be assessed individually for impairment.
- Consideration of internal factors such as our size, organizational structure, the structure of the loan portfolio, the loan management process, a trend analysis of non-performing loans and historical loss experiences.
- Consideration of the risks inherent in different types of loans.
- Consideration of external factors - both local, regional and national - as well as economic factors.

In the process of calculating impairment for loans deemed individually significant and all the financial assets classified as held to maturity based on the discounted cash flow method, the management of the Group makes assumptions as to the amount to be recovered from each customer and the time when it will be recovered. Any change in this estimate can generate significant changes in the value of the allowance that is established. In calculating impairment for and other financial assets at amortized cost considered to be individually significant, based on their collateral, management estimates the fair value of that collateral with the help of independent appraisals. In turn, any variation in the price ultimately obtained in recovering the collateral can prompt significant changes in the value of the impairment.

In turn, any variation in the price ultimately obtained in recovering the collateral can prompt to significant changes in the value of the impairment.

In the process of calculating collective impairments, provisions for loans that are not considered individually or those individually significant loans that are not impaired and are assessed collectively for impairment, the historic loss rates used in the process are regularly updated to include the most recent data that reflect current economic conditions, trends in industry performance, geographic concentrations or concentrations of borrowers within each portfolio segment, and any other relevant information that could affect estimation of the loan impairment provision. Many factors can affect estimates of the provisions for losses on loans granted by the Group, including volatility in the probability of impairment, migration and estimates of the severity of the losses.

To quantify the losses incurred in collectively assessed portfolios, the Group has calculation methods that take into account four main factors; namely, exposure, probability of default, the loss identification period and the severity of the loss.

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

  In the specific case of loan default (more than 90 days past due), the assigned PD is 100%. A loan is rated as impaired when it is 90 days or more past due, as well as in cases where, even without default, there are doubts about the counterpart’s solvency (loans subjectively considered bad debts).
- The loss identification period (LIP) refers to the time elapsed between the occurrence of the event that generates a certain loss and the time that loss becomes clearly evident at the individual level. LIPs are analyzed based on loans with similar risk.
- Loss given default (LGD) is the estimated loss in the event of default. It depends mainly on the characteristics of the counterpart and the valuation of the collateral associated with the transaction.

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

The following table shows sensitivity analysis of the most important variables that affect calculation of the loan impairment provision, on a variation of 100 basis points.

	December 31, 2015			
	Sensitivity		Increase	Decrease
Loans assessed individually:				
Probability of default on estimated future cash flows	10%	$	117,643	(148,217)
Loans assessed collectively:				
Probability of default	10%		92,632	(93,536)
Severity of the estimated loss	10%		82,756	(83,660)
Loss identification period	1 month	$	103,876	(104,780)

	December 31, 2014			
	Sensitivity		Increase	Decrease
Loans assessed individually:				
Probability of default on estimated future cash flows	10%	$	114,788	(144,888)
Loans assessed collectively:				
Probability of default	10%		81,528	(82,440)
Severity of the estimated loss	10%		72,184	(73,096)
Loss identification period	1 month	$	91,554	(92,466)

Fair Value of Financial Instruments

The fair values of financial instruments are estimated according to the fair value hierarchy, classified in three levels that reflect the significance and level of inputs used in this measurement.

Information on the fair values of financial instruments classified by levels using observable data for levels 1 and 2 and non-observable data for level 3 is provided in Note 5.

Establishing what constitutes “observable” date requires a significant judgment by the Group.

IFRS considers observable data as market data that are already available, which are regularly updated or distributed, reliable and verifiable and reflect the assumptions that the market players would use to fix the price of the asset or liability.

Deferred Income Tax:

The Group evaluates the possibility of recovering deferred income tax assets over time. These tax assets represent income taxes that can be recovered through future deductions from taxable income, and are recorded in the statement of financial position. Deferred income 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 a prudent measure in terms of determining the realization of deferred taxes, the financial and tax projections of each subsidiary in the Group were developed by considering only a consistent growth rate of 3% annually in projected inflation over five years.

At December 31, 2015 and 2014, the Group’s management estimates that the deferred income tax asset items would be recoverable, based on its estimates of future taxable profits. No deferred tax liabilities have been registered on the profits of its subsidiaries that the Group does not expect to bring in any time soon, because it controls the dividend policy of the subsidiaries and does not intend to distribute dividends or to sell these investments in the near future. See Note 19.

Fair Value of Biological Assets:

Fair value of the Group's biological assets in long-term crops is determined based on reports prepared internally by the Group's companies and by experts in the development of such crops, as well as the preparation of valuation models. Due to the nature of these crops and the absence of data on comparable markets, the fair value of these assets is determined based on models of discounted cash flow of the net future cash flows for each crop, considering the estimated future amounts of produce to be harvested, the current prices of that produce and the estimated cost of its harvest and maintenance, discounted by risk-free interest rates adjusted according to the risk premiums required under these circumstances. The main assumptions used to determine the fair value of biological assets and an analysis of their sensitivity are included in Note 15.

Initial Recognition of Transactions with Related Parties:

The Group enters into transactions with related parties in the normal course of its business. IAS 39 - Financial Instruments recognizing and measurement requires initial recognition of financial instruments based on their fair value. Judgment is applied in determining whether or not transactions are carried out at market rates of interest when there is no active market for such transactions.

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

Goodwill Impairment:

The Group's management evaluates impairment of the goodwill recorded on its consolidated financial statements, on an annualy basis at November 30, 2015, 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 and in accordance with IAS 36 - Impairment of Assets.

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

The assumptions used for the valuations are outlined in Note 16.

Estimate for Provision:

The Group calculates and records an estimate for provision to cover possible losses in labor, civil and commercial judgments and tax assessments or others, depending on the circumstances, which in the opinion of external legal counsel and / or in-house counsel are considered a probable loss and can be reasonably estimated. Given the nature of many of the complaints, cases and / or processes, it sometimes is not possible to arrive at an accurate prognosis or to quantify the amount of loss reasonably. Accordingly, the actual amount of the payments made for claims, cases and / or processes is consistently different from the amounts estimated and provisioned originally. These differences are recognized in the year when they are identified. See Note 28.

Post-Employment Plan:

The measurement of post – employment plans is dependent on a wide variety of long-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 urban wage and demographic experience.

These assumptions can have an effect on the amount and on future contributions, if there is a variation.

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

The Group uses other key assumptions for valuing actuarial liabilities, which are calculated based on the specific experience of the Group, combined with published statistics and market indicators (see Note 22, which describes the most important assumptions used in the actuarial calculations and respective sensitivity analyses).

NOTE 4 – RISK MANAGEMENT

Banco de Bogotá and its financial sector subsidiaries such as Grupo BAC Credomatic, including its subsidiaries in Central America, Corporación Financiera Colombiana (Corficolombiana), Administradora de Fondos de Pensiones y Cesantías Porvenir and Fiduciaria Bogotá, among others, manage risk pursuant to the applicable regulations in each country and the Group's internal policies.

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

Risk Management: Objective and General Guidelines

The Group's objective is to maximize returns for its investors, through proper risk management. The guiding principles of risk management of the Group have been the following:

a) Security and continuity plans in the services being offered to the clients.

b) Make risk management a part of every institutional process.

c) Collective decision making for commercial lending at the Board of Directors.

d) Extensive and in-depth market knowledge, as a result of our leadership and our experienced, stable and seasoned senior manager.

e) Clear risk policies based on a top-down approach with respect to:

- Compliance with know-your-customer policies.
- Commercial loans credit structured based on a clear identification of sources of repayment and on cash flow the cash flow generating capacity if the borrower.

f) Use common credit analysis tools and loan pricing tool across the Group's subsidiaries.

g) Diversification of the commercial loan portfolio with respect to industries and economic groups.

h) Specialization in consumer products niches.

i) Extensive use of continuity updated credit rating and scoring models to ensure the growth of high credit quality consumer lending.

j) Conservative policies in terms of:

- Trading portfolio competition with bias toward instruments, with lower volatility.
- Proprietary trading.
- The variable remuneration for the trading staff.

Risk Culture

The Group's risk culture is based on the principles indicated in the section above and they are transmitted to all the business and management units and they are supported, among other things, by the following drivers:

a) In every entity in the Group, the risk function is independent of the business units.

b) The structure of delegation of powers within the Group requires that a 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.

c) The Group has detailed manuals and policies for risk management. The business and risk groups of the Group hold regular orientation meetings based on approaches to risk that are consistent with the Group's risk culture.

d) Risk limit plan: The Group has implemented a risk limit system that is updated on a regular basis to address new conditions in the markets and the risks to which they are exposed.

e) There are adequate information systems to monitor risk exposure on a recurring basis, so as to ensure the approval limits are systematically met and, if necessary, to take the proper corrective action.

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

g) The Group offers adequate, permanent training courses on risk culture. These courses are given at every level within the organization. It also has remuneration plans for certain employees, depending on their adherence to the risk culture.

Corporate Structure of the Risk Function

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

- Board of Directors.
- Risk committees.
- Risks vice president.
- Risk management administrative processes.
- Internal Auditing Department.

Board of Directors

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

- Define and approve the general policies and strategies related to the internal control system for risk management.
- Approve the entity's policies in relation to the management of different risks.
- Approve trading and counterparty limits, according to defined attributions.
- Approve exposure and limits for different types of risks.
- Approve different procedures and methodologies for risk management.
- Approve the allocation of human, physical and technical resources for risk management.
- Indicate the responsibility and attributes assigned to the different positions and areas in charge of risk management.
- Create the committees that are needed to ensure the proper organization, control and monitoring of operations that generate risk exposure, and define the duties of such committees.
- Approve internal control systems for risk management.
- Require management of the Group to submit different periodic reports on the levels of exposure to various risks.
- Evaluate recommendations and corrective actions proposed for risk management processes.
- Require a variety of periodic reports from management on the levels of exposure to different risks.
- Conduct monitoring and follow-up at regular board meetings, based on periodic risk-management reports submitted by the Audit Committee and on measures taken to control or mitigate the more relevant risks.
- Approve the nature and scope of the strategic business and markets where the Group will operate.

Risk Committees

The Group has credit-risk and treasury committees, among others, integrated by members of the Board of Directors, and those committees. The Board regularly discusses, measures, controls and analyzes credit-risk management (SARC – Spanish acronym) and treasury risk (SARM – Spanish acronym) within the Group. There is also an assets and liability committee in order to analyze and take decisions regarding the management of assets, liabilities and liquidity through the Liquidity Risk Management System (SARL – Spanish acronym).

The Audit Committee handles analysis and monitoring of the Operational Risk and Business Continuity Management System (SARO-PCN – Spanish acronym). The duties of these committees include the following, among others things:

a) Proposing to the Board of Directors of the respective entity the suitable policies for managing the risks that concern each committee and the business processes and methodologies in that respect.

b) Reviewing systematically the entity's exposure to risk and taking the corrective actions they deem necessary.

c) Ensuring that the actions taken by each business unit in relation to risk management are consistent with previous defined levels of risk appetite.

d) Approving the decisions that are within the attributes established for each committee by the Board of Directors.

The following is a description of the risk committees:

i. General Risk Management Committee

The objective of this committee is to establish policies, procedures and strategies for comprehensive management with respect to credit, market, liquidity, operational, money laundering and terrorism financing risks.

Its main duties involve:

- Measuring the entity's comprehensive risk profile.
- Designing systems to monitor and follow up on levels of exposure to the different risks the entity faces.
- Reviewing and proposing to the Board of Directors the level of tolerance and degree of exposure to risk the entity is willing to assume in the course of its business. This implies evaluating alternatives to align risk appetite in the various risk management systems.
- Assessing the inherent risks in new markets, products, segments and countries, among others.

ii. Credit and Treasury Risk Committee

The purpose of this committee is to discuss, measure, control and analyze credit risk management (SARC) and treasury risk management (SARM). Its primary duties involve:

- Monitoring the credit and treasury risk profile to ensure the level of risk remains within established parameters, pursuant to the entities risk limits and policies.
- Evaluating incursion into new markets and new products.
- Assessing policies, strategies and rules of procedure in commercial activities with respect to both treasury and loan operations.
- Ensuring that risk management and measurement methodologies are appropriate, given the characteristics and activities of the entity.

iii. Assets and Liabilities Committee

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

Its main duties include:

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

iv. Audit Committee

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

Its main duties include:

- Proposing to the Board of Directors, for its approval, the structure, procedures and methods required for the Internal Control System to operate.
- Proposing to the Board of Directors, for its approval, the structure, procedures and methods required for the Internal Control System.
- Assessing the entity's internal control structure to determine if the designed internal control procedures reasonably protect its assets and the third-party assets it manages has custody of.
- Verify whether there are internal controls are in place to ensure that transactions are properly authorized and recorded. For such purpose, the Statutory Auditor, the Auditing Department and the areas responsible for managing the different risk systems submit compulsory periodic reports to the Committee, along with any others that might be required.
- Monitoring risk exposure levels, implications for the entity, and the measures taken to control and mitigate risk.

Credit Risk Vice Presidency

The duties of the credit risk Vice President are the following, among others.

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

Administrative Processes for Risk Management

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

Internal Auditing Department

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

Their reports are submitted directly to the risk and audit committees, which are in charge of monitoring the Group management in terms of the corrective measures taken.

Grupo BAC Credomatic

Leasing Bogotá Panama consolidates with Grupo BAC Credomatic, whose main operations are in Central America. Grupo BAC Credomatic has its own policies, purposes and procedures for risk management.

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

With regard to credit risk management, BAC has a centralized structure headed by a national risk director who reports to the CEO of BAC. In turn, the CEO leads the Regional Credit Committee, which is responsible for establishing applicable growth strategies, policies and procedures, pursuant to each country's level of risk.

Although the local risk management units report to the CEO of the entity in each country, compliance with policies and procedures is reported to the Regional Risk Director.

In terms of market risk, BAC has a regional unit to manage policy concerning investment and the management of assets and liabilities. It establishes guidelines to determine country and counterparty risk limits, limits on monetary positions in foreign currency and guidelines on how to manage liquidity, interest rate and exchange risks.

The establishment of regional risk management policies is the responsibility of the Regional Assets and Liabilities Committee, which is made up of BAC Board Members.

Individual Risk Analysis

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

Financial risks include market risk (trading and price risks, as described below) and structural risks stemming from the composition of the assets and liabilities on the balance sheet. These include the credit, foreign exchange rate, liquidity and interest rates risks.

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

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

The same applies to the Group that is dedicated to the cultivation of biological assets. Other entities in different economic sectors are primarily exposed to operational and legal risks.

An analysis of each of the aforementioned risks, in order of importance, is provided below. These risks are managed separately by the Bank and each of its subsidiaries of the Group. Unless otherwise indicated, Banco de Bogotá's risks consolidate the risk information on BAC Credomatic Group.

4.1 Credit Risk

4.1.1 Consolidated Credit Risk Exposure

The Group is exposed to credit risk, which consists of the debtor causing a financial loss by not fulfilling its obligations in a timely manner and in the full amount of the debt. The Group and its subsidiaries are exposed to credit risk as a result of their loan activities and transactions with counterparties that give rise to financial assets.

Pursuant to IFRS 7, the Group's maximum exposure to credit risk at the consolidated level is reflected in the book value of the financial assets listed in the consolidated statement of the Group's financial position at December 31, 2015 and 2014 and January 1, 2014, as indicated below:

Account		December 31, 2015	December 31, 2014	January 1, 2014
Assets				
Deposits in banks other than the Central Bank of Colombia (Banco de la República)	$	12,575,589	8,297,213	5,404,800
Financial instruments held for trading				
Government		1,916,873	1,010,715	3,033,875
Financial entities		478,362	880,385	614,243
Other sectors		82,229	129,325	167,887
		2,477,464	2,020,425	3,816,005
Financial instruments available for sale				
Government		8,262,530	6,657,331	6,327,513
Financial entities		2,991,259	2,465,482	1,752,064
Other sectors		677,500	964,082	845,495
		11,931,289	10,086,895	8,925,072
Other financial assets at fair value through profit or loss		1,891,692	1,738,599	1,565,709
Trading and hedging derivatives		719,202	888,866	172,641
Financial instruments held to maturity				
Government		1,178,022	1,283,650	1,518,268
Financial entities		52,942	0	0
Other sectors		8,953	12,426	26,628
		1,239,917	1,296,076	1,544,896
Loan portfolio				
Commercial		60,609,310	47,809,186	41,300,100
Consumer		24,490,342	18,418,745	14,476,925
Mortgage loans		10,627,866	7,610,873	5,488,358
Microcredit		385,639	353,025	333,499
		96,113,157	74,191,829	61,598,882
Other accounts receivable		3,313,986	2,730,518	2,050,680
Total financial assets with credit risk		**130,262,296**	**101,250,421**	**85,078,685**
Off-balance sheet credit risk instruments at their face value				
Financial collateral and guarantees		3,702,090	5,017,758	2,581,515
Credit limits		16,768,919	11,880,724	5,500,762
Total exposure to off-balance sheet credit risk		**20,471,009**	**16,898,482**	**8,082,277**
Total maximum exposure to credit risk	$	**150,733,305**	**118,148,903**	**93,160,962**

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

The impact of netting assets and liabilities to potentially reduce exposure to credit risk is not significant. For guarantees and commitments to extend the amount of a loan, the maximum exposure to credit risk is the amount of the commitment. The credit risk is mitigated by guarantees and collateral, as described below:

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

In most cases, maximum exposure to credit risk for each of the Group is reduced by collateral and other credit enhancements, which lower the Group's credit risk. The existence of collateral can be a necessary measure; however, in and of itself, collateral is not enough to accept credit risk. At the group level, collateralized loans account for 42.7% of total exposure at December 31, 2015 (39.7% at December 31, 2014 and 38.0% at January 1, 2014), including commercial and personal loans. This percentage is higher in mortgages and commercial loans whereas consumer loans are not generally collateralized.

The Group's credit risk policies require an assessment of the debtor's ability to pay and its capacity to generate sufficient sources of funding to allow for debt amortization.

The policy on credit risk acceptance is, therefore, organized at three different levels within each of the Group's entities.

- Financial risk analysis: There are different credit-risk assessment models, such as the financial-rating models for commercial loans. These models are based on the customer's financial information and its financial history with the Group or with the financial system in general.
- There also are scoring models for massive portfolios (consumption, housing and microcredit); these are based on information regarding behavior towards the entity and the system, as well as socio-demographic and customer profile variables. Additionally, an analysis of the financial risk of the operation is performed based on the debtor's ability to pay or to generate funds for significant individual loans.
- The procurement of adequate collateral with enough value-to-loan ratio according to the credit policies of each bank, in accordance with the risk assumed and in any form, such as personal collateral, cash deposits, investments securities and Residential mortgage real estate guarantees.
- Assessment of the liquidity risk of received collateral.

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

The details of the loan portfolio according to the type of collateral received at December 31, 2015, December 31, 2014 and January 1, 2014 on loans granted by the Group at the consolidated level are as follows:

		December 31, 2015					
		Commercial	Consumer	Residential mortgage	Microcredit	Finance leases(1)	Total
Unsecured loans	$	34,593,684	20,224,703	1,027	261,742	0	55,081,156
Loans secured by other banks		6,708	0	0	0	0	6,708
Collateralized loans:							
Mortgages		2,977,880	57,156	10,182,210	7,384	79,656	13,304,286
Other real estate		7,596,256	769,908	0	0	583,853	8,950,017
Deposits in cash or cash equivalents		2,820,012	161,739	1,826	115,009	11,381	3,109,967
Other assets		8,715,994	3,099,787	218,677	1,504	3,625,061	15,661,023
Total gross loan portfolio	$	**56,710,534**	**24,313,293**	**10,403,740**	**385,639**	**4,299,951**	**96,113,157**

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

		December 31, 2014					
		Commercial	Consumer	Residential mortgage	Microcredit	Finance leases(1)	Total
Unsecured loans	$	28,004,638	15,396,412	0	226,261	0	43,627,311
Loans secured by other banks		1,073,070	584	0	0	0	1,073,654
Collateralized loans:							
Mortgages		2,462,869	49,523	7,386,701	5,195	546,480	10,450,768
Other real estate		4,304,229	453591	0	0	6,386	4,764,206
Deposits in cash or cash equivalents		181,458	1,519,957	0	0	519,176	2,220,591
Other assets		8,528,454	939,913	48,386	121,569	2,416,977	12,055,299
Total gross loan portfolio	$	**44,554,718**	**18,359,980**	**7,435,087**	**353,025**	**3,489,019**	**74,191,829**

		January 1, 2014					
		Commercial	Consumer	Residential mortgage	Microcredit	Finance leases(1)	Total
Unsecured loans	$	24,262,486	12,237,719	628	221,600	0	36,722,433
Loans secured by other banks		1,458,574	255	0	0	0	1,458,829
Collateralized loans:							
Mortgages		1,800,567	42,438	5,392,239	6,173	322,506	7,563,923
Other real estate		3,324,597	305134	0	0	4,293	3,634,024
Deposits in cash or cash equivalents		41,964	1,111,459	0	0	368,127	1,521,550
Other assets		7,449,404	772,428	11,417	105,726	2,359,148	10,698,123
Total gross loan portfolio	$	**38,337,592**	**14,469,433**	**5,404,284**	**333,499**	**3,054,074**	**61,598,882**

(1) See Note 11.

4.1.3 Policies to Prevent Excessive Credit-Risk Concentration

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

The limit to the Group's exposure in a loan commitment to a specific customer depends on the customer's risk rating, the nature of the risk involved, and the Group presence in a specific market.

To avoid concentrations of credit risk at the consolidated level, the Group has a credit-risk vice presidency that consolidates and monitors risk exposure for all the business units, while the Board of Directors sets Group-level policies and ceilings on consolidated exposure.

By law, banks in Colombia are not permitted to grant individual loans without collateral that exceeds 10% of their regulatory equity, calculated according to the rules established for this purpose by the Office of the Financial Superintendency However, these loans may be up to 25% of the bank's regulatory capital, if they are secured with acceptable guarantees. The Group has complied successfully with this requirement. For the balance sheet ending at 31 December 2015, the top 10 debtors account for 5.8% of total exposure (5.5% at December 31, 2014 and 6.8% at January 1, 2014).

The following is a breakdown of Group-wide credit risk in the different geographic areas at December 31, 2015 and 2014 and January 1, 2014, determined according to the debtor's country of residence but not considering the debtor credit-risk impairment provisions that were established.

		December 31, 2015					
		Commercial	Consumer	Residential mortgage	Microcredit	Finance leases (1)	Total
Colombia	$	32,436,712	9,327,886	1,743,049	385,639	3,503,858	47,397,144
Panama		4,992,385	4,289,764	1,960,577	0	134017	11,376,743
United States		4,502,870	0	0	0	0	4,502,870
Costa Rica		3,633,823	4,027,535	3,531,120	0	619,956	11,812,434
Nicaragua		2,052,071	1,143,589	378,183	0	9,224	3,583,067
Honduras		2,413,876	1,501,950	732,554	0	3,591	4,651,971
El Salvador		1,457,405	1,874,399	894,710	0	17,122	4,243,636
Guatemala		4,668,546	1,986,054	1,163,547	0	12,183	7,830,330
Other countries		552,846	162,116	0	0	0	714,962
Total gross loan portfolio	$	56,710,534	24,313,293	10,403,740	385,639	4,299,951	96,113,157

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

		December 31, 2014					
		Commercial	Consumer	Residential mortgage	Microcredit	Finance leases (1)	Total
Colombia	$	28,039,081	8,441,184	1,297,518	353,025	2,923,998	41,054,806
Panama		4,114,217	1,999,896	1,476,053	0	134,817	7,724,983
United States		3,150,112	0	0	0	0	3,150,112
Costa Rica		1,999,431	2,848,220	2,314,637	0	399,240	7,561,528
Nicaragua		1,280,413	816,097	268,672	0	5,539	2,370,721
Honduras		1,480,994	1,139,212	561,898	0	1,736	3,183,840
El Salvador		912,424	1,540,881	652,926	0	13,590	3,119,821
Guatemala		2,812,223	1,443,917	863,383	0	6,818	5,126,341
Other countries		765,823	130,573	0	0	3,281	899,677
Total gross loan portfolio	$	**44,554,718**	**18,359,980**	**7,435,087**	**353,025**	**3,489,019**	**74,191,829**

		January 1, 2014					
		Commercial	Consumer	Residential mortgage	Microcredit	Finance leases (1)	Total
Colombia	$	24,774,780	7,321,698	760,498	333,499	2,652,767	35,843,242
Panama		3,211,597	1,610,220	1,131,680	0	81,140	6,034,637
United States		2,820,365	0	0	0	0	2,820,365
Costa Rica		1,335,806	2,116,428	1,645,014	0	290,781	5,388,029
Nicaragua		942,072	558,119	210,588	0	4,668	1,715,447
Honduras		1,139,516	805,486	450,504	0	0	2,395,506
El Salvador		702,271	970,454	514,274	0	13,675	2,200,674
Guatemala		2,287,586	966,534	691,726	0	6,491	3,952,337
Other countries		1,123,599	120,494	0	0	4,552	1,248,645
Total gross loan portfolio	$	**38,337,592**	**14,469,433**	**5,404,284**	**333,499**	**3,054,074**	**61,598,882**

(1) See Note 11.

The following is a breakdown of the Group's loan portfolio, by economic sector, at December 31, 2015 and 2014 and January 1, 2014

		December 31, 2015						
Sector		Commercial	Consumer	Microcredit	Residential mortgage	Finance Leases(1)	Total	% Share
Agriculture, livestock, hunting, forestry and fishing	$	2,409,035	166,896	26,495	19,601	146,528	2,768,555	3%
Capital investor		112,756	272,588	2,983	52,543	35,029	475,899	0%
Salaried Employee		430,828	21,279,065	36,535	9,839,582	368,781	31,954,791	33%
Mining and quarrying		1,487,815	9,223	323	2,388	95,848	1,595,597	2%
Manufacturing industries		9,939,367	152,835	42,995	28,990	750,299	10,914,486	11%
Supply of electricity, gas, steam and air conditioning		3,572,031	546	81	98	13,810	3,586,566	4%
Water distribution; wastewater evacuation and treatment, waste management and environmental sanitation activities		175,283	5,362	1,402	516	28,947	211,510	0%
Construction		4,186,479	94,337	3,815	17,097	275,935	4,577,663	5%
Wholesale and Retail; Automobile and motorcycle repair		10,623,670	658,990	188,518	115,413	690,557	12,277,148	13%
Transport, storage		3,994,255	299,984	14,432	53,718	666,678	5,029,067	5%
Lodging and catering services		884,588	68,802	23,445	13,483	61,318	1,051,636	1%
Information and communications		1,258,648	23,118	3,333	5,319	69,411	1,359,829	1%
Financial and insurance activities		7,846,769	27,329	154	4,651	123,156	8,002,059	9%
Real estate activities		2,837,021	30,948	599	5,507	199,972	3,074,047	4%
Professional, scientific and technical activities		1,944,046	648,126	23,493	194,633	155,901	2,966,199	3%
Administrative services and support activities		1,142,145	34,105	3,849	6,475	168,303	1,354,877	1%
Public administration and defense; social security plans with mandatory enrollment		1,178,404	0	6	0	1,111	1,179,521	1%
Education		435,128	20,046	860	6,237	45,421	507,692	1%
Human health care and social assistance activities		694,220	73,028	1,018	28,912	302,675	1,099,853	1%
Artistic, entertainment and recreational activities		79,863	158,398	1,175	1,644	15,478	256,558	0%

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

Sector		December 31, 2015 Commercial	Consumer	Microcredit	Residential mortgage	Finance Leases(1)	Total	% Share
Other service activities		1,426,356	288,886	10,088	6,933	84,793	1,817,056	2%
Activities of individual households as employers		2,725	491	13	0	0	3,229	0%
Activities of extraterritorial organizations and entities		49,102	190	27	0	0	49,319	0%
Total by economic sector	$	**56,710,534**	**24,313,293**	**385,639**	**10,403,740**	**4,299,951**	**96,113,157**	**100%**

Sector		December 31, 2014 Commercial	Consumer	Microcredit	Residential mortgage	Finance Leases(1)	Total	% Share
Agriculture, livestock, hunting, forestry and fishing	$	1,604,205	155,604	20,883	13,286	136,681	1,930,659	3%
Capital investor		118,729	240,125	2,738	42,968	30,347	434,907	1%
Salaried Employee		560,851	15,556,376	36,053	7,054,378	317,787	23,525,445	32%
Mining and quarrying		1,354,482	8,299	190	744	122,212	1,485,927	2%
Manufacturing industries		8,699,028	137,209	37,867	21,647	613,047	9,508,798	13%
Supply of electricity, gas, steam and air conditioning		2,865,922	308	56	0	26,270	2,892,556	4%
Water distribution; wastewater evacuation and treatment, waste management and environmental sanitation activities		128,556	4,219	1,263	405	17,774	152,217	0%
Construction		3,685,686	81,692	3,513	13,479	317,158	4,101,528	6%
Wholesale and Retail; Automobile and motorcycle repair		9,630,228	577,945	175,358	82,737	553,060	11,019,328	15%
Transport, storage		2,890,109	253,322	14,194	42,766	410,149	3,610,540	5%
Lodging and catering services		701,519	60,489	21,167	9,181	42,798	835,154	1%
Information and communications		970,283	20,646	2,758	3,940	50,753	1,048,380	1%
Financial and insurance activities		3,487,992	7,832	134	2,344	25,400	3,523,702	5%
Real estate activities		2,014,485	27,396	466	4,992	160,795	2,208,134	3%
Professional, scientific and technical activities		1,481,976	608,773	22,217	101,791	132,734	2,347,491	3%
Administrative services and support activities		672,427	28,284	2,811	4,925	82,350	790,797	1%
Public administration and defense; social security plans with mandatory enrollment		996,436	0	0	0	2,571	999,007	1%
Education		313,957	18,490	863	6,103	42,127	381,540	1%
Human health care and social assistance activities		547,078	63,634	900	23,956	223,709	859,277	1%
Artistic, entertainment and recreational activities		130,712	116,611	1,157	919	17,746	267,145	0%
Other service activities		1,624,377	392,045	8,390	4,526	162,310	2,191,648	3%
Activities of individual households as employers		35	570	27	0	0	632	0%
Activities of extraterritorial organizations and entities		75,645	111	20	0	1241	77,017	0%
Total by economic sector	$	**44,554,718**	**18,359,980**	**353,025**	**7,435,087**	**3,489,019**	**74,191,829**	**100%**

Sector		January 1, 2014 Commercial	Consumer	Microcredit	Residential mortgage	Finance Leases(1)	Total	% Share
Agriculture, livestock, hunting, forestry and fishing	$	1,394,286	145,196	18,079	7,086	93,628	1,658,275	3%
Capital investor		93,321	211,694	2,096	26,244	26,691	360,046	1%
Salaried Employee		928,234	11,904,335	36,306	5,204,745	164,262	18,237,882	30%
Mining and quarrying		1,229,877	8,127	181	542	113,263	1,351,990	2%
Manufacturing industries		7,750,498	118,035	32,518	11,622	560,025	8,472,698	14%
Supply of electricity, gas, steam and air conditioning		1,986,194	291	60	0	98,062	2,084,607	3%
Water distribution; wastewater evacuation and treatment, waste management and environmental sanitation activities		147,180	3,866	1,031	63	10,259	162,399	0%
Construction		3,301,071	66,302	3,673	7,618	346,964	3,725,628	6%
Wholesale and Retail; Automobile and motorcycle repair		7,358,176	721,284	170,189	45,605	439,879	8,735,133	14%
Transport, storage		2,537,214	229,355	15,722	21,289	423,801	3,227,381	5%
Lodging and catering services		576,204	51,868	20,272	3,276	32,170	683,790	1%

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

Sector		January 1, 2014						
		Commercial	Consumer	Microcredit	Residential mortgage	Finance Leases(1)	Total	% Share
Information and communications		846,208	16,459	2,501	2,286	43,247	910,701	1%
Financial and insurance activities		3,228,135	6,371	133	466	26,934	3,262,039	5%
Real estate activities		1,411,235	23,404	533	2,708	110,768	1,548,648	3%
Professional, scientific and technical activities		1,034,930	518,460	18,059	48,184	101,000	1,720,633	3%
Administrative services and support activities		561,789	20,983	1,969	1,325	76,651	662,717	1%
Public administration and defense; social security plans with mandatory enrollment		939,865	0	0	0	4,421	944,286	3%
Education		248,853	16,848	828	3,858	37,076	307,463	0%
Human health care and social assistance activities		520,599	49,127	854	15,112	178,903	764,595	1%
Artistic, entertainment and recreational activities		99,186	49,589	1,046	281	13,410	163,512	0%
Other service activities		1,979,353	307,293	7,440	1,974	151,660	2,447,720	4%
Activities of individual households as employers		23	518	9	0	0	550	0%
Activities of extraterritorial organizations and entities		165,161	28	0	0	1,000	166,189	0%
Total by economic sector	$	**38,337,592**	**14,469,433**	**333,499**	**5,404,284**	**3,054,074**	**61,598,882**	**100%**

(1) See Note 11.

4.1.4 Sovereign Debt

Investments in financial assets in debt instruments at December 31, 2015 and 2014 and January 1, 2014 consisted largely of securities issued or guaranteed by Colombian government institutions, represented 57.1%, 52.2% and 63.4% respectively of the total investment portfolio.

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

		December 31, 2015		December 31, 2014		January 1, 2014	
		Amount	Share	Amount	Share	Amount	Share
Investment grade (1)	$	**7,419,105**	**83.10%**	**5,934,976**	**84.80%**	**7,989,797**	**88.30%**
Brazil		0	0.00%	7,450	0.10%	6,347	0.10%
Colombia		6,888,473	77.10%	5,496,764	78.60%	7,795,909	86.00%
Mexico		0	0.00%	0	0.00%	5,946	0.10%
Panama		496,534	5.60%	379,857	5.40%	140,703	1.60%
USA		34,098	0.40%	50,905	0.70%	40,892	0.50%
Speculative (2)		**1,511,189**	**16.90%**	**1,065,627**	**15.20%**	**1,063,497**	**11.70%**
Barbados		0	0.00%	0	0.00%	4,328	0.00%
Costa Rica		846,785	9.50%	565,844	8.10%	435,335	4.80%
El Salvador		134,888	1.50%	49,396	0.70%	115,467	1.30%
Guatemala		106,343	1.20%	126,628	1.80%	291,756	3.20%
Honduras		421,660	4.70%	322,080	4.60%	214,702	2.40%
Nicaragua		1,513	0.00%	1,679	0.00%	1,909	0.00%
Total sovereign risk		**8,930,294**	**100.00%**	**7,000,603**	**100.00%**	**9,053,294**	**100.00%**
Others (3)		6,718,376		6,402,793		5,232,679	
Total financial assets in debt securities	$	**15,648,670**		**13,403,396**		**14,285,973**	

(1) Investment grade includes F1 + F3 credit ratings from Fitch Ratings Colombia S.A., BRC 1+ to BRC 3 from BRC de Colombia, and A1 to A3 from and Standard & Poor's.

(2) Speculative Grade includes B to E credit ratings from Fitch Ratings Colombia S.A., BRC4 to BRC 6 from BRC de Colombia, and B1 to D from and Standard & Poor's.

(3) Corresponds to other debt securities with Corporate, Central Banks, Financial institutions, other public and multilateral entities.

4.1.5 The Loan Business Process Credit Units And Limits

The Group assumes credit risk on two ways. One involves lending activity, which includes commercial, consumer, residential 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.

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

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

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

The boards of directors of the Group and each of its subsidiaries have delegated part of their lending authority to different areas and executives within the organization, process loan applications and are responsible for analysis, monitoring and results.

In terms of treasury operations, it is the boards of directors that approve operational and counterparty limits. Risk control is carried out essentially through three mechanisms: annual allocation of operational limits and daily control; quarterly assessment of solvency by issuer; and reporting on the concentration of investments, by economic group. Loan approval also hinges on considerations such as probability of default, counterparty limits, and recovery rate on received collateral, loan terms and concentration by economic sectors, among others.

The Group has a Credit Risk Management System (SARC, Spanish acronym), which is run by the Credit and Treasury Risk Management Office. Among other aspects, SARC focuses on designing, implementing and assessing the risk policies and tools defined by the Credit and Treasury Risk Committee and the Board of Directors. The Group has done several improvements to the SARC incorporating credit risk measurement tools into the process for granting loans by the Group.

The Group has two credit risk assessment models that are used to grant consumer loans and residential mortgages. The first is a financial rating model, which is a statistical model based on the customer's financial information. It is used in the approval process and to manage and monitor the consumer loan portfolio. The second model is based on the customer's financial rating and its financial history with the Group. It is used in the customer classification process, as it provides the most complete and predictive information to evaluate a customer's credit risk.

4.1.6 The Credit-Risk Monitoring Process

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

The Group produces daily lists of past due loans and, based on the aforementioned analysis, members of the staff initiate collection procedures through telephone calls, emails or written collection notices.

The following is a summary of the past due non-impaired loan portfolio at December 31, 2015 and 2014 and January 1, 2014, classified by time past due.

		December 31, 2015			
		1 to 30 days	**31 to 60 days**	**61 to 90 days**	**Total non-impaired customers in arrears**
Commercial	$	690,006	76,113	113,840	879,959
Consumer		925,593	314,631	209,009	1,449,233
Residential mortgage		314,684	86,115	31,277	432,076

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

		December 31, 2015			
		1 to 30 days	31 to 60 days	61 to 90 days	Total non-impaired customers in arrears
Microcredit		47,487	10,235	6,095	63,817
Financial Leases (1)		221,972	16,681	3,796	242,449
Total gross portfolio value	$	**2,199,742**	**503,745**	**364,017**	**3,067,534**

		December 31, 2014			
		1 to 30 days	31 to 60 days	61 to 90 days	Total non-impaired customers in arrears
Commercial	$	509,896	149,462	83,520	742,878
Consumer		788,679	249,555	166,287	1,204,521
Residential mortgage		196,286	69,032	31,451	296,769
Microcredit		42,000	9,040	5,313	56,353
Financial Leases (1)		235,931	11,534	10,548	258,013
Total gross portfolio value	$	**1,772,792**	**488,623**	**297,119**	**2,558,534**

		January 1, 2014			
		1 to 30 days	31 to 60 days	61 to 90 days	Total non-impaired customers in arrears
Commercial	$	484,446	70,186	42,440	597,072
Consumer		597,269	200,599	130,446	928,314
Residential mortgage		148,407	72,996	29,142	250,545
Microcredit		36,169	7,775	5,326	49,270
Financial Leases (1)		210,522	7,924	2,456	220,902
Total gross portfolio value	$	**1,476,813**	**359,480**	**209,810**	**2,046,103**

(1) See Note 11.

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

Category A — “Normal risk”: Loans and Financial Leases in this category are appropriately serviced. The debtor’s financial statements or its projected cash flows, and all other credit information available to us, reflect adequate capacity to pay.

Category B — “Acceptable risk, above normal”: 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 insufficient cash flow, which could compromise the normal collection of the respective obligations.

Category D — “Significant risk”: Loans and Financial Leases in this category have the same shortcomings as those in category C to a large exent, but, consequently, the probability of collection is highly uncertain.

Category E — “Risk of non-recoverability”: Loans and Financial Leases in this category are regarded as uncollectible.

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

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

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

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

The following is a summary of the loan portfolio at December 31, 2015 and 2014 and January 1, 2014, divided according to risk-rating levels:

		December 31, 2015	December 31, 2014	January 1, 2014
Commercial				
"A" Normal Risk	$	53,884,241	42,245,688	35,981,706
"B" Acceptable Risk		968,165	1,018,469	1,221,225
"C" Appreciable Risk		1,177,761	737,144	622,458
"D" Significant Risk		378,573	335,179	280,687
"E" Risk of non-recoverability		301,794	218,238	231,516
Gross balance of commercial loans		56,710,534	44,554,718	38,337,592
Consumer				
"A" Normal Risk		22,142,383	16,482,219	13,251,716
"B" Acceptable Risk		615,783	613,724	346,860
"C" Appreciable Risk		999,412	788,953	476,489
"D" Significant Risk		433,001	364,471	280,499
"E" Risk of non-recoverability		122,714	110,613	113,869
Gross balance of consumer loans		24,313,293	18,359,980	14,469,433
Microcredit				
"A" Normal Risk		338,082	305,735	293,193
"B" Acceptable Risk		10,898	9,614	8,020
"C" Appreciable Risk		6,279	5,595	5,452
"D" Significant Risk		4,673	4,653	3,851
"E" Risk of non-recoverability		25,707	27,428	22,983
Gross balance of microcredit		385,639	353,025	333,499
Residential mortgages				
"A" Normal Risk		9,660,113	6,895,264	4,964,556
"B" Acceptable Risk		166,090	118,311	111,272
"C" Appreciable Risk		467,972	335,270	254,151
"D" Significant Risk		37,234	27,865	21,830
"E" Risk of non-recoverability		72,331	58,377	52,475
Gross balance of Residential mortgages		10,403,740	7,435,087	5,404,284
Financial Leases				
"A" Normal Risk		4,031,533	3,313,116	2,872,804
"B" Acceptable Risk		127,850	99,161	94,515
"C" Appreciable Risk		110,780	61,139	36,962
"D" Significant Risk		21,950	11,065	20,703
"E" Risk of non-recoverability		7,838	4,538	29,090
Gross balance of Financial Leases		4,299,951	3,489,019	3,054,074
Gross balance of financial assets from the loan portfolio	$	**96,113,157**	**74,191,829**	**61,598,882**

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

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

4.1.7 Troubled Debt Restructuring Business Process

The Group and its financial subsidiaries periodically restructure the debt of customers who have problems fulfilling their loan obligations. This restructuring process is done at the debtor's request and usually consists of extending terms, lowering interest rates or forgiving part of the debt.

The fundamental, Group-wide policy on granting this sort of refinancing is to provide the customer with the financial feasibility that will enable it to adapt debt payment conditions to a new situation for generating funds. The use of restructuring solely for the purpose of delaying the constitution of provisions is prohibited by the Group.

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

As per IAS 39 - Paragraph 39C, restructured loans are included for impairment assessment and to determine impairment provisions. However, flagging a restructured loan does not necessarily mean it is classified as impaired, since new collateral to secure the obligation is obtained in most cases.

The following is the balance of restructured loans at December 31, 2015 and 2014 and January 1, 2014.

Restructured loans		**December 31, 2015**	**December 31, 2014**	**January 1, 2014**
Local	$	1,388,708	1,230,158	1,153,162
Foreign		480,742	378,320	275,562
Total restructured loans	$	**1,869,450**	**1,608,478**	**1,428,724**

4.1.8 Foreclosed Assets Business Process

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

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

The following table shows foreclosed assets and those sold during the years ended at December 31, 2015 and December 31, 2014.

		December 31, 2015	**December 31, 2014**
Foreclosed assets	$	88,891	64,770
Foreclosed assets sold	$	96,761	200,130

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

4.2 Market Risk

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

Market risk originates with the Group's open positions in debt security investment portfolios, derivatives and equity instruments for trading or available for sale, recorded at fair value. These risks stem from adverse changes in factors such as interest rates, inflation, foreign currency exchange rates, share prices, credit margins of instruments and their volatility, as well as the liquidity in the markets where the Group operates.

For customer's purposes of analysis, we have segmented market risk into categories; namely, trading risk due to changes in interest and exchange rates, and the price risks posed by investments in equity securities.

4.2.1 Trading Risk

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

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

- To structure portfolios to take advantage of arbitrage between different curves, assets and markets, and to obtain returns on the adequate use of equity.

- To conduct derivative operations to hedge asset and liability risk positions on the balance sheets, to act as brokers for customers or to capitalize on opportunities for arbitrage concerning exchange and interest rates on local and foreign markets.

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

The following is a breakdown of the Group's financial assets and liabilities held for trading and available for sale at December 31, 2015 and 2014 and January 1, 2014, subject to trading risk.

		December 31, 2015	December 31, 2014	January 1, 2014
Assets				
Debt securities				
Trading	$	2,477,464	2,020,425	3,816,005
Available for sale		11,931,289	10,086,895	8,925,072
		14,408,753	12,107,320	12,741,077
Trading derivatives		679,398	824,013	154,428
Hedging derivatives		39,804	64,853	18,213
Financial assets in concession arrangements		1,891,692	1,738,599	1,565,709
Total assets		**17,019,647**	**14,734,785**	**14,479,427**
Liabilities				
Trading derivatives		874,478	950,482	194,090
Hedging derivatives		338,217	571,645	54,138
Total liabilities		**1,212,695**	**1,522,127**	**248,228**
Net position	$	**15,806,952**	**13,212,658**	**14,231,199**

4.2.1.1 Description of Objectives, Policies and Processes to Manage Trading Risk

The Group participates in monetary, foreign exchange and capital markets to meet its needs and those of its customers, pursuant to established policies and risk levels. In this respect, it manages different portfolios of financial assets within the limits and risk levels allowed.

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

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

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

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

- Interest Rate

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

- Foreign Exchange Currency Rate

  The Group's portfolios are exposed to foreign exchange currency risk when the current 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 at interest rate risk in currencies other than the reference currency; these can alter the parity between the value of asset positions and the value of liability positions in said currency, which generates losses or profits, or when the margin depends directly on exchange rates.

4.2.1.2 Risk Management

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

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

The risks assumed in financial operations are reflected in a structure of limits on positions in different instruments, according to their specific strategy, the depth of the markets where the Group operates, the impact on risk-weighted assets and capital adequacy, as well as the structure of the balance sheet. These limits are monitored daily and reported weekly to the Board of Directors of the Group.

In addition, and in order to minimize interest-rate and exchange-rate risks to certain balance-sheet items, the Group implements hedging strategies by taking positions in derivative instruments such as non-deliverable (NDF) TES forwards, simultaneous operations and exchange rate forwards.

4.2.1.3 Methods Used to Measure Trading Risk

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

The Group uses the standard model to measure, control and manage market interest and exchange risk in the treasury book and the bank book, as required by the Superintendency of Finance of Colombia.

These exercises are conducted daily and monthly for each exposure to risk. Currently, asset and liability positions in the treasury book are mapped in zones and bands according to 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 keeping with the standard model recommended by the Basel Committee.

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

Use of these methods has made it possible to estimate profits and capital are at risk, thereby facilitating resource allocation to the different business units, as well as a comparison of activities in different markets and identification of the positions that contribute the most risk to the treasury business.

These tools also are used to determine limits on traders' positions and to review positions and strategies quickly, as market conditions change.

The methods used to measure VaR are assessed regularly and back-tested to check their efficiency. In addition, the Group has tools to carry out portfolio stress and/or sensitivity tests, using simulations of extreme scenarios.

Moreover, there are limits according to the "risk type" associated with each of the instruments comprising the different portfolios (sensitivity or impact on the value of the portfolio as a result of interest rate fluctuations or corresponding factors - impact of fluctuations on specific risk factors: interest rate (Rho), exchange rate (Delta) and volatility (Vega).

The Group has counterparty and trading limits, per operator, for each trading platform in the markets wherein it operates. These limits are controlled daily by the back and middle offices of the Group. 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 this type of product, and in portfolio management.

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

There also is a process to monitor the clean prices in the international vector (fixed-income bonds issued abroad) published by the local investment price provider named Infovalmer. It is used daily to identify prices with significant differences between those provided by the pricing service and those observed on the Bloomberg platform. This monitoring is intended give the pricing service feedback on the more significant price differences and to prompt a revision of those prices.

In addition, fixed income bonds issued abroad are subject to a qualitative analysis of liquidity to determine the depth of the market for instruments of this type.

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

The standard model VaR (Superintendency of Finance methodology) is based on the Basel II model. This model applies only to the banks' investment portfolio and excludes investments classified as "held to maturity" and any other non-trading positions included in the "Trading" and "Available for sale" portfolios. Total market risk is calculated on a daily basis by aggregating the VaR for each risk exposure category on a ten-day horizon using risk factors calculated in extreme market stress scenarios. VaR at month-end comprises part of the capital adequacy ratio calculation (as set forth in Decree 2555 of 2010). The Superintendency of Finance's rules require us to calculate VaR for the following risk factors: interest rate risk, foreign exchange rate risk, variations in stock price risk and fund risk; correlations between risk factors are not considered. The fluctuations in the portfolio's VaR depend on sensitivity factors determined by the Superintendency of Finance, modified duration and changes in balances outstanding. The ten-day horizon is defined as the average time in which an entity could sell a trading position on the market.

According to the standard model, the market value-at-risk (VaR) for the Group at December 31, 2014 and 2015 and January 1, 2014 was as follows:

	December 31, 2015		December 31, 2014		January 1, 2014	
	Value	Basis points of regulatory capital	Value	Basis points of regulatory capital	Value	Basis points of regulatory capital
Banco Bogotá and its subsidiaries	$ 848,922	89	812,495	113	795,545	130

The VaR indicators presented by the Group for the years ended at December 31, 2015 and December 31, 2014 are summarized as follows.

Maximum, Minimum and Average VaR Values

	December 31, 2015			
	Minimum	Average	Maximum	Latest
Interest Rate	$ 612,162	677,528	828,870	660,761
Exchange Rate	13,570	37,319	64,724	23,162
Equity	8,242	10,058	13,321	13,321
Mutual funds	149,138	180,120	203,721	151,678
Total VaR	$ 836,983	905,025	1,054,899	848,922

Maximum, Minimum and Average VaR Values

	December 31, 2014			
	Minimum	Average	Maximum	Latest
Interest Rate	$ 496,417	577,076	673,857	560,717
Exchange Rate	6,752	24,418	46,162	46,162
Equity	10,080	11,800	12,571	11,060
Mutual funds	165,311	178,141	194,556	194,556
Total VaR	$ 725,740	791,435	874,085	812,495

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

Thanks to the performance of VaR, the Bank's market-risk-weighted assets stayed at around 8.8% of total risk-weighted assets, on average, for the year ended 31 December 2015 and 9.8% for the year ended 31 December 2014.

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 years ended at December 31, 2015 and 2014, if interest rates for Group had increased by 25 or 50 basis points (BP):

		December 31, 2015		
		Average value of the portfolio	**25 basis points**	**50 basis points**
Banco de Bogotá	$	4,831,245	(37,083)	(74,165)
Corporación Financiera Colombiana S.A.		4,347,628	(55,586)	(111,171)
Leasing Bogotá Panama	$	5,014,671	(29,910)	(59,820)

		December 31, 2014		
		Average value of the portfolio	**25 basis points**	**50 basis points**
Banco de Bogotá	$	5,651,851	(41,160)	(82,321)
Corporación Financiera Colombiana S.A.		2,028,212	(27,144)	(54,288)
Leasing Bogotá Panama	$	4,764,685	(41,327)	(82,654)

4.2.2 Investment Price Risk in Equity Instruments

Equity Investments Shares

Through its subsidiary CORFICOL, the Group is exposed mainly to financial asset price risk in equity instruments, due to adverse variations in their market price. The corporate purpose of this subsidiary, under Colombian accounting rules, is to encourage the medium – and long-term development of companies.

At December 31, 2015 and 2014, CORFICOL and its subsidiaries were exposed to financial asset price risk in equity instruments listed on the stock market (Bladex S.A. Clase E, Alimentos derivados de la Caña, AV Villas, Gas Natural ESP, Bolsa de Valores de Colombia, Empresa de Energía de Bogotá, Mineros S.A.), Had these prices been 1% higher or lower at December 31, 2015, the lesser or greater impact on the Corporation's OCI would be $6,902 before taxes during the year ended at December 31, 2015 ($6,962 for the year ended at December 31, 2014).

4.3 Foreign Exchange Rate Risk

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

Banks in Colombia are authorized by the country's central bank (Banco de la República) to trade currencies and to maintain balances in foreign currency in accounts abroad. Colombia law requires banks to hold a daily asset or liability position in foreign currency, which is determined by the difference between foreign currency-denominated rights and obligations recorded on and off the general balance sheet.

The average of this difference over three business days may not exceed twenty percent (20%) of regulatory equity. That three-business-day average in foreign currency can be negative, as well, without exceeding five percent (5%) of adequate equity expressed in US dollars.

There is also a limit to the spot position. This position is determined by the difference between foreign currency-denominated assets and liabilities, excluding derivatives and some other investments.

The three-business-day average of this spot asset or liability position in foreign currency may not exceed fifty percent (50%) of the entity's adequate equity, nor may it be negative.

Moreover, there are limits to the gross leverage position, which is defined as the sum of the rights and obligations in foreign-exchange futures contracts, foreign exchange spot transactions at t + 1 day and T + 3 days, and other exchange derivatives. In this case, the three business-day average of the gross leverage position may not exceed five hundred and fifty percent (550%) of the entity's regulatory equity.

The maximum and minimum for the daily total position and the spot foreign currency position is determined according to the Group regulatory capital on the last day two months prior, converted at the exchange rate set by the Office of the Superintendency of Finance at the end of the previous month.

Most of the Group's assets and liabilities in foreign currency are in US dollars. Details on the assets and liabilities in foreign currency held by the Group at December 31, 2015 and December 31, 2014 are shown below:

	December 31, 2015				
Account		**US millions of dollars**	**Millions of Euros**	**Other currencies expressed in millions of US dollars**	**Total in millions of Colombian pesos**
Assets					
Cash and cash equivalents	$	3,364.9	1.3	906.4	13,456,976
Investments in debt securities held for trading		85.7	0	176.8	826,461
Investments in securities available for sale		1,627.1	0	328.8	6,160,153
Investments in debt securities held to maturity		13.0	0	0	40,819
Investments in equity instruments available for sale		0.1	0	0	339
Loan portfolio financial assets at amortized cost		12,736.2	0.6	3,600.8	51,454,969
Other accounts receivable		367.8	0	94.1	1,454,990
Property, plant and equipment for own use net		397	0	0	1,250,435
Goodwill		1,570.3	0	0	4,945,656
Tangible assets in concession contracts		26.0	0	0	81,786
Other Intangible		43.3	0	6.7	157,293
Deferred tax asset		16.6	0	11.2	87,506
Other assets		14.5	0	0	45,688
Total assets		**20,262.5**	**1.9**	**5,124.8**	**79,963,071**
Liabilities					
Customer deposits		11,515.0	0.7	4,056.1	49,043,216
Interbank funds		109.1	0.2	0	344,220
Financial obligations		5,354.9	0.4	571.4	18,665,846
Bonds in circulation		1,511.7	0	0	4,761,169
Rediscount entities obligations		49.6	0	0	156,298
Liabilities					
Provisions		0.5	0	0	1,606
Income tax liability		68.7	0	51.4	378,395
Employee benefits		10.9	0	41.6	165,495
Other liabilities		223.5	0	147.9	1,169,909
Total liabilities		**18,843.9**	**1.3**	**4,868.4**	**74,686,154**
Net asset (liability) position	$	**1,418.6**	**0.6**	**256.4**	**5,276,917**

	December 31, 2014				
Account		**US millions of dollars**	**Millions of Euros**	**Other currencies expressed in millions of US dollars**	**Total in millions of Colombian pesos**
Assets					
Cash and cash equivalents	$	3,076.9	2.3	881.1	9,475,840
Investments in debt securities held for trading		233.6	0	103.4	806,244
Investments in securities available for sale		1,919.8	0	316.6	5,350,339
Investments in debt securities held to maturity		18.3	0	0	43,667
Investments in equity instruments available for sale		0.1	0	0	293
Loan portfolio financial assets at amortized cost		11,786.8	1.5	3,081.4	35,575,739
Other accounts receivable		227.3	0	111.6	810,881
Property, plant and equipment for own use net		388.4	0	0	929,114
Goodwill		1,579.0	0	0	3,777,685
Tangible assets in concession contracts		6.8	0	0	16,326
Other Intangible		19.7	0	6.4	62,452
Deferred tax asset		17.9	0	12.8	73,540
Other assets		37.5	0	0	89,666
Total assets		**19,312.1**	**3.8**	**4,513.3**	**57,011,786**
Liabilities					
Customer deposits		10,999.0	1.5	3,458.6	34,593,725
Interbank funds		176.9	0	0	423,269
Financial obligations		4,417.6	1.5	600.5	12,009,990
Bonds in circulation		1,469.4	0	0	3,515,541
Rediscount entities obligations		66.8	0	0	159,767
Provisions		6.3	0	25.2	75,446
Income tax liability		24.8	0	84.2	260,844
Employee benefits		18.5	0	30.6	117,456
Other liabilities		374.6	0	0	896,249
Total liabilities		**17,553.9**	**3**	**4,199.1**	**52,052,287**
Net asset (liability) position	$	**1,758.2**	**0.8**	**314.2**	**4,959,499**

	January 1, 2014				
Account		**US millions of dollars**	**Millions of Euros**	**Other currencies expressed in millions of US dollars**	**Total in millions of Colombian pesos**
Assets					
Cash and cash equivalents	$	2,524.6	0	841.7	6,486,282
Investments in debt securities held for trading		93.8	0	91.2	356,560
Investments in securities available for sale		1,817.4	0	370.5	4,215,791
Investments in debt securities held to maturity		26.9	0	0	51,891
Investments in equity instruments available for sale		0.1	0	0	224
Loan portfolio financial assets at amortized cost		11,514.9	0	2,835.8	27,651,352
Other accounts receivable		147.5	0	113.8	503,554
Property, plant and equipment for own use net		372.4	0	0	717,587
Goodwill		1,567.6	0	0	3,020,558
Intangible assets		14.1	0	8.9	44,301
Deferred tax asset		18.8	0	15.2	65,587
Other assets		13.3	0	0	25.557
Total assets		**18,111.4**	**0**	**4,277.1**	**43,139,244**
Liabilities					
Customer deposits		10,002.9	0	3,529.3	26,074,145
Interbank funds		233.8	0	0	450,457
Financial obligations		4,092.2	0	691.8	9,218,047
Bonds in circulation		1,398.0	0	0	2,693,657
Rediscount entities obligations		3.4	0	0	6,486
Provisions		5.1	0	22.4	52,892
Income tax liability		28.3	0	71.1	191,579
Employee benefits		21.8	0	26.4	92,879
Other liabilities		393.5	0	0	758,256
Total liabilities		**16,179.0**	**0**	**4,341.0**	**39,538,398**
Net asset (liability) position	$	**1,932.4**	**0**	**(63.9)**	**3,600,846**

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

The objective of the Group with regard to transactions in foreign currency is to meet the needs of its foreign-trade customers in terms of conducting transactions and obtaining financing in foreign currency, and assuming positions within the authorized limits.

The management has established policies that require the Group and its financial subsidiaries to manage their foreign exchange risk against their local functional currencies. The Group's subsidiaries are required to hedge their foreign exchange exposure financially (even opting for hedge accounting), doing so with operations in derivatives, especially forwards.

The net foreign currency position of each subsidiary is monitored daily by the treasury division at the subsidiary that is responsible for closing these positions by adjusting them to the established tolerance levels.

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

Had the peso value of the US dollar increased by $10 Colombian pesos per US dollar at December 31, 2015, the Group's profit before taxes would have increased by $12,756 ($11,262 in the year ended at December 31, 2014).

4.4 Risk Interest Rate On The Balance Sheet Structure

The Group is exposed to the effects of fluctuations in market interest rates that impact its financial positions and future cash flows. Interest differentials can increase as a result of changes in interest rates. However, they also can decline and create losses in the event of unexpected fluctuations in those rates. The Group monitors their interest rate risk on a daily basis and set limits to the level of mismatches in the repricing of assets and liabilities.

The following table shows interest rates differences for assets and liabilities at December 31, 2015 and December 31, 2014 and January 1, 2014, by re-pricing bands.

		December 31, 2015				
Assets		**Under one month**	**Between one and six months**	**From six to twelve months**	**More than one year**	**Total**
Debt securities held for trading	$	2,477,464	0	0	0	2,477,464
Debt securities available for sale		291,663	877,854	526,747	10,235,025	11,931,289
Debt securities held to maturity		991,210	192,515	51,243	4,949	1,239,917
Commercial loans and leases		14,945,547	29,823,643	2,216,654	13,623,466	60,609,310
Consumer loans and leases		953,157	1,895,308	1,872,288	19,769,589	24,490,342
Mortgages and housing leases		53,529	3,479,487	195,421	6,899,429	10,627,866
Microcredit loans and leases		0	13	0	385,626	385,639
Trading derivatives		679,398	0	0	0	679,398
Hedging derivatives		39,804	0	0	0	39,804
Total financial assets	$	**20,431,772**	**36,268,820**	**4,862,353**	**50,918,084**	**112,481,029**
Liabilities						
Current accounts	$	24,877,931	0	0	0	24,877,931
Saving deposits		28,165,323	0	0	0	28,165,323
Time deposits		7,736,557	15,083,589	8,409,698	7,509,491	38,739,335
Interbank and overnight funds		0	0	0	6,275,762	6,275,762
Borrowing from banks and other		2,760,004	10,394,086	1,500,008	5,815,937	20,470,035
Bonds issued		700,208	1,653,514	327,606	4,317,999	6,999,327
Borrowing from development entities		388,882	1,132,548	0	0	1,521,430
Trading derivatives		874,478	0	0	0	874,478
Other deposits		0	0	0	261,570	261,570
Hedging derivatives		338,217	0	0	0	338,217
Total financial liabilities	$	**65,841,600**	**28,263,737**	**10,237,312**	**24,180,759**	**128,523,408**

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

		December 31, 2014				
Assets		**Under one month**	**Between one and six months**	**From six to twelve months**	**More than one year**	**Total**
Debt securities held for trading	$	2,020,425	0	0	0	2,020,425
Debt securities available for sale		229,986	653,286	537,495	8,666,128	10,086,895
Debt securities held to maturity		988,294	217,151	67,502	23,129	1,296,076
Commercial loans and leases		14,013,317	23,840,797	1,686,984	8,268,088	47,809,186
Consumer loans and leases		867,516	1,210,188	1,174,871	15,166,170	18,418,745
Mortgages and housing leases		1,685,851	64,157	5,396	5,855,469	7,610,873
Microcredit loans and leases		0	0	0	353,025	353,025
Trading derivatives		824,013	0	0	0	824,013
Hedging derivatives		64,853	0	0	0	64,853
Total financial assets	$	**20,694,255**	**25,985,579**	**3,472,248**	**38,332,009**	**88,484,091**
Liabilities						
Current accounts	$	20,250,127	0	0	0	20,250,127
Saving deposits		21,554,821	0	0	0	21,554,821
Time deposits		9,416,072	15,064,377	4,213,329	3,011,410	31,705,188
Interbank and overnight funds		0	0	0	3,244,340	3,244,340
Borrowing from banks and other		1,277,047	6,875,143	407,633	5,361,002	13,920,825
Bonds issued		689,775	1,242,988	180,220	3,372,062	5,485,045
Borrowing from development entities		331,987	1,002,913	2,392	0	1,337,292
Trading derivatives		950,482	0	0	0	950,482
Other deposits		0	0	0	142,664	142,664
Hedging derivatives		571,645	0	0	0	571,645
Total financial liabilities	$	**55,041,956**	**24,185,421**	**4,803,574**	**15,131,478**	**99,162,429**

		January 1, 2014				
Assets		**Under one month**	**Between one and six months**	**From six to twelve months**	**More than one year**	**Total**
Debt securities held for trading	$	3,816,005	0	0	0	3,816,005
Debt securities available for sale		246,587	361,555	1,891,935	6,424,995	8,925,072
Debt securities held to maturity		1,265,940	79,171	55,522	144,263	1,544,896
Commercial loans and leases		11,010,461	20,313,214	863,424	9,113,001	41,300,100
Consumer loans and leases		628,640	873,043	850,005	12,125,237	14,476,925
Mortgages and housing leases		1,134,668	38,315	2,658	4,312,717	5,488,358
Microcredit loans and leases		0	0	0	333,499	333,499
Trading derivatives		154,428	0	0	0	154,428
Hedging derivatives		18,213	0	0	0	18,213
Total financial assets	$	**18,274,942**	**21,665,298**	**3,663,544**	**32,453,712**	**76,057,496**
Liabilities						
Current accounts	$	16,566,049	0	0	0	16,566,049
Saving deposits		22,162,073	0	0	0	22,162,073
Time deposits		7,126,382	11,682,182	3,609,273	2,434,374	24,852,211
Interbank and overnight funds		0	0	0	4,326,495	4,326,495
Borrowing from banks and other		1,136,935	5,745,850	909,645	3,327,933	11,120,363
Bonds issued		717,817	1,206,339	131,205	2,646,366	4,701,727
Borrowing from development entities		218,814	855,830	911	0	1,075,555
Trading derivatives		194,090	0	0	0	194,090
Other deposits		0	0	0	191,341	191,341
Hedging derivatives		54,138	0	0	0	54,138
Total financial liabilities	$	**48,176,298**	**19,490,201**	**4,651,034**	**12,926,509**	**85,244,042**

Had interest rates increased by 50 basis points during the year ended 31 December 2015, the Group's profit before taxes would have decreased by $68,405 ($52,310 for the year ended 31 December 2014).

The Group is exposed to the risk of pre-payment on loans placed at fixed interest rates (including home Residential mortgages), which give the borrower the right to repay early.

The Group's profits for the years ended at December 31, 2015 and 2014 would not have changed significantly due to variations in the rate of pre-payment, because the loan portfolio is carried at amortized cost and the right to pre-payment is for an amount similar to the amortized cost of the loans, due to the origination cost are no material to the financial statements.

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

The following is a breakdown of the interest rate on financial debt securities by type, at December 31, 2015 and December 31 and January 1, 2014.

	December 31, 2015				
	Under one year		More than one year		
Assets	**Variable**	**Fixed**	**Variable**	**Fixed**	**Total**
Debt securities held for trading	$ 17,438	674,158	143,293	1,642,575	2,477,464
Debt securities available for sale	19,010	1,562,492	114,762	10,235,025	11,931,289
Debt securities held to maturity	1,136,605	98,342	0	4,970	1,239,917
Commercial loans and leases	15,233,920	11,373,427	22,776,165	11,225,798	60,609,310
Consumer loans and leases	157,459	11,045,868	1,085,018	12,201,997	24,490,342
Mortgages and housing leases	1,441	123,516	3,745,424	6,757,485	10,627,866
Microcredit loans and leases	4	176,131	10	209,494	385,639
Total financial assets	**$ 16,565,877**	**25,053,934**	**27,864,672**	**42,277,344**	**111,761,827**
Liabilities					
Current accounts	$ 0	24,877,931	0	0	24,877,931
Time deposits	9,851,345	21,349,230	3,734,249	3,804,511	38,739,335
Saving deposits	0	28,165,323	0	0	28,165,323
Other deposits	0	261,570	0	0	261,570
Interbank and overnight funds	0	6,275,762	0	0	6,275,762
Borrowing from banks and other	1,802,057	6,672,056	3,125,631	8,870,291	20,470,035
Bonds issued	180,347	970,381	1,882,782	3,965,817	6,999,327
Borrowing from development entities	291,541	8,376	1,221,513	0	1,521,430
Total financial liabilities	**$ 12,125,290**	**88,580,629**	**9,964,175**	**16,640,619**	**127,310,713**

	December 31, 2014				
	Under one year		More than one year		
Assets	**Variable**	**Fixed**	**Variable**	**Fixed**	**Total**
Debt securities held for trading	$ 121,337	593,721	143,628	1,161,739	2,020,425
Debt securities available for sale	48,196	1,363,481	9,196	8,666,022	10,086,895
Debt securities held to maturity	1,142,268	130,680	1,916	21,212	1,296,076
Commercial loans and leases	14,907,121	7,111,985	19,850,513	5,939,567	47,809,186
Consumer loans and leases	117,421	7,923,945	873,661	9,503,718	18,418,745
Mortgages and housing leases	1,344	66,943	1,749,758	5,792,828	7,610,873
Microcredit loans and leases	0	155,155	0	197,870	353,025
Total financial assets	**16,337,687**	**17,345,910**	**22,628,672**	**31,282,956**	**87,595,225**
Liabilities					
Current accounts	0	20,250,127	0	0	20,250,127
Time deposits	4,016,242	18,373,430	6,725,158	2,590,358	31,705,188
Saving deposits	0	21,554,821	0	0	21,554,821
Other deposits	0	142,664	0	0	142,664
Interbank and overnight funds	0	3,244,340	0	0	3,244,340
Borrowing from banks and other	575,483	3,360,190	2,302,580	7,682,572	13,920,825
Bonds issued	169,672	634,134	1,540,727	3,140,512	5,485,045
Borrowing from development entities	314,786	510	998,516	23,480	1,337,292
Total financial liabilities	**$ 5,076,183**	**67,560,216**	**11,566,981**	**13,436,922**	**97,640,302**

	January 1, 2014				
	Under one year		More than one year		
Assets	**Variable**	**Fixed**	**Variable**	**Fixed**	**Total**
Debt securities held for trading	$ 75,484	894,115	335,090	2,511,316	3,816,005
Debt securities available for sale	63,853	1,042,494	11,935	7,806,790	8,925,072
Debt securities held to maturity	1,266,428	123,369	27,785	127,314	1,544,896
Commercial loans and leases	14,114,707	6,108,373	16,377,096	4,699,924	41,300,100
Consumer loans and leases	113,848	6,821,954	695,728	6,845,395	14,476,925
Mortgages and housing leases	893	40,749	1,415,204	4,031,512	5,488,358
Microcredit loans and leases	0	100,952	0	232,547	333,499
Total financial assets	**$ 15,635,213**	**15,132,006**	**18,862,838**	**26,254,798**	**75,884,855**
Liabilities					
Current accounts	$ 0	16,566,049	0	0	16,566,049
Time deposits	4,723,625	15,258,462	3,206,240	1,663,884	24,852,211
Saving deposits	0	22,162,073	0	0	22,162,073
Other deposits	0	191,341	0	0	191,341
Interbank and overnight funds	0	4,326,495	0	0	4,326,495
Borrowing from banks and other	1,152,627	2,914,632	1,660,646	5,392,458	11,120,363
Bonds issued	54,403	406,225	1,711,988	2,529,111	4,701,727
Borrowing from development entities	237,669	0	837,886	0	1,075,555
Total financial liabilities	**$ 6,168,324**	**61,825,277**	**7,416,760**	**9,585,453**	**84,995,814**

4.5 Liquidity Risk

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

The Group manage liquidity risk according to the standard model established by the Financial Superintendency and pursuant to the applicable rules on liquidity risk management. This is done by adhering to the fundamental principles of the Liquidity Risk Management Systems (SARL in Spanish), which signal the minimum reasonable parameters that the entities must monitor in their operations to effectively manage the liquidity risk to which they are exposed.

To measure liquidity risk, a liquidity risk indicator (LRI) is calculated weekly for periods of 7, 15 and 30 days, as established in the Superintendency of Finance's standard model.

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

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

The availability of resources is monitored daily, not only to meet reserve requirements, but also to forecast and/or anticipate possible changes in the institution's liquidity risk profile and to be able to make strategic decisions, as appropriate. In this respect, there are liquidity warning indicators to ascertain the current situation, as well as strategies to be implemented in each case.

Among others, these indicators include the LRI, deposit concentration levels, and use of the Central Bank's liquidity quotas.

Through the technical committees on assets and liabilities, senior management at the Group knows the institution's liquidity situation and makes the necessary decisions.

These take into account the high-quality liquid assets that must be maintained, tolerance in liquidity management or minimum liquidity, the strategies for granting loans and obtaining funds; policies on placing surplus liquidity, changes in the characteristics of new and existing products, diversification of the sources of funds to prevent concentration of deposits funds in few investors or savers, hedging strategies; the Bank's consolidated income statement, and the changes in the structure of the balance.

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

Banks in Colombia must maintain cash on hand and in restricted banks to meet the requirements of the Central Bank of Colombia and the Office of the Financial Superintendency. These funds are part of the reserve requirement and are calculated on the daily average of the various customer deposits.

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

The percentage is currently 11% on demand deposits, with the exception of time certificates of deposit under 180 days, in which case the percentage is 4.5% or 0% when they are over 180 days. The Group has successfully met this requirement.

The following is a summary of available liquid assets projected over a period of 90 days at December 31, 2015 and December 31, 2014, pursuant to the provisions established to that effect by the Office of the Superintendency of Finance of Colombia:

		December 31, 2015				
Institution		**Liquid assets available at end of the year (1)**	**1 to 7 days (2)**	**8 to 15 days later (2)**	**16 to 30 days later (2)**	**31 to 90 days later (2)**
Banco de Bogotá S.A	$	8,131,840	7,301,750	6,391,286	5,216,459	(2,655,421)
Corporación Financiera Colombiana S.A.		4,126,045	872,989	681,407	356,287	998,648

		December 31, 2014				
Institution		**Liquid assets available at end of the year (1)**	**1 to 7 days (2)**	**8 to 15 days later (2)**	**16 to 30 days later (2)**	**31 to 90 days later (2)**
Banco de Bogotá S.A		8,446,976	8,446,976	6,496,064	6,496,064	(1,402,356)
Corporación Financiera Colombiana S.A.	$	1,326,000	1,326,000	985,000	985,000	1,070,000

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

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

The liquidity calculations described above assume the existence of normal liquidity conditions, according to the contractual flows and historical experience of the Group. For cases involving extreme liquidity events occasioned by the unusual withdrawal of deposits, the Group has contingency plans that include the existence of a line of credit with other institutions and access to special lines of credit with the Central Bank of Colombia, in accordance with current regulations.

These lines of credit are granted when required and are backed by securities issued by the Colombian government and a portfolio of high- quality loans, as stipulated in the regulations of the Central Bank.

During the years ended at December 31, 2015 and 2014, neither the Group had to use this line of credits for liquidity purposes.

An analysis of the maturities on assets and financial liabilities at the consolidated level, the following table shows the remaining contractual maturities:

		December 31, 2015				
Assets		**Under one month**	**Between one and six months**	**From six to twelve months**	**More than one year**	**Total**
Debt securities held for trading	$	2,477,464	0	0	0	2,477,464
Debt securities available for sale		170,203	884,729	526,750	10,349,607	11,931,289
Debt securities held to maturity		369,765	408,056	457,147	4,949	1,239,917

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

	December 31, 2015				
Assets	Under one month	Between one and six months	From six to twelve months	More than one year	Total
Commercial loans and leases	9,229,006	11,209,557	8,139,742	32,031,005	60,609,310
Consumer loans and leases	927,022	2,178,919	3,194,424	18,189,977	24,490,342
Mortgages and housing leases	15,573	59,317	50,953	10,502,023	10,627,866
Microcredit loans and leases	16,028	75,586	84,522	209,503	385,639
Trading derivatives	679,398	0	0	0	679,398
Hedging derivatives	39,804	0	0	0	39,804
Total financial assets	**13,924,263**	**14,816,164**	**12,453,538**	**71,287,064**	**112,481,029**
Liabilities and share holders equity					
Current accounts	24,877,931	0	0	0	24,877,931
Saving deposits	28,165,323	0	0	0	28,165,323
Time deposits	6,892,462	15,117,325	9,190,788	7,538,760	38,739,335
Interbank and overnight funds	6,275,762	0	0	0	6,275,762
Borrowing from banks and other	956,101	4,149,434	3,384,626	11,979,874	20,470,035
Bonds issued	198,898	405,243	546,587	5,848,599	6,999,327
Borrowing from development entities	25,965	110,721	163,231	1,221,513	1,521,430
Trading derivatives	874,478	0	0	0	874,478
Other deposits	261,570	0	0	0	261,570
Hedging derivatives	338,217	0	0	0	338,217
Total financial liabilities	$ **68,866,707**	**19,782,723**	**13,285,232**	**26,588,746**	**128,523,408**

	December 31, 2014				
Assets	Under one month	Between one and six months	From six to twelve months	More than one year	Total
Debt securities held for trading	$ 2,020,425	0	0	0	2,020,425
Debt securities available for sale	193,783	678,303	539,511	8,675,298	10,086,895
Debt securities held to maturity	414,873	500,132	357,942	23,129	1,296,076
Commercial loans and leases	4,502,335	11,195,823	7,640,785	24,470,243	47,809,186
Consumer loans and leases	703,608	1,702,235	2,395,314	13,617,588	18,418,745
Mortgages and housing leases	50,544	27,049	33,802	7,499,478	7,610,873
Microcredit loans and leases	13,731	65,843	75,570	197,881	353,025
Trading derivatives	824,013	0	0	0	824,013
Hedging derivatives	64,853	0	0	0	64,853
Total financial assets	**8,788,165**	**14,169,385**	**11,042,924**	**54,483,617**	**88,484,091**
Liabilities and share holders equity					
Current accounts	20,250,127	0	0	0	20,250,127
Saving deposits	21,554,821	0	0	0	21,554,821
Time deposits	4,381,212	13,227,827	6,888,780	7,207,369	31,705,188
Interbank and overnight funds	3,071,718	172,622	0	0	3,244,340
Borrowing from banks and other	525,366	3,185,648	883,520	9,326,291	13,920,825
Bonds issued	95,195	410,238	286,004	4,693,608	5,485,045
Borrowing from development entities	25,340	108,376	175,229	1,028,347	1,337,292
Trading derivatives	950,482	0	0	0	950,482
Other deposits	142,664	0	0	0	142,664
Hedging derivatives	571,645	0	0	0	571,645
Total financial liabilities	$ **51,568,570**	**17,104,711**	**8,233,533**	**22,255,615**	**99,162,429**

	January 1, 2014				
Assets	Under one month	Between one and six months	From six to twelve months	More than one year	Total
Debt securities held for trading	$ 3,816,005	0	0	0	3,816,005
Debt securities available for sale	223,275	371,356	1,893,511	6,436,930	8,925,072
Debt securities held to maturity	307,985	491,521	591,071	154,319	1,544,896
Commercial loans and leases	4,609,194	8,947,491	5,858,574	21,884,841	41,300,100
Consumer loans and leases	577,795	1,437,236	1,923,623	10,538,271	14,476,925
Mortgages and housing leases	17,924	16,686	20,919	5,432,829	5,488,358
Microcredit loans and leases	9,260	43,667	48,025	232,547	333,499
Trading derivatives	154,428	0	0	0	154,428
Hedging derivatives	18,213	0	0	0	18,213
Total financial assets	$ **9,734,079**	**11,307,957**	**10,335,723**	**44,679,737**	**76,057,496**

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

	January 1, 2014				
	Under one month	**Between one and six months**	**From six to twelve months**	**More than one year**	**Total**
Liabilities and share holders equity					
Current accounts	16,566,049	0	0	0	16,566,049
Saving deposits	22,162,073	0	0	0	22,162,073
Time deposits	3,411,698	11,253,315	5,380,926	4,806,272	24,852,211
Interbank and overnight funds	4,248,210	78,285	0	0	4,326,495
Borrowing from banks and other	327,290	2,734,539	1,235,847	6,822,687	11,120,363
Bonds issued	68,234	159,559	184,329	4,289,605	4,701,727
Borrowing from development entities	17,466	99,593	120,610	837,886	1,075,555
Trading derivatives	194,090	0	0	0	194,090
Other deposits	191,341	0	0	0	191,341
Hedging derivatives	54,138	0	0	0	54,138
Total financial liabilities	$ **47,240,589**	**14,325,291**	**6,921,712**	**16,756,450**	**85,244,042**

4.6 Legal Risk

The Legal Division of the Group supports operational risk management in its particular area of expertise. Specifically this division, defines and institutes the necessary procedures to adequately control the legal risks inherent in banking operations, making sure these controls meet legal standards and are properly documented. It also analyzes and drafts contracts for operations carried out by the different business units.

As to the legal situation of each subsidiary, the respective contingencies have been provisioned appropriately and whenever required. In accordance with IAS 37 on the subject of provisions, the Group has assessed the claims filed against it, based on the analysis and opinions of the lawyers in charge.

With regard to copyrights, each subsidiary in the Group uses only software or licenses that have been acquired legally and allows only officially approved software to be used on its computers.

Details of the suits filed against the Group are provided in Note 23 to the financial statements.

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 and 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 Office of the Superintendency of Finance of Colombia. These prices are determined based on the weighted averages of transactions that occurred during the trading day.

An active market is 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 a bond pricing quote that includes the present value of all future cash flows, plus accrued interest from the date of issue or the last interest payment up to the date of completion of the sales transaction. The fair value of financial assets and liabilities that are not listed in an active market is determined using valuation techniques defined by the pricing service provider or by management of the Group. The valuation techniques used for non-standardized financial instruments such as options, currency swaps and over-the-counter derivatives include interest-rate or currency valuation curves. Price suppliers construct these curves using market data extrapolated to the 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 little as possible on entity-specific information.

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

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

The fair value of biological assets has been determined on the basis of valuations that use discounted cash flow models of the biological asset in question and are done by in-house professionals who are well-versed in assessments of this type. The expected cash flow from the entire life cycle of the plantation is determined using the current market price of the fruits of biological assets and the estimated productive life of plants, net of maintenance and harvesting costs and any expenses required to maintain the plant during its production phase.

The estimated productive life of plants is calculated according to their age, location and type of produce. The market value of plant produce is highly dependent on its current market price.

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

The fair value of the investment properties has been determined through appraisals made by independent experts with enough experience and knowledge in the real-estate market or the asset being assessed. Generally those appraisals are carried by market references or when there is not enough market data it is used the replacement cost.

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 organization 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 not observable for the assets or liabilities in question.

The level at which a measurement of fair value is classified in its entirety is determined by the lowest level entry that is significant to measure the fair value as a whole. In doing so, the importance of an entry is assessed in relation to the measurement of fair value in its entirety.

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

Market-listed financial instruments that are not considered assets, 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 input, 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.

Determining what qualifies as “observable” requires a great deal of judgment. Observable prices or model inputs are usually available in the market for listed debt and equity securities, exchange-traded derivatives and simple OTC derivatives such as interest rate swaps. Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determining fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

5.1 Measurement of Fair Value on a Recurring Basis

Fair value measurements calculated on a recurring basis are measurements that the IFRS accounting standards require or allow in the statement of financial position at the end of each accounting period.

The following table analyzes, within the fair value hierarchy, the Group’s assets and liabilities (by type) measured at fair value, on a recurring basis, at December 31, 2015 and 2014 and January 1, 2014:

	December 31, 2015			
Assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Trading				
In Colombian pesos				
Issued or secured by the Colombian government	$ 605,798	661,589	0	1,267,387
Issued or secured by other entities of the Colombian government	0	22,598	0	22,598
Issued or secured by other financial institutions	0	278,834	0	278,834
Issued or secured by non-financial entities	0	16,507	0	16,507
Others	0	65,677	0	65,677
In foreign currency				
Issued or secured by other entities of the Colombian government entities	335	21,854	0	22,189
Issued or secured by foreign governments	1,543	84,912	0	86,455
Issued or secured by central banks	0	518,244	0	518,244
Issued or secured by other financial institutions	0	199,528	0	199,528
Others	0	45	0	45
Total Investments in debt securities for trading	**607,676**	**1,869,788**	**0**	**2,477,464**
Investments in debt securities available for sale				
In Colombian pesos				
Issued or secured by the Colombian government	4,448,826	1,014,707	0	5,463,533
Issued or secured by other entities of the Colombian government	0	66,765	0	66,765
Issued or secured by other financial institutions	0	223,231	0	223,231
Issued or secured by non-financial entities	0	17,607	0	17,607
In foreign currency				
Issued or secured by the Colombian government	0	146,191	0	146,191
Issued or secured by other entities of the Colombian government entities	17,612	355,952	0	373,564
Issued or secured by foreign governments	0	1,923,501	0	1,923,501
Issued or secured by central banks	0	288,976	0	288,976

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

	December 31, 2015			
Assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Issued or secured by other financial institutions	362,613	2,405,415	0	2,768,028
Issued or secured by non-financial entities	71,215	567,657	0	638,872
Others	0	21,021	0	21,021
Total Investments in debt securities available for sale	**4,900,266**	**7,031,023**	**0**	**11,931,289**
Trading equity investments	9,223	1,420,550	258	1,430,031
Available for sale equity investments	545,582	75,223	76,519	697,324
Trading derivatives				
Currency forwards	0	473,690	0	473,690
Securities forwards	0	575	0	575
Interest rate swaps	0	49,272	0	49,272
Currency swaps	0	108,058	0	108,058
Other swaps	0	47,803	0	47,803
Total Trading derivatives	**0**	**679,398**	**0**	**679,398**
Hedging derivatives				
Currency forwards	0	33,690	0	33,690
Securities forwards	0	6,114	0	6,114
Total Hedging derivatives	**0**	**39,804**	**0**	**39,804**
Others				
Financial assets in concession arrangements	0	0	1,891,692	1,891,692
Non-financial assets				
Biological assets	0	0	240,212	240,212
Investment properties	0	0	292,902	292,902
Total Others and non-financial assets	**0**	**0**	**2,424,806**	**2,424,806**
Total assets at fair value on, recurring basis	**$ 6,062,747**	**11,115,786**	**2,501,583**	**19,680,116**
Liabilities				
Trading derivatives				
Currency forwards	0	422,358	0	422,358
Securities forwards	0	5,365	0	5,365
Interest rate swaps	0	45,092	0	45,092
Currency swaps	0	385,763	0	385,763
Other swaps	0	15,900	0	15,900
Total Trading derivatives	**0**	**874,478**	**0**	**874,478**
Hedging derivatives				
Currency forwards	0	336,515	0	336,515
Securities forwards	0	467	0	467
Interest rate swaps	0	1,235	0	1,235
Total Hedging derivatives	**0**	**338,217**	**0**	**338,217**
Total liabilities at fair value, recurring	**$ 0**	**1,212,695**	**0**	**1,212,695**

	December 31, 2014			
Assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Investments in trading debt securities				
<u>In Colombian pesos</u>				
Issued or secured by the Colombian government	$ 633,936	9,753	0	643,689
Issued or secured by other entities of the Colombian government	0	65,381	0	65,381
Issued or secured by other financial institutions	0	375,856	0	375,856
Issued or secured by non-financial entities	0	18,034	0	18,034
Others	0	111,221	0	111,221
<u>In foreign currency</u>				
Issued or secured by the Colombian government	0	13,660	0	13,660
Issued or secured by other entities of the Colombian government entities	21,894	0	0	21,894
Issued or secured by foreign governments	0	57,661	0	57,661
Issued or secured by central banks	0	208,430	0	208,430
Issued or secured by other financial institutions	242,584	261,945	0	504,529
Others	0	70	0	70
Total Investments in trading debt securities	**898,414**	**1,122,011**	**0**	**2,020,425**

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

Assets	December 31, 2014 Level 1	Level 2	Level 3	Total
Investments in debt securities available for sale				
In Colombian pesos				
Issued or secured by the Colombian government	3,258,640	1,360,456	0	4,619,096
Issued or secured by other entities of the Colombian government	0	15,770	0	15,770
Issued or secured by other financial institutions	0	101,565	0	101,565
Issued or secured by non-financial entities	0	125	0	125
In foreign currency				
Issued or secured by the Colombian government	0	93,750	0	93,750
Issued or secured by other entities of the Colombian government entities	265,117	709	0	265,826
Issued or secured by foreign governments	19,665	1,418,334	0	1,437,999
Issued or secured by central banks	0	224,890	0	224,890
Issued or secured by other financial institutions	1,093,963	1,269,954	0	2,363,917
Issued or secured by non-financial entities	456,155	443,183	0	899,338
Others	7,778	56,841	0	64,619
Total Investments in debt securities available for sale	**5,101,318**	**4,985,577**	**0**	**10,086,895**
Investments in trading equity instruments	242,021	1,016,820	0	1,258,841
Investments in equity instruments available for sale	587,700	74,126	41,722	703,548
Trading derivatives				
Currency forwards	0	642,022	0	642,022
Interest rate forwards	0	6	0	6
Securities forwards	0	5,367	0	5,367
Interest rate swaps	0	43,662	0	43,662
Currency swaps	0	42,399	0	42,399
Other swaps	0	90,557	0	90,557
Total Trading derivatives	**0**	**824,013**	**0**	**824,013**
Hedging derivatives				
Currency forwards	0	64,834	0	64,834
Securities forwards	0	19	0	19
Total Hedging derivatives	**0**	**64,853**	**0**	**64,853**
Others				
Financial assets in concession arrangements	0	0	1,738,599	1,738,599
Non-financial assets				
Biological assets	0	0	202,399	202,399
Investment properties	0	0	180,925	180,925
Total Others and non-financial assets	**0**	**0**	**2,121,923**	**2,121,923**
Total assets at fair value, recurring	**6,829,453**	**8,087,400**	**2,163,645**	**17,080,498**
Liabilities				
Trading derivatives				
Currency forwards	0	700,742	0	700,742
Interest rate forwards	0	273	0	273
Securities forwards	0	389	0	389
Interest rate swaps	0	29,845	0	29,845
Currency swaps	0	173,993	0	173,993
Other swaps	0	45,240	0	45,240
Total Trading derivatives	**0**	**950,482**	**0**	**950,482**
Hedging derivatives				
Currency forwards	0	556,541	0	556,541
Securities forwards	0	12,152	0	12,152
Interest rate swaps	0	2,952	0	2,952
Total Hedging derivatives	**0**	**571,645**	**0**	**571,645**
Total liabilities at fair value, recurring	$ **0**	**1,522,127**	**0**	**1,522,127**

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

	January 1 2014			
Assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Investments in trading debt securities				
In Colombian pesos				
Issued or secured by the Colombian government	$ 2,628,488	219,692	0	2,848,180
Issued or secured by other entities of the Colombian government	46,338	50,933	0	97,271
Issued or secured by other financial institutions	5,333	392,507	0	397,840
Issued or secured by non-financial entities	0	18,469	0	18,469
Others	0	97,685	0	97,685
In foreign currency				
Issued or secured by the Colombian government	0	6,874	0	6,874
Issued or secured by other entities of the Colombian government entities	6,464	0	0	6,464
Issued or secured by foreign governments	9,484	46,676	0	56,160
Issued or secured by central banks	0	18,926	0	18,926
Issued or secured by other financial institutions	43,897	172,506	0	216,403
Issued or secured by non-financial entities	0	38,805	0	38,805
Others	0	12,928	0	12,928
Total Investments in trading debt securities	**2,740,004**	**1,076,001**	**0**	**3,816,005**
Investments in debt securities available for sale				
In Colombian pesos				
Issued or secured by the Colombian government	3,849,567	854,771	0	4,704,338
Issued or secured by other entities of the Colombian government	0	2,109	0	2,109
Others	0	2,834	0	2,834
In foreign currency				
Issued or secured by the Colombian government	0	18,009	0	18,009
Issued or secured by other entities of the Colombian government entities	164,531	57,908	0	222,439
Issued or secured by foreign governments	8,131	1,169,818	271	1,178,220
Issued or secured by central banks	0	202,398	0	202,398
Issued or secured by other financial institutions	1,184,427	567,637	0	1,752,064
Issued or secured by non-financial entities	643,199	146,830	20,451	810,480
Others	6,231	25,950	0	32,181
Total Investments in debt securities available for sale	**5,856,086**	**3,048,264**	**20,722**	**8,925,072**
Investments in trading equity instruments	6,133	1,150,453	0	1,156,586
Investments in equity instruments available for sale	675,773	0	16,433	692,206
Trading derivatives				
Currency forwards	0	92,214	0	92,214
Interest rate forwards	0	1,471	0	1,471
Interest rate swaps	0	21,833	0	21,833
Currency swaps	0	25,558	0	25,558
Other swaps	0	13,352	0	13,352
Total Trading derivatives	**0**	**154,428**	**0**	**154,428**
Hedging derivatives				
Currency forwards	0	17,086	0	17,086
Securities forwards	0	1,127	0	1,127
Total Hedging derivatives	**0**	**18,213**	**0**	**18,213**
Other financial assets				
Others				
Financial assets in concession arrangements	0	0	1,565,709	1,565,709
Non-financial assets				
Biological assets	0	0	201,183	201,183
Investment properties	0	0	157,594	157,594
Total others and non-financial assets	**0**	**0**	**1,924,486**	**1,924,486**
Total assets at fair value, recurring	**9,277,996**	**5,447,359**	**1,961,641**	**16,686,996**

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

		January 1 2014			
Liabilities		**Level 1**	**Level 2**	**Level 3**	**Total**
Trading derivatives					
Currency forwards		0	114,247	0	114,247
Interest rate forwards		0	1,426	0	1,426
Interest rate swaps		0	23,302	0	23,302
Currency swaps		0	30,739	0	30,739
Other swaps		0	24,376	0	24,376
Total Trading derivatives		**0**	**194,090**	**0**	**194,090**
Hedging derivatives					
Currency forwards		0	40,926	0	40,926
Securities forwards		0	6,724	0	6,724
Interest rate swaps		0	4,941	0	4,941
Future contracts		0	1,547	0	1,547
Total Hedging derivatives		**0**	**54,138**	**0**	**54,138**
Total liabilities at fair value, recurring	$	**0**	**248,228**	**0**	**248,228**

5.2 Fair Value determination

The fair value of financial instruments classified at Level 1 was established according to market prices supplied by the pricing service provider authorized by the Financial Superintendency, determined on the basis of liquid markets. The fair values of the financial instruments classified at Level 2 are based on alternative techniques to assess the discounted cash flow, employing observable market data supplied by the pricing service. In general, transfers between Level 1 and Level 2 in the investment portfolios are due, fundamentally, to changes in the liquidity levels of the securities in the markets.

The following table summarizes the transfer of fair value between level1 and 2 during the years 2015 and 2014:

		Level 1 at Level 2	Level 2 at Level 1
Fair value measurements for recurring components			
Assets			
Investments in equity instruments at fair value	$	978,633	0
Derivative instruments		269,839	0
Total assets	$	**1,248,472**	**0**

The investments classified at Level 3 have significant unobservable inputs. Level 3 instruments mainly include investments, investments in equity instruments that are not publicly traded, financial assets stemming from concession arrangements for the construction and operation of pipelines for the subsidiary Promigas, that meet the definition of a financial asset, and biological assets whose valuation largely includes unobservable data in the market.

As the observable prices are not available for these securities, the Group uses valuation techniques such as discounted cash flows to determine fair value.

Level 3 valuations are reviewed regularly by the risk committees of the Group. These committees consider the appropriateness of the entries in the valuation model and the results of the assessment, using various methods and valuation techniques that are standard in the industry.

When selecting the most appropriate valuation model, the committees retest it and determine the results of the model that historically are aligned more accurately with actual market transactions.

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

The Group has equity investments in a number of institutions where its equity share is less than 20%. Some of this ownership interest was received as payment for customer obligations in the past and some was acquired because it is necessary for the development of the Group operations and those of its subsidiaries. Deceval and Camara Central de Contraparte are two examples of the latter. In general, these companies are not listed on the stock market and, consequently, their fair value at December 31, 2015 was determined with the help of some of the Group's outside consultants.

They used the discounted cash flow method for this purpose, constructed on the basis of the appraiser's own projections on income, costs and expenses for each of the Group subsidiaries during a five-year period, using historical information obtained from the companies and their residual value, established with rates of growth in perpetuity determined by the appraisers based on their own experience.

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 appraised company.

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

Variable	Range
Inflation growth (1)	Between 3% and 4%
Income	Between 3% and 5%
Costs and expenses	Inflation
Residual values	Between 1% and 2%

1) Information obtained from the National Department of Planning

The following table includes a sensitivity analysis of the changes in these variables in the Group's equity, considering the variations in the fair value of these investments are recorded in equity, since they correspond to investments classified as available for sale.

Methods and Variables	Variation		Favorable impact	Unfavorable impact
Discounted cash flow				
Net income	1%	$	1,545	(1,188)
Residual values after five years	10%		919	(445)
Discount interest rates	50 BPS		1,929	(1,491)
Multiples method				
EBITDA - Value	1%		5	0
EBITDA- Number of times	10% of the number of times		10	(8)
New profit – value	5%		5	(2)
New profit – number of times	10% of the number of times		0	0
Net assets method				
Assets	10%	$	635	(601)

Biological Assets

The Group derives a portion of its income from the sale of biological assets extracted from oil palm and rubber plantations. On some occasion, the Group uses financial derivatives to hedge against the risk of variations in the dollar/peso exchange rate and changes in international commodities market prices. The Group does not produce African palm oil from Malaysia, nor does it sell its product on the Rotterdam market. However, the Group has determined its African palm oil is highly correlated with the price of palm oil traded at both those markets.

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

If the average price of technically specified rubber (TSR20) had been 5% higher or lower in 2015, with all other variables remaining constant and excluding the effect of hedging activities, the Group's profits for the period, before taxes, would have been the following:

Rubber Plantations

	TSR20 reference price USD/ton	Change in fiscal year-end price	Value of the biological asset	Effect on profits before taxes	Effect on net equity
	2.243	5%	128.003	19.115	103.974
December 15	2.136	0%	118.169	9.280	97.483
	2.029	(5%)	108.264	(624)	90.946
	2.841	5%	114.258	4.922	83.039
December 14	2.705	0%	104.419	(4.918)	76.545
	2.570	(5%)	94.565	(14.771)	13.854

African Palm Plantations

	CPO reference price USD/ton	Change in fiscal year-end price	Value of the biological asset	Effect on profits before taxes	Effect on net equity
	710	5%	87.813	12.680	132.908
December 15	676	0%	76.554	1.421	125.035
	642	(5%)	65.223	(9.910)	117.113
	767	5%	72.677	(20.304)	121.361
December 14	730	0%	71.408	(21.573)	120.527
	694	(5%)	70.139	(22.842)	119.694

The fair value of biological assets also is affected by different circumstances in the market, such as climate, lack of rainfall, natural disasters and blight. The subsidiaries that manage biological assets have taken all the necessary precautions to reduce these risks from an operational standpoint.

The risk committee for the Group analyzed and discussed these valuations with the appraisers. In light of those discussions and that analysis, the committee believes the method and the data used for the valuations are appropriate.

The processes used to collect data and determine the fair value of biological assets are described in Note 15, while those for financial assets in concession arrangements are outlined in Note 17.

As mentioned above, the fair value of the investment properties has been determined through appraisals made by independent experts with enough experience and knowledge in the real-estate market or the assets being assessed. Generally those appraisals are carried by market references or when there is not enough market data it is used the replacement cost. That measurement is classified at level 3.

There were no tranfers from or to other levels which involve level 3 items.

The fair value of the investment properties has been determined through appraisals made by independent experts with enough experience and knowledge in the real-estate market or the assets being assessed. Generally those appraisals are carried by market references or when there is not enough market data it is used the replacement cost. That measurement is classified at level 3.

There were not tranfers from or to other levels which involve level 3 items.

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

The reconciliation of the balances at the start of the period to the closing balances with the fair value measurements classified at Level 3 is shown in the following table:

		Financial assets in debt securities	Equity instruments	Financial assets in concession arrangements	Biological assets	Investment properties
January 1, 2014	$	**20,772**	**16,433**	**1,565,709**	**201,183**	**157,594**
Valuation adjustment with an effect on income (1)		0	0	172,890	(15,232)	(27,873)
Valuation adjustments with an effect on OCI		82	0	0	0	0
Additions		0	46,855	0	26,360	55,161
Sales/disposals		(20,854)	(21,566)	0	(9,812)	(3,957)
December 31, 2014	$	**0**	**41,722**	**1,738,599**	**202,399**	**180,925**
Valuation adjustment with an effect on income (1)		0	(4,406)	153,093	22,922	82,858
Valuation adjustments with an effect on OCI		0	65,313	0	0	0
Additions		0	6,636	0	35,265	32,746
Sales/disposals		0	(32,488)	0	(20,374)	(3,627)
December 31, 2015	$	**0**	**76,777**	**1,891,692**	**240,212**	**292,902**

(1) Movements recognized during the year in the statement of income are part of the line "Income from the sale of goods and services of non-financial companies"

5.3 Fair Value Of Financial Assets And Liabilities Recorded At Amortized Cost For Disclosure Purposes

The following table is a summary of the Group's assets and liabilities at December 31, 2015, December 31, 2014 recorded at amortized cost at fair value only for disclosure purposes compared with their book value at that date.

		December 31, 2015		December 31, 2014		January 1, 2014	
		Book value	Fair value estimate	Book value	Fair value estimate	Book value	Fair value estimate
Assets							
Held to maturity investments(1)	$	1,239,917	1,223,905	1,296,076	1,279,621	1,544,896	1,514,962
Loans at amortized cost (2)		93,978,559	95,044,848	72,423,724	73,227,295	60,069,699	58,157,091
Total financial assets		**95,218,476**	**96,268,753**	**73,719,800**	**74,506,916**	**61,614,595**	**59,672,053**
Liabilities							
Customer deposits(3)		92,044,159	92,988,703	73,652,800	74,705,144	63,771,674	64,941,473
Financial obligations(4)		35,266,554	35,338,374	23,987,502	24,058,345	21,224,140	21,102,942
Total financial liabilities	$	**127,310,713**	**128,327,077**	**97,640,302**	**98,763,489**	**84,995,814**	**86,044,415**

The following describes how the Group valued financial assets and liabilities that were handled from an accounting standpoint at amortized costs and measured at fair value solely for the purpose of this disclosure.

(1) Held to maturity investments

The fair value of bonds at amortized cost was determined using the dirty price supplied by the pricing service. Bonds that have an active market and a market price for the day of the valuation are classified as Level 1 assets.

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

Those that do not have an active market and / or a price provided by the pricing service; that is, bonds 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.

(2) Loans and receivables

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

(3) 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.

(4) Financial obligations and accounts payable

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 determination of the fair value of investments in associate companies and joint ventures recorded using the equity method is regarded as unnecessary, because their shares are not listed on the stock exchange and the cost of valuating them exceeds the benefits of disclosure.

NOTE 6 – CASH AND CASH EQUIVALENTS

The following shows cash and cash equivalents at December 31, 2015, December 31, 2014, and January 1, 2014.

		December 31, 2015	December 31, 2014	January 1, 2014
In Colombian pesos				
Cash	$	1,634,759	1,308,977	834,976
Central Bank of Colombia (Banco de la República)		2,152,598	2,231,356	2,585,110
Bank and other financial entities –Demand deposits		588,500	262,466	359,559
Clearing house		772	90	382
Deposits and investments in debt securities maturing in under three months		0	235,199	761,412
Special funds		14,790	74,744	22,326
		4,391,419	**4,112,832**	**4,563,765**
In foreign currency				
Cash		1,469,888	1,100,991	774,057
Central Bank of Colombia (Banco de la República)		0	21	29
Bank and other financial entities –Demand deposits		11,987,088	8,034,746	5,045,241
Clearing house		0	291,891	240,129
Deposits and investments in debt securities maturing in or under three months		0	48,191	426,826
		13,456,976	**9,475,840**	**6,486,282**
Total cash and cash equivalents	$	**17,848,395**	**13,588,672**	**11,050,047**

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

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

Credit rating		December 31, 2015	December 31, 2014	January 1, 2014
Investment grade	$	8,702,794	10,528,589	7,989,939
Speculative		5,459,863	0	0
Not rated or not available		3,685,738	3,060,083	3,060,108
Total	$	**17,848,395**	**13,588,672**	**11,050,047**

All cash and cash equivalents are available for use by the organization, except cash that is part of the reserve requirement.

As of December 31, 2015, 2014 and for January 1, 2014, reserve requirements in Colombia are 11% on demand and saving deposits, with the exception of time deposits under 180 days, in which case the percentage is 4.5% or 0% when they exceed that term.

The Bank has reserves in cash and deposits with the Colombian Central Bank for $3,487,168 $3,066,061 and $3,159,449 at December 31, 2015, 2014 and for January 1, 2014, respectively.

NOTE 7 - FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The balance of financial assets at fair value through profit or loss at December 31, 2015 and December 31 and January 1, 2014 is shown below:

		December 31, 2015	December 31, 2014	January 1, 2014
Debt securities				
In Colombian pesos				
Issued or secured by the Colombian government	$	1,267,387	643,689	2,848,180
Issued or secured by non-financial entities		16,507	18,034	18,469
Issued or secured by other entities of the Colombian government		22,598	65,381	97,271
Issued or secured by other financial institutions		278,834	375,856	397,840
Others		65,677	111,221	97,685
		1,651,003	1,214,181	3,459,445
In foreign currency				
Issued or secured by central banks		518,244	208,430	18,926
Issued or secured by foreign governments		86,455	57,661	56,160
Issued or secured by the Colombian government		0	13,660	6,874
Issued or secured by non-financial entities		0	0	38,805
Issued or secured by other entities of the Colombian government entities		22,189	21,894	6,464
Issued or secured by other financial institutions		199,528	504,529	216,403
Others		45	70	12,928
		826,461	806,244	356,560
Total debt securities		2,477,464	2,020,425	3,816,005
Equity instruments				
In Colombian pesos				
Corporate shares		51	281	3,450
Trust management		6,238	98	25,689
Mutual funds		414,912	327,174	305,900
Mandatory investment funds(1)		990,566	904,295	810,114
Private investment funds		18,264	26,993	11,433
Subtotal		1,430,031	1,258,841	1,156,586
Trading derivatives		679,398	824,013	154,428
Total trading financial assets	$	**4,586,893**	**4,103,279**	**5,127,019**

(1) Fondos y Cesantías Porvenir S. A., subsidiary for Colombian rules is required to invest up to 1% of their total assests of severance pension funds of the Colombian companies employees.

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

The following is a breakdown of equity instruments held for trading at December 31, 2015 and 2014 and January 1, 2014:

		December 31, 2015	December 31, 2014	January 1, 2014
Fondo de Cesantías Porvenir	$	51,115	48,019	48,627
Fondo de Pensiones Obligatorias Porvenir Conservad		47,701	49,827	45,524
Fondo de Pensiones Obligatorias Porvenir Moderado		638,591	596,374	508,859
Fideicomiso de administracion		150	7,900	22,121
Cartera Colectiva Abierta Sumar		4,007	2,946	23,245
Fiduciaria corficolombiana		6,297	7,503	20,577
Cartera Colectiva Abierta valor Plus		146,514	93,904	100,594
Reserva Fonpet Patrimonio Autonomo Fiduciaria Bogotá		65,055	62,424	56,993
Reserva Pasivo Pensional Fonpet 2012		106,639	102,304	93,361
Otros		363,962	287,640	236,685
Total	$	**1,430,031**	**1,258,841**	**1,156,586**

The following is a breakdown of the credit ratings issued by independent credit-rating agencies for the principal counterparties in financial assets held for trading.

7.1 Debt securities

		December 31, 2015	December 31, 2014	January 1, 2014
Investment grade				
Corporative	$	77,745	119,245	153,464
Financial institutions		379,843	609,179	463,791
Multilaterals		0	0	12,844
Other government entities (2)		52,305	87,276	103,735
Sovereigns (1)		1,268,931	657,349	2,864,538
Total investment grade		1,778,824	1,473,049	3,598,372
Speculative grade				
Central Banks		518,243	208,430	18,926
Corporative		4,485	10,079	1,579
Financial institutions		91,000	175,981	11,776
Sovereigns (1)		84,912	57,660	46,676
Total speculative		698,640	452,150	78,957
Not rated rating or not available				
Financial institutions		0	95,226	138,676
Total not rated or not available		0	95,226	138,676
	$	**2,477,464**	**2,020,425**	**3,816,005**

(1) A sovereign credit rating considers the risk of the Treasury issuer or the like (government debt portfolio).

(2) Derived from operations with government entities, including public administrations in general (plus regional and local).

7.2 Equity instruments

Credit rating		December 31, 2015	December 31, 2014	January 1, 2014
Investment grade	$	1,107,649	1,085,803	957,488
Speculative		115	104	16
Not rated or not available		322,267	172,934	199,082
Total	$	1,430,031	1,258,841	1,156,586

For the most part, the changes in fair value reflect changes in market conditions, largely due to variations in interest rates and other economic conditions in the country where the investment is held.

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

The following is a list of financial assets held for trading that are being used as collateral in repo operations, pledged as collateral in transactions with financial instruments, or pledged to third parties as collateral to secure financial obligations with other banks See Note 21:

		December 31, 2015	December 31, 2014	January 1, 2014
Pledged in money market operations				
Issued or secured by central banks	$	0	2,833	2,512
Issued or secured by foreign governments		60,706	39,573	39,848
Issued or secured by the Colombian government		0	0	1,638,321
Issued or secured by non-financial entities		0	0	17,470
Issued or secured by other entities of the Colombian government		0	0	4,164
Issued or secured by other financial institutions		0	14,856	22,658
		60,706	57,262	1,724,973
Pledged as collateral on operations with derivative instruments				
Issued or secured by the Colombian government		9,196	2,077	2,629
		9,196	2,077	2,629
	$	69,902	59,339	1,727,602

NOTE 8 – FINANCIAL ASSETS AVAILABLE FOR SALE

The following is the balance of financial assets available for sale at December 31, 2015 and 2014 and January 1, 2014.

		December 31, 2015			
		Cost	Unrealized gain	Unrealized losses	Fair value
Available for sale					
Debt securities					
In Colombian pesos					
Issued or secured by the Colombian government	$	5,907,796	0	(444,263)	5,463,533
Issued or secured by other entities of the Colombian government		39,174	31,121	(3,530)	66,765
Issued or secured by other financial institutions		0	223,231	0	223,231
Issued or secured by non-financial entities		18,680	39	(1,112)	17,607
		5,965,650	**254,391**	**(448,905)**	**5,771,136**
In foreign currency					
Issued or secured by the Colombian government		151,557	186	(5,552)	146,191
Issued or secured by other entities of the Colombian government		241,335	146,706	(14,477)	373,564
Issued or secured by other financial institutions		2,864,040	1,007	(97,019)	2,768,028
Issued or secured by foreign governments		1,920,005	18,839	(15,343)	1,923,501
Issued or secured by central banks		288,757	1,455	(1,236)	288,976
Issued or secured by non-financial entities		892,983	172	(254,283)	638,872
Others		20,981	40	0	21,021
Subtotal		**6,379,658**	**168,405**	**(387,910)**	**6,160,153**
Total debt securities		**12,345,308**	**422,796**	**(836,815)**	**11,931,289**
Equity instruments					
In Colombian pesos					
Corporate shares		245,248	453,305	(1,568)	696,985
		245,248	**453,305**	**(1,568)**	**696,985**
In foreign currency					
Corporate shares		257	82	0	339
Subtotal		257	82	0	339
Total Equity instruments	$	**245,505**	**453,387**	**(1,568)**	**697,324**

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

	December 31, 2014			
	Cost	Unrealized gain	Unrealized losses	Fair value
Available for sale				
Debt securities				
In Colombian pesos				
Issued or secured by the Colombian government	$ 4,739,453	2,168	(122,525)	4,619,096
Issued or secured by other entities of the Colombian government	15,579	290	(99)	15,770
Issued or secured by other financial institutions	100,980	585	0	101,565
Issued or secured by non-financial entities	125	0	0	125
	4,856,137	3,043	(122,624)	4,736,556
In foreign currency				
Issued or secured by the Colombian government	95,512	0	(1,762)	93,750
Issued or secured by other entities of the Colombian government	271,439	661	(6,274)	265,826
Issued or secured by other financial institutions	2,393,561	4,068	(33,712)	2,363,917
Issued or secured by foreign governments	1,432,631	11,875	(6,507)	1,437,999
Issued or secured by central Banks	225,269	530	(909)	224,890
Issued or secured by non-financial entities	967,438	712	(68,812)	899,338
Others	64,289	636	(306)	64,619
Subtotal	5,450,139	18,482	(118,282)	5,350,339
Total debt securities	$ 10,306,276	21,525	(240,906)	10,086,895
Equity instruments				
In Colombian pesos				
Corporate shares	$ 244,847	458,535	(127)	703,255
	244,847	458,535	(127)	703,255
In foreign currency				
Corporate shares	209	84	0	293
Total Equity instruments	**$ 245,056**	**458,619**	**(127)**	**703,548**

	January 1, 2014			
	Cost	Unrealized gain	Unrealized losses	Fair value
Available for sale				
Debt securities				
In Colombian pesos				
Issued or secured by the Colombian government	$ 4,808,611	12,006	(116,279)	4,704,338
Issued or secured by other entities of the Colombian government	2,105	4	0	2,109
Others	2,833	13	(12)	2,834
	4,813,549	12,023	(116,291)	4,709,281
In foreign currency				
Issued or secured by the Colombian government	18,172	54	(217)	18,009
Issued or secured by other entities of the Colombian government	224,477	3,016	(5,054)	222,439
Issued or secured by other financial institutions	1,809,019	4,737	(61,692)	1,752,064
Issued or secured by foreign governments	1,182,069	3,935	(7,784)	1,178,220
Issued or secured by central Banks	202,209	843	(654)	202,398
Issued or secured by non-financial entities	874,464	573	(64,557)	810,480
Others	32,323	305	(447)	32,181
Subtotal	4,342,733	13,463	(140,405)	4,215,791
Total debt securities	**9,156,282**	**25,486**	**(256,696)**	**8,925,072**
Equity instruments				
In Colombian pesos				
Corporate shares	262,152	429,830	0	691,982
	262,152	**429,830**	**0**	**691,982**
In foreign currency				
Corporate shares	169	55	0	224
Total Equity instruments	$ **262,321**	**429,885**	**0**	**692,206**

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

The following is a breakdown of the equity instruments available for sale at December 31, 2015 and 2014 and January 1, 2014.

		December 31, 2015	December 31, 2014	January 1, 2014
Empresa de Energia de Bogotá S.A. E.S.P.	$	562,699	556,156	502,176
Gas Natural S.A. ESP		74,624	73,380	71,515
Enka de Colombia S.A		0	1,213	1,213
Mineros S.A.		41,236	52,653	73,165
Bolsa de Valores de Colombia		12,224	15,100	16,107
Industria Colombo Andina Inca S.A		19	4,010	2,732
Otros		6,522	1,036	25,298
Total	$	697,324	703,548	692,206

For the years ended at December 31, 2015 and December 31, 2014 were recognized in the income statements dividends amounted to $28,634 and $103,475, respectively. Moreover, during those periods, there were no transfers to the OCI account in the form of accumulated profits from the sale of such investments.

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

		December 31, 2015	December 31, 2014	January 1, 2014
Investment grade				
Sovereigns (1)	$	6,106,947	5,119,818	4,883,475
Other government entities (2)		440,330	281,596	224,548
Corporative		462,354	622,972	659,491
Financial institutions		2,850,006	2,322,272	1,660,793
Multilaterals		2,004	11,436	23,382
Total investment grade		9,861,641	8,358,094	7,451,689
Speculative				
Sovereigns (1)		1,426,278	1,007,967	1,016,821
Central Banks		288,976	224,890	202,398
Other government entities (2)		180	125	272
Corporative		174,705	255,246	124,453
Financial institutions		100,383	114,986	80,723
Total speculative		1,990,522	1,603,214	1,424,667
Not rated or not available				
Other government entities (2)		0	23,071	13
Corporative		38,257	74,291	38,154
Financial institutions		40,869	28,225	10,549
Total not rated or not available		79,126	125,587	48,716
	$	**11,931,289**	**10,086,895**	**8,925,072**

(1) A sovereign credit rating considers the risk of the Treasury issuer or the like (government debt portfolio).

(2) Derived from operations with government entities, including public administrations in general (plus regional and local)

Equity instruments

Credit rating		December 31, 2015	December 31, 2014	January 1, 2014
Investment grade	$	650,116	645,052	613,443
Speculative		0	1,213	1,213
Not rated or not available		47,208	57,283	77,550
Total	$	697,324	703,548	692,206

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

The following is a list of available for sale financial assets that are being used as collateral in repo operations, pledged as collateral in transactions with financial instruments or pledged to third parties as collateral to secure financial obligations with other banks See Note 21:

		December 31, 2015	December 31, 2014	January 1, 2014
Pledged as collateral to secure financial obligations				
Issued or secured by foreign governments	$	52,679	42,190	33,587
Issued or secured by the Colombian government		38,420	0	0
Issued or secured by non-financial entities		504,973	785,592	631,627
Issued or secured by other entities of the Colombian government		142,433	112,584	91,280
Issued or secured by other financial institutions		382,921	834,349	644,923
Others		0	7,778	6,231
		1,121,426	1,782,493	1,407,648
Pledged as collateral on operations with derivative instruments				
Issued or secured by the Colombian government		61,972	157,076	144,522
		61,972	157,076	144,522
Pledged in money market operations				
Issued or secured by foreign governments		106,976	54,037	11,795
Issued or secured by the Colombian government		4,569,483	2,240,959	1,914,935
Issued or secured by non-financial entities		44,920	22,269	19,146
Issued or secured by other entities of the Colombian government		69,656	45,936	59,542
Issued or secured by other financial institutions		43,818	74,845	65,012
		4,834,853	2,438,046	2,070,430
	$	**6,018,251**	**4,377,615**	**3,622,600**

The following table is a summary of available for sale debt securities, listed according to maturity.

Cost		December 31, 2015	December 31, 2014	January 1, 2014
Up to 1 month	$	170,010	193,861	252,279
More than 1 month and no more than 3 months		270,090	361,790	148,454
More than 3 months and no more than 1 year		1,139,287	856,572	705,305
More than 1 year and no more than 5 years		5,920,221	3,377,732	4,134,129
More than 5 years and no more than 10 years		4,216,920	5,133,955	3,559,295
More than 10 years		628,780	382,366	356,820
	$	**12,345,308**	**10,306,276**	**9,156,282**

Fair Value		December 31, 2015	December 31, 2014	January 1, 2014
Up to 1 month	$	170,022	193,873	252,536
More than 1 month and no more than 3 months		270,292	362,349	148,159
More than 3 months and no more than 1 year		1,141,187	855,416	706,551
More than 1 year and no more than 5 years		5,897,042	3,352,974	4,092,090
More than 5 years and no more than 10 years		3,915,801	4,970,775	3,393,543
More than 10 years		536,945	351,508	332,193
	$	**11,931,289**	**10,086,895**	**8,925,072**

In the opinion of the Group, there were no significant losses in the fair value of financial assets at December 31, 2015, December 31 and January 1, 2014 due to credit risk impairment.

NOTE 9 – HELD TO MATURITY INVESTMENTS

The following are the held to maturity investments at December 31, 2015 and 2014 and January 1, 2014:

		December 31, 2015			
		Cost	Unrealized gain	Unrealized loss	Fair value
In Colombian pesos					
Issued or secured by the Colombian government	$	11,361	0	(12)	11,349
Issued or secured by other entities of the Colombian government		1,134,795	9	(15,887)	1,118,917
Issued or secured by other financial institutions		52,942	0	(145)	52,797
Subtotal		**1,199,098**	**9**	**(16,044)**	**1,183,063**

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

	December 31, 2015			
	Cost	Unrealized gain	Unrealized loss	Fair value
In foreign currency				
Issued or secured by foreign governments	31,866	0	(6)	31,860
Others	8,953	68	(39)	8,982
Subtotal	**40,819**	**68**	**(45)**	**40,842**
Total financial assets held to maturity	**$ 1,239,917**	**77**	**(16,089)**	**1,223,905**

	December 31, 2014			
	Cost	Unrealized gain	Unrealized loss	Fair value
In Colombian pesos				
Issued or secured by the Colombian government	$ 126,569	0	(2,204)	124,365
Issued or secured by other entities of the Colombian government	1,125,840	2	(14,273)	1,111,569
Subtotal	**1,252,409**	**2**	**(16,477)**	**1,235,934**
In foreign currency				
Issued or secured by foreign governments	31,241	2	(4)	31,239
Others	12,426	109	(87)	12,448
Subtotal	**43,667**	**111**	**(91)**	**43,687**
Total financial assets held to maturity	**$ 1,296,076**	**113**	**(16,568)**	**1,279,621**

	January 1, 2014			
	Cost	Unrealized gain	Unrealized loss	Fair value
In Colombian pesos				
Issued or secured by the Colombian government	$ 216,521	0	(10,161)	206,360
Issued or secured by other entities of the Colombian government	1,276,484	1	(20,004)	1,256,481
Subtotal	**1,493,005**	**1**	**(30,165)**	**1,462,841**
In foreign currency				
Issued or secured by foreign governments	23,277	2	0	23,279
Issued or secured by the Colombian government	1,986	79	0	2,065
Issued or secured by non-financial entities	8,121	100	0	8,221
Others	18,507	195	(146)	18,556
Subtotal	**51,891**	**376**	**(146)**	**52,121**
Total financial assets held to maturity	**$ 1,544,896**	**377**	**(30,311)**	**1,514,962**

The following table is a breakdown of the credit ratings issued by independent credit-rating agencies for the principal counterparties in the financial assets held for sale.

	December 31, 2015	December 31, 2014	January 1, 2014
Investment grade			
Sovereigns (1)	$ 43,227	157,810	241,785
Other government entities (2)	1,134,795	1,125,840	1,276,484
Corporative	0	0	8,121
Multilaterals	1,614	1,224	4,913
Total investment grade	**1,179,636**	**1,284,874**	**1,531,303**
Speculative grade			
Corporative	7,339	11,202	13,593
Financial institutions	52,942	0	0
Total speculative	**60,281**	**11,202**	**13,593**
Total	**$ 1,239,917**	**1,296,076**	**1,544,896**

(1) A sovereign credit rating considers the risk of the Treasury issuer or the like (government debt portfolio).

(2) Derived from operations with government entities, including public administrations in general (plus regional and local).

The following table is a summary, by maturity, of the held to maturity invesment.

Cost	December 31, 2015	December 31, 2014	January 1, 2014
Up to 1 month	$ 369,765	414,873	307,215
More than 1 month and no more than 3 months	24,869	27,805	21,026
More than 3 months and no more than 1 year	843,495	830,270	1,069,687
More than 1 year and no more than 5 years	1,614	23,128	146,968
More than 10 years	174	0	0
	$ 1,239,917	**1,296,076**	**1,544,896**

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

Fair Value		December 31, 2015	December 31, 2014	January 1, 2014
Up to 1 month	$	368,622	414,096	306,647
More than 1 month and no more than 3 months		24,850	27,769	20,968
More than 3 months and no more than 1 year		828,578	814,948	1,048,889
More than 1 year and no more than 5 years		1,682	22,808	138,458
More than 10 years		173	0	0
	$	**1,223,905**	**1,279,621**	**1,514,962**

NOTE 10 – DERIVATIVES FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

10.1 Derivatives Financial Instruments

The fair value of forwards, futures and interest-rate and foreign currency swaps to which the Group was committed at the end of the period are shown in the table below:

Trading derivatives:

Item		December 31, 2015		December 31, 2014		January 1, 2014	
		Notional Amount	Fair Value	Notional Amount	Fair Value	Notional Amount	Fair Value
Assets							
Forward contracts							
Foreign exchange forward to buy	$	3,378,068	347,372	5,698,228	614,067	2,098,738	32,195
Sale of foreign currency		3,050,964	126,318	1,714,353	27,954	7,185,386	60,019
Interest Rate Forward to buy		0	0	1,000	6	17,520	48
Interest Rate forward to Sale		0	0	0	0	678,294	1,423
Investment securities to buy		15,000	152	116,500	433	0	0
Investment securities to sale		149,000	423	456,000	4,934	0	0
Subtotal		6,593,032	474,265	7,986,081	647,394	9,979,938	93,685
Swaps							
Foreign exchange currency		129,646	35,733	108,172	20,251	381,378	17,395
Interest rate		2,386,251	49,047	5,556,782	43,663	1,906,301	21,833
Others		1,235,710	72,426	263,381	22,158	607,395	8,255
Subtotal		3,751,607	157,206	5,928,335	86,072	2,895,074	47,483
Futures contracts							
Foreign exchange to buy		1,566,861	2,328	90,913	581	0	0
Foreign exchange currency to sale		541,709	0	0	0	0	0
Subtotal		2,108,570	2,328	90,913	581	0	0
Options							
Foreign exchange to buy		548,111	45,599	1,395,979	89,966	1,131,310	13,260
Subtotal		548,111	45,599	1,395,979	89,966	1,131,310	13,260
Total assets	$	**13,001,320**	**679,398**	**15,401,308**	**824,013**	**14,006,322**	**154,428**
Liabilities							
Forward contracts (1)							
Foreign exchange forward to buy	$	2,877,372	121,966	1,475,438	23,049	5,155,582	78,366
Foreign exchange forward to sale		3,689,242	300,392	7,408,258	677,693	2,265,876	35,881
Interest rate to buy		0	0	24,000	(21)	49,000	45
Interest rate to sale		0	0	115	294	166,230	1,381
Investment securities to buy		0	0	10,000	114	0	0
Investment securities to sale		800,500	5,365	128,000	275	0	0
Subtotal		7,367,114	427,723	9,045,811	701,404	7,636,688	115,673
Swaps							
Foreign exchange forward		432,171	199,589	692,977	107,291	518,486	24,543
Interest rate		2,882,093	45,092	5,068,533	29,845	3,759,179	23,302
Others		1,263,540	186,174	502,620	66,702	473,319	6,196
Subtotal		4,577,804	430,855	6,264,130	203,838	4,750,984	54,041
Futures contracts							
Foreign exchange forward to buy		653,515	0	23,925	0	0	0
Sale of foreign currency		1,949,522	0	359	43	0	0
Subtotal		2,603,037	0	24,284	43	0	0
Options							
Foreign exchange to buy		341,477	15,900	1,307,461	45,197	1,001,650	24,376
Subtotal		341,477	15,900	1,307,461	45,197	1,001,650	24,376
Total liabilities		14,889,432	874,478	16,641,686	950,482	13,389,322	194,090
Net position	$	**(1,888,112)**	**(195,080)**	**(1,240,378)**	**(126,469)**	**617,000**	**(39,662)**

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

Financial derivatives for hedge accounting include the following:

		December 31, 2015		December 31, 2014		January 1, 2014	
		Notional Amount	Fair Value	Notional Amount	Fair Value	Notional Amount	Fair Value
Assets							
Forward contracts							
Foreign exchange forward to buy	$	119,721	4,929	48,029	59,282	171,488	743
Sale of foreign currency		897,506	28,761	545,514	5,552	1,475,146	16,343
Sale of securities		1,022,091	6,114	95,148	19	265,693	1,127
Total assets		**2,039,318**	**39,804**	**688,691**	**64,853**	**1,912,327**	**18,213**
Liabilities							
Forward contracts							
Purchase of foreign currency risk		573,296	29,061	47,850	922	840,271	8,997
Sale of foreign currency		3,566,547	294,111	4,499,878	555,619	1,942,245	31,929
Investment securities to sale		752,823	13,810	1,642,043	12,152	1,133,400	6,724
Subtotal		4,892,666	336,982	6,189,771	568,693	3,915,916	47,650
Swaps							
Interest rate		79,174	1,235	106,752	2,952	122,468	4,941
Subtotal		79,174	1,235	106,752	2,952	122,468	4,941
Futures contracts							
Foreign exchange to sale		0	0	0	0	44,317	1,547
Subtotal		0	0	0	0	44,317	1,547
Total liabilities		**4,971,840**	**338,217**	**6,296,523**	**571,645**	**4,082,701**	**54,138**
Net position	$	**(2,932,522)**	**(298,413)**	**(5,607,832)**	**(506,792)**	**(2,170,374)**	**(35,925)**

Normally, financial derivatives contracted by the Group are traded on domestic financial markets and international over-the-counter markets. Derivative instruments have favorable net conditions (assets) or unfavorable net conditions (liabilities) as a result of fluctuations in foreign exchange rates, the interest rate market or other variables relative to their terms, depending on the type of instrument and the underlying asset.

The amount of fair value accumulated on assets and liabilities in derivative instruments can vary significantly over time.

The following table is a breakdown of the credit ratings issued by independent credit-rating agencies for the principal counterparties in the assets underlying derivatives used for trading and hedging.

Credit rating		**December 31, 2015**	**December 31, 2014**	**January 1, 2014**
Investment grade	$	468,568	353,038	98,252
Speculative		29,211	75,691	15,114
Not rated or not available		221,423	460,137	59,275
Total	$	719,202	888,866	172,641

10.2 Hedge Accounting

In developing their risk management policies, the Group uses hedge accounting in their consolidated financial statements at December 31, 2015 and 2014, as explained below:

10.2.1 Hedges Of Net Investment In Foreign Operations

The Group is exposed to the effect of changes in exchange rates in its net investments in foreign subsidiaries and branches which functional currency is the US dollar against the functional currency of Banco Bogotá which is Colombian peso.

The purpose of hedging accounting is to offset adverse changes in the US dollar in these net investments, which is reflected in the OCI account in the equity for consolidation purposes.

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

To hedge this risk, the Group uses hedging instruments such as foreign currency financial liabilities expressed in US dollars and forward contracts for the sale of US dollars, as permitted for this purpose under IAS 39.

Changes in the fluctuation of the Colombian peso against the US dollar are shown below.

Date	Value of US 1	Variation
January 1, 2014	1,926.83	0
December 31, 2014	2,392.46	465.63
December 31, 2015	3,149.47	757.01

Accordingly, the hedging on this investment, before taxes, breaks down as follows:

		December 31, 2015						
		Thousands of US dollars			Thousands of Colombian pesos			
Subsidiary		Value of the investment	Value of the hedge in foreign currency obligations	Value of the hedge in forward contracts	Cumulative translation adjustment	Exchange difference on foreign currency financial liabilities	Exchange difference on forward contacts	Net OCI account
Leasing Bogotá Panama	$	3,165	(1,493)	(1,675)	3,600,733	(1,140,093)	(2,449,638)	11,002
Other Banco de Bogotá affiliates and agencies (*)		87	0	(88)	107,753	0	(104,676)	3,077
Total	$	**3,252**	**(1,493)**	**(1,763)**	**3,708,486**	**(1,140,093)**	**(2,554,314)**	**14,079**

(*) Includes Banco de Bogotá Panama, Banco Bogotá Finance, Ficentro and the investment in in the foreign branches in Miami, New York and Nassau.

		December 31, 2014						
		Thousands of US dollars			Thousands of Colombian pesos			
Subsidiary		Value of the investment	Value of the hedge in foreign currency obligations	Value of the hedge in forward contracts	Cumulative translation adjustment	Exchange difference on foreign currency obligations	Exchange difference on forward contacts	Net OCI account
Leasing Bogotá Panama	$	2,868	(1,019)	(1,850)	1,307,745	(462,370)	(834,310)	11,065
Other Banco de Bogotá affiliates and agencies (*)		81	0	(79)	37,611	0	(36,656)	955
Total	$	**2,949**	**(1,019)**	**(1,929)**	**1,345,356**	**(462,370)**	**(870,966)**	**12,020**

(*) Includes Banco de Bogotá Panama, Banco Bogotá Finance, Ficentro and the investments in the foreign branches in Miami, New York and Nassau.

10.2.1.2 Hedging with Forward Contracts

Since January 1, 2014, forward contracts to sell US dollars have been designated formally as instruments used to hedge part of the net foreign investment in Leasing Bogotá Panama and in Banco de Bogotá´s foreign subsidiaries. The forward contracts were signed with other counterparties in the financial sector and the hedge was subsequently documented as a “dynamic hedging strategy”, whereby new forward contracts are entered into simultaneously when the previous ones expire.

According to IAS 39, changes in the fair value of derivatives due to changes in the peso/US dollar exchange rate are registered under “other comprehensive income” in equity and the ineffective part is recorded in earnings for the period.

10.2.2. Hedging with Foreign Currency Debt in US Dollars

As indicated in IAS 39, financial debt instruments that are not derivatives may be designated as instruments used to hedge the risk of changes in the foreign exchange rate.

In December 2013, Banco de Bogotá issued US 1,000 million in bonds on the international market under regulation 144A. These securities were designated immediately as instruments to hedge the net investment in Leasing Bogotá Panama, by the same amount.

Therefore, the monthly exchange differences in foreign currency obligations used for hedging are recorded, according to IAS 39, under "other comprehensive income" to offset any gain or loss in the account where the hedged cumulative translation adjustment of foreign subsidiaries is recorded.

10.2.2.2 Hedging Of Forecast Transactions

In the course of its operations, the subsidiary Promigas S.A. receives income in US dollars derived from natural gas transportation via its gas pipelines.

In order to hedge the foreign exchange risk in its income in US dollars against its functional currency which is Colombian pesos.

During the years ended at December 31, 2015 and 2014, exchange difference recorded under "other comprehensive income" as a result of cash flow hedge accounting of these high probable income transactions, was reclassified to the income statement in the amounts of $2,359 and $22,750, and the same time the income for the transportation gas service occurred respectively.

10.2.3 Testing Hedge Effectiveness

According to IAS 39, a hedge is highly effective if, at the start of the period and in subsequent periods, it is expected to be highly probable in offsetting changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated, and if that effectiveness is within a range of 80% to 125%. The Group assess effectiveness prospectively and retrospectively quarterly at the end of the period.

The Group documents the effectiveness of the instruments it uses to hedge net foreign currency investments, based on the portion of the net investment that is hedged at the beginning of the hedging relationship. As the net balance of these net investments fluctuates during the year, the Group assesses the hedging relationship daily, along with the result of the effectiveness test, as described below:

10.2.3.1 Effectiveness of Hedge Forward Contracts

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

10.2.3.2 Effectiveness of Hedging with Debt Instruments in Foreign Currency

The current US dollar exchange rate for the Colombian peso, which is the functional currency of the Group, is used for a debt in foreign currency that is designated as a hedge against gain or loss from translation of the debt to Colombian pesos.

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

No ineffectiveness is recorded in the income statement, insofar as the notional amount of the instrument used for hedging exactly matches the portion of the hedged investment in foreign operations.

NOTE 11 – LOANS AND RECEIVABLES

The loans and receivables are grouped in to commercial loans, consumer loans, residential mortgages and microcredit in the statement of financial position. This is the same classification that the Superintendency of Finance uses for local accounting purposes.

However, given the importance of financial leases which are disclosed further forward in this note, at the Group level and for the purpose of disclosure, these loans are listed separately in some the tables in the notes on credit risk and in this note, according to the following reclassification:

		December 31, 2015		
		Balance on the balance sheet	**Reclassification of leasing**	**Balance according to disclosure**
Commercial	$	60,609,310	(3,898,776)	56,710,534
Consumer		24,490,342	(177,049)	24,313,293
Residential mortgage		10,627,866	(224,126)	10,403,740
Microcredit		385,639	0	385,639
Financial Leases		0	4,299,951	4,299,951
Total loan portfolio	$	**96,113,157**	**0**	**96,113,157**

		December 31, 2014		
		Balance on the balance sheet	**Reclassification of leasing**	**Balance according to disclosure**
Commercial	$	47,809,186	(3,254,468)	44,554,718
Consumer		18,418,745	(58,765)	18,359,980
Residential mortgage		7,610,873	(175,786)	7,435,087
Microcredit		353,025	0	353,025
Financial Leases		0	3,489,019	3,489,019
Total loan portfolio	$	**74,191,829**	**0**	**74,191,829**

		January 1, 2014		
		Balance on the balance sheet	**Reclassification of leasing**	**Balance according to disclosure**
Commercial	$	41,300,100	(2,962,508)	38,337,592
Consumer		14,476,925	(7,492)	14,469,433
Residential mortgage		5,488,358	(84,074)	5,404,284
Microcredit		333,499	0	333,499
Financial Leases		0	3,054,074	3,054,074
Total loan portfolio	$	**61,598,882**	**0**	**61,598,882**

11.1 Loan Portfolio, by Type

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

		December 31, 2015	**December 31, 2014**	**January 1, 2014**
Ordinary loans	$	62,848,404	49,540,928	41,394,413
Home mortgage loans		10,348,106	7,530,329	5,329,057
Credit cards		9,689,701	7,145,991	5,518,620
Others		3,245,014	1,767,333	1,857,796
Leased out immovable property		2,175,078	1,091,290	580,536
Leased out movable assets		2,143,710	2,405,961	2,027,146

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

		December 31, 2015	December 31, 2014	January 1, 2014
Loans to micro-businesses and SMEs		1,918,805	1,479,536	1,322,292
Loans with resources from other institutions		1,405,183	1,538,555	987,719
Home builder loans		837,544	341,704	187,954
Overdrafts in checking accounts		534,650	396,675	340,949
Microcredit		385,639	353,025	333,499
Discounts		216,531	206,568	216,195
Early recoveries		182,646	169,856	412,989
Letters of credit, hedged		82,217	142,316	443,052
Employee loans		64,973	65,244	120,259
Non-recourse factoring		33,076	16,495	95,055
Collateral and guarantees, hedged		1,880	23	430,576
Foreign loans, reimbursable		0	0	775
Gross balance of financial assets from the loan portfolio		**96,113,157**	**74,191,829**	**61,598,882**
Provisions for impairment of financial assets from the loan portfolio		(2,134,598)	(1,768,105)	(1,529,183)
Net balance of financial assets from the loan portfolio	$	**93,978,559**	**72,423,724**	**60,069,699**

11.2 Loan Impairment Provisions

The activity in the years ended at December 31, 2015 and December 31, 2014 is shown in the table below:

	Commercial	Consumer	Mortgage	Microcredit	Capital Leases	Total
1 January 2014	**823,049**	**621,942**	**10,125**	**40,216**	**33,851**	**1,529,183**
Allowance for the period charged to income	741,890	909,737	24,881	39,363	23,273	1,739,144
Recovery of allowances charged to income	(303,504)	(372,170)	(10,179)	(16,103)	(9,521)	(711,477)
Write-offs for the period	(134,702)	(679,286)	(15,528)	(28,774)	(4,649)	(862,939)
Exchange difference	(240,635)	268,194	7,704	9,675	29,256	74,194
31 December 2014	**886,098**	**748,417**	**17,003**	**44,377**	**72,210**	**1,768,105**
Allowance for the period charged to income	828,683	1,157,007	20,841	37,014	25,359	2,068,904
Recovery of allowances charged to income	(308,512)	(430,744)	(7,759)	(13,780)	(9,441)	(770,236)
Write-offs for the period	(117,319)	(888,044)	(13,720)	(31,891)	(6,035)	(1,057,009)
Exchange difference	(218,536)	312,350	21,039	11,493	(1,512)	124,834
31 December 2015	**1,070,414**	**898,986**	**37,404**	**47,213**	**80,581**	**2,134,598**

11.3 Loan Portfolio Assessed Individually and Collectively

The following is a breakdown of the impairment provisions for loans constituted at December 31, 2015 and December 31, 2014 and January 1, 2014, taking into account how they were determined individually for loans in excess of an amount of $2,000 and collectively for all others:

		December 31, 2015					
Impairment provisions:		**Commercial**	**Consumer**	**Residential mortgage**	**Microcredit**	**Financial Leases**	**Total**
Individually assessed loans	$	550,658	558	10	0	40,288	591,514
Collectively assessed loans		519,756	898,428	37,394	47,213	40,293	1,543,084
Total impairment provisions		**1,070,414**	**898,986**	**37,404**	**47,213**	**80,581**	**2,134,598**
Gross balance of financial assets by loan portfolio:							
Individually assessed loans (1)		28,699,310	75,149	6,061	0	1,832,939	30,613,459
Collectively assessed loans		28,011,224	24,238,144	10,397,679	385,639	2,467,012	65,499,698
Total gross loan portfolio value	$	**56,710,534**	**24,313,293**	**10,403,740**	**385,639**	**4,299,951**	**96,113,157**

		December 31, 2014					
Impairment provisions:		**Commercial**	**Consumer**	**Residential mortgage**	**Microcredit**	**Financial Leases**	**Total**
Individually assessed loans	$	403,475	8	0	0	16,273	419,756
Collectively assessed loans		482,623	748,409	17,003	44,377	55,937	1,348,349
Total impairment provisions		**886,098**	**748,417**	**17,003**	**44,377**	**72,210**	**1,768,105**

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

		December 31, 2014					
Impairment provisions:		**Commercial**	**Consumer**	**Residential mortgage**	**Microcredit**	**Financial Leases**	**Total**
Gross balance of financial assets by loan portfolio:							
Individually assessed loans(1)		29,801,812	78,019	445	0	575,733	30,456,009
Collectively assessed loans		14,752,906	18,281,961	7,434,642	353,025	2,913,286	43,735,820
Total gross loan portfolio value	$	**44,554,718**	**18,359,980**	**7,435,087**	**353,025**	**3,489,019**	**74,191,829**

		January 1, 2014					
Impairment provisions:		**Commercial**	**Consumer**	**Residential mortgage**	**Microcredit**	**Financial Leases**	**Total**
Individually assessed loans	$	325,571	22	0	0	13,618	339,211
Collectively assessed loans		497,478	621,920	10,125	40,216	20,233	1,189,972
Total impairment provisions		**823,049**	**621,942**	**10,125**	**40,216**	**33,851**	**1,529,183**
Gross balance of financial assets by loan portfolio:							
Individually assessed loans (1)		24,146,358	77,770	2,670	0	536,693	24,763,491
Collectively assessed loans		14,191,234	14,391,663	5,401,614	333,499	2,517,381	36,835,391
Total gross loan portfolio value	$	**38,337,592**	**14,469,433**	**5,404,284**	**333,499**	**3,054,074**	**61,598,882**

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

Loan Portfolio Assessed Individually

The following is a breakdown of the loans assessed individually for impairment at December 31, 2015, December 31, 2014 and January 1, 2014:

		December 31, 2015		
Impaired Individually Assessed Loans		**Gross Invesment**	**Collateral**	**Recorded Provision**
No registered provisions				
Commercial	$	59,559	59,559	0
Subtotal		**59,559**	**59,559**	**0**
With a registered provisions				
Commercial		1,571,835	318,668	550,658
Consumer		227	41	558
Mortgage		2,230	0	10
Capital Leases		131,796	51,006	40,288
Subtotal	$	**1,706,088**	**369,715**	**591,514**
Totals				
Commercial		1,631,394	378,227	550,658
Consumer		227	41	558
Residential Mortgage		2,230	0	10
Financial Leases		131,796	51,006	40,288
Total	$	**1,765,647**	**429,274**	**591,514**

		December 31, 2014		
Impaired Individually Assessed Loans		**Gross Invesment**	**Collateral**	**Recorded Provision**
No registered provisions				
Commercial	$	15,391	15,391	0
Subtotal		**15,391**	**15,391**	**0**
With a registered provisions				
Commercial		2,238,947	61,046	403,475
Consumer		361	0	8
Financial Leases		541,121	0	16,273
Subtotal		**2,780,429**	**61,046**	**419,756**

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

Impaired Individually Assessed Loans		December 31, 2014 Gross Invesment	Collateral	Recorded Provision
Totals				
Commercial		2,254,338	76,437	403,475
Consumer		361	0	8
Financial Leases		541,121	0	16,273
Total	$	**2,795,820**	**76,437**	**419,756**

Impaired Individually Assessed Loans		January 1, 2014 Gross Invesment	Collateral	Recorded Provision
No registered provisions				
Commercial	$	17,394	17,394	0
Subtotal		**17,394**	**17,394**	**0**
With a registered provisions				
Commercial		1,913,444	51	325,571
Consumer		636	0	22
Financial Leases		536,693	0	13,618
Subtotal		**2,450,773**	**51**	**339,211**
Totals				
Commercial		1,930,838	17,445	325,571
Consumer		636	0	22
Financial Leases		536,693	0	13,618
Total	$	**2,468,167**	**17,445**	**339,211**

Loan Portfolio, Maturity

The following is the distribution of the Group's loan portfolio, by maturity.

December 31, 2015		Up to 1 Year	1 to 3 Years	3 to 5 years	More than 5 Years	Total
Commercial	$	26,880,426	11,461,321	7,611,662	10,757,125	56,710,534
Consumer		10,698,399	4,649,569	3,794,827	5,170,498	24,313,293
Residential Mortgage		89,751	232,910	298,943	9,782,136	10,403,740
Microcredit		196,626	173,359	15,519	135	385,639
Financial Leases		1,139,617	1,033,582	1,028,799	1,097,953	4,299,951
Total gross loan portfolio	$	**39,004,819**	**17,550,741**	**12,749,750**	**26,807,847**	**96,113,157**

December 31, 2014		Up to 1 Year	1 to 3 Years	3 to 5 years	More than 5 Years	Total
Commercial	$	22,842,418	9,158,180	5,278,236	7,275,884	44,554,718
Consumer		8,655,588	3,892,741	2,220,596	3,591,055	18,359,980
Residential Mortgage		104,753	183,790	234,917	6,911,627	7,435,087
Microcredit		160,627	169,946	22,333	119	353,025
Financial Leases		1,005,303	970,831	760,478	752,407	3,489,019
Total gross loan portfolio	$	**32,768,689**	**14,375,488**	**8,516,560**	**18,531,092**	**74,191,829**

January 1, 2014		Up to 1 Year	1 to 3 Years	3 to 5 years	More than 5 Years	Total
Commercial	$	20,014,543	8,377,270	4,344,962	5,600,817	38,337,592
Consumer		7,050,830	3,254,159	1,592,346	2,572,098	14,469,433
Residential Mortgage		76,769	121,940	171,880	5,033,695	5,404,284
Microcredit		149,265	162,115	16,550	5,569	333,499
Financial Leases		1,081,440	879,652	608,391	484,591	3,054,074
Total gross loan portfolio	$	**28,372,847**	**12,795,136**	**6,734,129**	**13,696,770**	**61,598,882**

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

Loan Portfolio, by Type of Currency

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

		December 31, 2015		
		Colombian pesos	Foreign currency	Total
Commercial	$	29,781,443	26,929,091	56,710,534
Consumer		9,325,846	14,987,447	24,313,293
Residential Mortgage		1,743,026	8,660,714	10,403,740
Microcredit		385,639	0	385,639
Financial Leases		3,422,234	877,717	4,299,951
Total gross loan portfolio	$	**44,658,188**	**51,454,969**	**96,113,157**

		December 31, 2014		
		Colombian pesos	Foreign currency	Total
Commercial	$	25,630,361	18,924,357	44,554,718
Consumer		8,440,484	9,919,496	18,359,980
Residential Mortgage		1,297,518	6,137,569	7,435,087
Microcredit		353,025	0	353,025
Financial Leases		2,894,702	594,317	3,489,019
Total gross loan portfolio	$	**38,616,090**	**35,575,739**	**74,191,829**

		January 1, 2014		
		Colombian pesos	Foreign currency	Total
Commercial	$	22,914,430	15,423,162	38,337,592
Consumer		7,321,698	7,147,735	14,469,433
Residential Mortgage		760,498	4,643,786	5,404,284
Microcredit		333,499	0	333,499
Financial Leases		2,617,405	436,669	3,054,074
Total gross loan portfolio	$	**33,947,530**	**27,651,352**	**61,598,882**

$1,405,183, $1,218,840 and $897,642 in financial assets from the loan portfolio were pledged as collateral at December 31, 2015, December 31, 2014 and January 1, 2014 to back financial obligations with development entities.

Finance leases disclosure

The following is the reconciliation of the gross investment in Financial Leases to the present value of the minimum payments receivable at December 31, 2015, December 31, 2014 and January 1, 2014:

		December 31, 2015	December 31, 2014	January 1, 2014
Gross investments in Financial Leases		5,441,115	4,211,418	3,470,562
Less unrealized financial income		(1,141,164)	(722,399)	(416,488)
Net investment in capital lease agreements		**4,299,951**	**3,489,019**	**3,054,074**
Impairment of net investment in capital leasing	$	**(80,581)**	**(72,210)**	**(33,851)**

The following is a breakdown of the gross and net investment in financial leasing contracts receivable at December 31, 2015, December 31, 2014 and January 1, 2014, in each of the following periods.

		December 31, 2015	
		Gross investment	Net investment
Up to 1 year	$	949,586	940,092
1 to 5 years		2,344,691	1,854,802
More than 5 years		2,146,838	1,505,057
Total	$	**5,441,115**	**4,299,951**

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

		December 31, 2014	
		Gross investment	Net investment
Up to 1 year	$	252,086	1,023,169
1 to 5 years		2,273,928	1,707,974
More than 5 years		1,685,404	757,876
Total	$	**4,211,418**	**3,489,019**

		January 1, 2014	
		Gross investment	Net investment
Up to 1 year	$	535,423	1,131,755
1 to 5 years		1,870,641	1,433,559
More than 5 years		1,064,498	488,760
Total	$	**3,470,562**	**3,054,074**

The Group grants loans in the form of financial leases, mainly to finance vehicles and computer equipment on installments of 36 to 60 months, with a bargain purchase option for the buyer, machinery and equipment on installments of 60 to 120 months, with a bargain purchase option at the end of the contract or the time closest to the economic life of the asset, and home leasing for a term of 120 to 240 months, with transfer of the asset at the end of the contract period. These leases are granted at normal market interest rates at the time.

NOTE 12 – OTHER ACCOUNTS RECEIVABLE

The following is a breakdown of other accounts receivable at December 31, 2015, December 31, 2014 and January 1, 2014.

		December 31, 2015	December 31, 2014	January 1, 2014
Sale of goods and services	$	977,787	1,104,547	931,692
Collateral Deposits (1)		615,594	405,566	82,729
Forward compliance		326,501	102,613	128,583
Fees, Services and Advances		255,499	6,251	3,700
Other		185,875	270,127	237,788
Payments - Credibanco		184,640	161,751	109,472
Prepaid expenses		153,743	66,466	45,125
Electronic transfers in process		131,075	118,544	45,433
Prepayments to contractors and suppliers		109,282	83,166	32,398
Discountable taxes, Prepayments and Withholdings		70,859	9,066	42,809
Commissions		50,964	53,085	61,932
Service concession arrangements		42,864	119,337	184,227
Insurance claims		35,776	15,592	10,202
Transfers to the National Treasury		30,792	27,815	26,779
Warehouse services		26,650	21,985	24,130
Managed pension funds		25,404	35,115	11,179
Interest		21,350	27,979	24,264
Dividends and shares		17,870	39,731	739
Buy-sell agreements		16,991	29,098	34,529
Monthly pension benefits		16,814	17,434	8,646
In joint operations		9,660	0	0
Saving accounts shortfall		4,077	1,972	0
Clearing shortfall		3,687	2,360	1,660
Corficolombiana Legal Proceedings		136	10,803	0
Cash shortfall		96	115	2,664
Subtotal		**3,313,986**	**2,730,518**	**2,050,680**
Impairment of other accounts receivable		(170,646)	(196,655)	(139,888)
Total	$	**3,143,340**	**2,533,863**	**1,910,792**

1) At December 31 2015, December and January 2014, the deposits in guarantee of the call margin for derivative instruments with off-shore counterparts came to $345,052, $310,915 and $8,502, respectively

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

The following shows the movement in provisions for the periods ended at December 31, 2015 and 2014.

		December 31, 2015	December 31, 2014
Balance at the begining of the year	$	196,655	139,888
Provisions charged to income		70,500	83,782
Recovery on other accounts receivable (1)		(35,046)	(29,702)
Write-offs		(62,818)	(29,900)
Adjustment for exchange difference		1,355	32,587
Balance end of the year	$	**170,646**	**196,655**

(1) Includes the recovery of $16,284 from Porvenir in the account for reversal from impairment loss.

NOTE 13 - NON-CURRENT ASSETS HELD FOR SALE

The following shows the movement in non-current assets held for sale during the years ended at December 31, 2015 and 2014:

		December 31, 2015	December 31, 2014
Balance at the begining of the year	$	253,244	330,646
Increases due to additions during the year		88,891	64,770
Assets sold		(96,761)	(200,130)
Write-offs		(5,786)	(7,176)
Reclassifications		(25,404)	38,113
Exchange difference		42,316	27,021
Subtotal		**256,500**	**253,244**
Impairment		(57,619)	(45,459)
Balance end of the year	$	**198,881**	**207,785**

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

		December 31, 2015	December 31, 2014	January 1, 2014
Non current assets held for sale				
Movables	$	38,138	21,647	8,811
Residential Real estate		43,732	35,287	25,426
Non-mortgage real estate		45,035	51,375	67,824
		126,905	**108,309**	**102,061**
Assets returned from leasing agreements				
Machinery and equipment		3,599	931	402
Vehicles		6,872	3,202	186
		10,471	**4,133**	**588**
Other non-current assets held for sale				
Land		21,354	31,196	92,669
Vehicles		0	3,355	170
Real estate		15,712	26,631	2,136
Others		24,439	34,161	102,255
		61,505	**95,343**	**197,230**
Total	$	**198,881**	**207,785**	**299,879**

c) The following table is a breakdown of the liabilities associated with the groups of assets held for sale:

		December 31, 2015	December 31, 2014	January 1, 2014
Commercial accounts payable		7,125	2,437	377
Total	$	**7,125**	**2,437**	**377**

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

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

These are expected to be sold within a period of 12 months subsequent to their classification as assets held for sale. In fact, options contracts already exist for some of these assets. Note 4.2 on credit risk contains information on assets received through foreclosure and sold during the period.

During the years ended on December 31, 2015 and December 31, 2014, there were no changes in plans for the disposal of non-current assets held for sale.

NOTE 14 – INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

The following table is a breakdown of investments in associate companies and joint ventures:

		December 31, 2015	December 31, 2014	January 1, 2014
Associates	$	628,124	522,795	419,778
Joint ventures		277,624	169,607	118,650
Total	$	**905,748**	**692,402**	**538,428**

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

	December 31, 2015			December 31, 2014		January 1, 2014	
	(%) of participation in voting rights		**Book value**	**(%) of participation in voting rights**	**Book value**	**(%) of participation in voting rights**	**Book value**
Associates Companies							
Aerocali S.A.	50%	$	23,165	50%	12,715	50%	10,338
Colombiana de Extrusión S.A. Extrucol	30%		10,294	30%	11,731	30%	9,838
Concesionaria Tibitoc S.A.	33%		19,112	33%	16,388	33%	21,010
Cálidda S.A.	40%		348,142	40%	267,491	40%	188,225
Gases del Caribe S.A. E.S.P.	31%		201,762	31%	186,122	31%	164,525
Ventas y Servicios S.A.	20%		7,789	20%	6,644	20%	5,214
Other			17,860		21,704		20,628
			628,124		**522,795**		**419,778**
Joint ventures							
A toda hora - JV	25%		1,384	25%	1,384	25%	1,384
Concesionaria Ruta Del Sol S.A.S.	33%		258,365	33%	162,405	33%	112,879
Concesionaria Vial del Pacífico (1)	50%		1,594	60%	1,196	0%	0
Concesionaria nueva via al mar	60%		9,323	0%	0	0%	0
Other			6,958		4,622		4,387
		$	**277,624**		**169,607**		**118,650**

(1) The percentage of participation is 49.9%, but due to approximation is shown as 50%

The primary corporate purpose of the most significant Group's associate companies and joint ventures is listed in the following table:

	Associate Company	Corporate Purpose	Headquarters
1	Aerocali S.A.	Airline services	Cali – Colombia
2	Colombiana de Extrusión S.A. - Extrucol	Networks and infrastructure	Bucaramanga - Colombia
3	Concesionaria Tibitoc S.A.	Infrastructure projects	Bogotá – Colombia
4	Calidda S.A.	Gas distribution	Perú
5	Gases del Caribe S.A. E.S.P.	Gas distribution	Bogotá - Colombia
6	Ventas y Servicios S.A	Sales and services	Bogotá – Colombia

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

	Joint Ventures		Corporate Purpose	Headquarters
1	A toda hora - JV		Financial transactions services	Bogotá - Colombia
2	Concesionaria Ruta del Sol S.A.S.	(1)	Infrastructure projects	Bogotá - Colombia
3	Concesionaria Vial del Pacifico S.A.S	(2)	Infrastructure projects	Medellín - Colombia
4	Concesionaria Nueva Vía al Mar S.A.S.	(3)	Infrastructure projects	Cali – Colombia

The following is a more detailed explanation of the corporate purpose of the most significant concession agreements incorporated under joint venture arrangements:

1) The corporate purpose of Concesionaría Ruta Del Sol S.A.S. is to design, finance, obtain environmental licenses and other required permits, purchase land, build a second carriageway, refurbish the existing carriageway, and maintain and operate the Ruta del Sol Highway Project, specifically the stretch of road pertaining to Sector 2, between the municipalities of Puerto Salgar (Cundinamarca) to San Roque (Cesar).

   Sun Road, Sector 2, is part of the most important highway project of the decade in Colombia. Overall, the project is designed to connect the interior of the country to the Caribbean coast, via a dual carriageway approximately 1,071 km. long.

   The holder of this concession is obliged to design, finance, obtain environmental licenses and other permits, acquire the necessary land, refurbish and improve the existing roadway, build a new carriageway, and operate and maintain the entire route (Ruta del Sol, Sector 2), at its own expense and risk.

   The concession holder has been working since April 2010 to provide quality service to those who use this facility, by improving safety and the physical condition of the highway in the interest of more participation and benefits for the communities along the route.

2) The principal shareholders of Concesionaría Vial del Pacifico S.A.S. are Episol S.A.S. (60%), a subsidiary of Corporación Financiera Colombiana S.A., and Grupo ACS, through its subsidiary Iridium Concessions Concesiones Viarias Colombia (40%).

   The firm is in charge of fulfilling Concession Agreement # 007, which includes construction and operation of the Pacific1 Connecting Highway to be developed in the Bolombolo - Camilo C - Primavera – Ancón Sur section, linking the city of Medellin to the Cauca River Valley.
   The National Infrastructure Agency (ANI in Spanish) awarded this concession on June 3, 2014 and the respective certificate of work commencement was signed on November 11, 2014, making it the first of the so-called fourth generation highway concessions being promoted by the national government.

   The project is now in its pre-construction stage, which consists of developing the studies and designs required to put the facility into operation.

3) The corporate purpose of this concession is to build a freeway in the Cauca Valley to help to close the gap in infrastructure and reinforce the national highway system.

   This primary highway, built to high specifications, will connect the industrial zones in the Cauca Valley to the port of Buenaventura on the country's Pacific coast. It also will channel heavy traffic from southern Colombia to that port, shortening the trip by 52 kilometers compared to the current Cali-Mediacanoa-Loboguerrero route, thereby improving the competitiveness and connectivity of the road system. The estimated origin-destination length of the highway in the Mulaló - Loboguerrero Project is 31.83 kilometers from Mulaló to Loboguerrero, and it runs through the Cauca Valley.

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

The following table describes the movements in investments in associate companies and joint ventures for the years ended at December 31, 2015 and December 31, 2014:

Associate Companies

		December 31, 2015	December 31, 2014
Balance at the begining of the year	$	522,795	419,778
Changes in fair value of acquired shares		386	16,159
Share of income for the period		110,097	57,684
Share of other comprehensive income		40,351	29,153
Dividends received		(39,188)	(24,233)
Transfers		(6,524)	0
Consolidation adjustments		207	24,254
Year-end balance	$	**628,124**	**522,795**

Joint ventures

		December 31, 2015	December 31, 2014
Balance at the begining of the year	$	169,607	118,650
Changes in fair value of acquired shares		16,199	1,882
Share of income for the period		96,740	49,075
Share of other comprehensive income		1,538	0
Dividends received		(6,460)	0
Year-end balance	$	**277,624**	**169,607**

The following is condensed financial information on the main investments in associate companies and joint ventures recorded using the equity method:

Associate Companies

		December 31, 2015					
		Assets	Liabilities	Equity	Income	Expenses	Net income
Aerocali S.A.	$	103,377	57,047	46,330	105,514	71,926	33,588
Colombiana de Extrusión S.A. Extrucol		57,785	18,920	38,865	75,893	62,295	13,598
Concesionaria Tibitoc S.A.		89,676	32,340	57,336	42,390	21,817	20,573
Cálidda S.A.		2,314,330	1,443,974	870,356	767,193	727,982	39,211
Gases del Caribe S.A.		2,030,924	1,283,395	747,529	589,759	480,215	109,544
Ventas y Servicios S. A.		73,244	48,041	25,203	163,720	137,213	26,507
Total	**$**	**4,669,336**	**2,883,717**	**1,785,619**	**1,744,469**	**1,501,448**	**243,021**

		December 31, 2014					
		Assets	Liabilities	Equity	Income	Expenses	Net income
Aerocali S.A.	$	53,290	27,859	25,431	45,461	52,391	(6,930)
Colombiana de Extrusión S.A. Extrucol		59,048	14,281	44,767	64,618	60,169	4,449
Concesionaria Tibitoc S.A.		76,712	27,547	49,165	25,090	19,532	5,558
Cálidda S.A.		3,673,833	2,222,444	1,451,389	1,122,787	906,359	216,428
Gases del Caribe S.A.		1,730,689	1,095,494	635,195	1,094,503	896,963	197,540
Ventas y Servicios S. A.		61,408	40,967	20,441	103,080	99,898	3,182
Total	**$**	**5,654,980**	**3,428,592**	**2,226,388**	**2,455,539**	**2,035,312**	**420,227**

		January 1, 2014					
		Assets	Liabilities	Equity	Income	Expenses	Net income
Aerocali S.A.	$	43,177	22,950	20,227	0	0	0
Colombiana de Extrusión S.A. Extrucol		55,806	15,936	39,870	0	0	0
Concesionaria Tibitoc S.A.		82,471	34,709	47,762	0	0	0
Ventas y Servicios S. A.		41,562	29,057	12,505	0	0	0
Total	**$**	**223,016**	**102,652**	**120,364**	**0**	**0**	**0**

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

Joint Ventures

	December 31, 2015					
	Assets	Liabilities	Equity	Income	Expenses	Net income
A toda hora - JV	$ 36,369	29,039	7,330	10,312	10,147	165
Concesionaria Ruta del Sol S.A.	3,189,078	2,344,326	844,752	868,929	868,929	0
Concesionaria Vial del Pacifico	109,214	106,019	3,195	3,780	3,780	0
Concesionaria Nueva Via al Mar	58,195	42,656	15,539	3,019	3,019	0
Total	**$ 3,392,856**	**2,522,040**	**870,816**	**886,040**	**885,875**	**165**

	December 31, 2014					
	Assets	Liabilities	Equity	Income	Expenses	Net income
A toda hora - JV	$ 57,734	50,434	7,300	856	(310)	1,166
Concesionaria Ruta del Sol S.A.S.	2,211,934	1,719,797	492,137	670,441	534,265	136,176
Concesionaria Vial del Pacifico S.A.S.	21,617	19,569	2,048	8,405	8,358	47
Total	**$ 2,291,285**	**1,789,800**	**501,485**	**679,702**	**542,313**	**137,389**

	January 1, 2014					
	Assets	Liabilities	Equity	Income	Expenses	Net income
A toda hora - JV	$ 61,817	55,135	6,682	0	0	0
Concesionaria Ruta del Sol S.A.S.	2,219,598	1,955,644	263,954	0	0	0
Consorcio Porvenir – Fidubogotá - Emcali	972	972	0	0	0	0
Total	**$ 2,282,387**	**2,011,751**	**270,636**	**0**	**0**	**0**

At December 31, 2015 and December 31, 2014, the Group had no contingent assets for income receivable originating with any contractual difference with any concession, apart from recognition of rates.

Nor were there any contingent liabilities in fines or penalties for possible breach of contract imposed by the government during the fulfillment of these agreements.

NOTE 15 – TANGIBLE ASSETS

The following table shows the movement in the amount on the books for tangible assets during the years ended at December 31, 2015 and December 31, 2014:

	For own use	Investment properties	Biological assets at fair value	Total
Balance at January 1, 2014	**$ 4,349,921**	**170,341**	**201,183**	**4,721,445**
Purchases or expenses capitalized (net)	521,512	55,623	26,360	603,495
Disposals / Sales (net)	(227,101)	(4,388)	(9,812)	(241,301)
Changes in fair value	0	0	(15,332)	(15,332)
Reclassification adjustment	(1,517)	(23,057)	0	(24,574)
Exchange difference adjustment	253,022	(16,379)	0	236,643
Balance at December 31, 2014	**4,895,837**	**182,140**	**202,399**	**5,280,376**
Purchases or expenses capitalized (net)	711,569	33,170	35,265	780,004
Disposals / Sales (net)	(226,829)	(3,692)	(20,374)	(250,895)
Changes in fair value	0	66,571	22,922	89,493
Exchange difference adjustment	489,969	0	0	489,969
Reclassification adjustment	201,943	14,727	0	216,670
Balance at December 31, 2015	**6,072,489**	**292,916**	**240,212**	**6,605,617**
Accumulated depreciation:				
Balance at January 1, 2014	**778,629**	**12,747**	**0**	**791,376**
Annual depreciation charged to income	237,560	462	0	238,022

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

		For own use	Investment properties	Biological assets at fair value	Total
Disposals/ Sales		(63,434)	(431)	0	(63,865)
Reclassification adjustment		(27,143)	403	0	(26,740)
Exchange difference adjustment		65,628	(11,966)	0	53,662
Balance at December 31, 2014		**991,240**	**1,215**	**0**	**992,455**
Annual depreciation charged to income		278,354	424	0	278,778
Disposals/ Sales		(79,044)	(79)	0	(79,123)
Transferred of non-current assets held for sale		0	550	0	550
Changes in fair value measurement		0	(2,110)		(2,110)
Exchange difference adjustment		193,681	0	0	193,681
Reclassification adjustment		336,851	0	**0**	336,851
Balance at December 31, 2015		**1,721,082**	**0**	**0**	**1,721,082**
Impairment					
Balance at January 1, 2014		**38**	**0**	**0**	**38**
Charge for impairment		(23)	**0**	**0**	(23)
Balance at December 31, 2014		**15**	**0**	**0**	**15**
Charge for impairment		737	14	0	751
Balance at December 31, 2015		**752**	**14**	**0**	**766**
Tangible assets, net:					
Balances at January 1, 2014		**3,571,254**	**157,594**	**201,183**	**3,930,031**
Balances at December 31, 2014		**3,904,582**	**180,925**	**202,399**	**4,287,906**
Balances at December 31, 2015	$	**4,350,655**	**292,902**	**240,212**	**4,883,769**

15.1 Property, Plant and Equipment for Own Use

The following table is a breakdown of own-use property, plant and equipment at December 31, 2015, December 31, 2014 and January 1, 2014, by asset type:

		December 31, 2015			
		Cost	**Accumulated depreciation**	**Impairment**	**Amount on the books**
Land	$	726,146	0	0	726,146
Buildings		1,608,122	(212,847)	0	1,395,275
Office equipment, furniture and fixtures		710,937	(433,218)	0	277,719
Computer hardware		1,075,100	(729,589)	0	345,511
Vehicles		71,237	(30,834)	(57)	40,346
Equipment and machinery		462,702	(18,206)	(695)	443,801
Silos		8,613	(4,359)	0	4,254
Warehouses		43,435	(23,905)	0	19,530
Networks, lines and cables		354,773	(32,740)	0	322,033
Gas pipelines		439,866	(104,028)	0	335,838
Leasehold improvements		266,858	(131,356)	0	135,502
Construction in progress		304,700	0	0	304,700
Balances at December 31, 2015	$	**6,072,489**	**(1,721,082)**	**(752)**	**4,350,655**

		December 31, 2014			
		Cost	**Accumulated depreciation**	**Impairment**	**Amount on the books**
Land	$	664,005	0	0	664,005
Buildings		1,379,564	(185,550)	(15)	1,193,999
Office equipment, furniture and fixtures		505,485	(263,809)	0	241,676
Computer hardware		690,307	(406,079)	0	284,228
Vehicles		94,293	(35,370)	0	58,923
Equipment and machinery		433,799	(32,959)	0	400,840
Silos		8,613	(4,273)	0	4,340
Warehouses		42,272	(23,106)	0	19,166

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

	December 31, 2014			
	Cost	Accumulated depreciation	Impairment	Amount on the books
Networks, lines and cables	338,453	(15,186)	0	323,267
Gas pipelines	439,570	(19,934)	0	419,636
Leasehold improvements	94,733	(4,974)	0	89,759
Construction in progress	204,743	0	0	204,743
Balances at December 31, 2014	$ **4,895,837**	**(991,240)**	**(15)**	**3,904,582**

	January 1, 2014			
	Cost	Accumulated depreciation	Impairment	Amount on the books
Land	$ 636,513	0	(8)	636,505
Buildings	1,273,294	(180,069)	(30)	1,093,195
Office equipment, furniture and fixtures	463,424	(238,472)	0	224,952
Computer hardware	531,830	(305,994)	0	225,836
Vehicles	67,627	(18,359)	0	49,268
Equipment and machinery	388,174	(9,221)	0	378,953
Silos	8,613	(4,187)	0	4,426
Warehouses	41,846	(22,327)	0	19,519
Networks, lines and cables	308,521	0	0	308,521
Gas pipelines	413,617	0	0	413,617
Leasehold improvements	70,052	0	0	70,052
Construction in progress	146,410	0	0	146,410
Balances at January 1, 2014	$ **4,349,921**	**(778,629)**	**(38)**	**3,571,254**

The value on the books at December 31, 2015, December 31, 2014 and January 1, 2014, as shown in the table above, includes the following amounts:

- $1,119,919 at January 1, 2014, $1,420,307 at December 31, 2014, $2,043,206 at December 31, 2015 for, plant and equipment of foreign subsidiaries.

The "Construction in progress" account includes financial costs capitalized during the period. Specifically, $17,902 in capital costs were capitalized in the year ended at December 31, 2015 and $6,998 during the year ended at December 31, 2014.

15.2 Biological Assets

The following are the biological assets at December 31, 2015, December 31, 2014 and January 1, 2014:

	December 31, 2015	December 31, 2014
Fair value or cost:		
Balance at the begining of the year	$ **202,399**	**201,183**
Development costs	35,265	26,360
Disposals/sales (net)	(20,374)	(9,812)
Changes in fair value	22,922	(15,332)
Balance at the end of the year	$ **240,212**	**202,399**

The following is a breakdown of biological assets, by type:

	December 31, 2015	December 31, 2014	January 1, 2014
African palm:			
Producing (at fair value)	$ 81,916	71,408	80,314
Under growing process (at cost)	2,775	1,704	3,531

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

		December 31, 2015	December 31, 2014	January 1, 2014
Rubber plantations:				
Producing (at fair value)		118,169	104,419	100,643
Under growing process (at cost)		27,561	15,800	6,320
Others at fair value		9,791	9,068	10,375
Total	$	**240,212**	**202,399**	**201,183**

The foregoing amounts are subject to no limitations or constraints.

African Palm

Biological assets account in African palm does not include the land where these trees are planted, nor the plants or the equipment used in the harvesting process.

The biological process begins with preparation of the soil and planting; it ends with the fruit being harvested and shipped to the oil production plants, where the crude palm oil is extracted from the fruit.

The growing process of the African palm takes approximately three to four years. From then on, the palm produces fruit for approximately 30 years.

The following table lists the hectares planted by the Group's subsidiaries that were under cultivation and those that were producing at December 31, 2015, December 31, 2014 and January 1, 2014:

	December 31, 2015	December 31, 2014	January 1, 2014
Producing (1)	9,984	5,262	4,996
Under growing process (2)	3,984	7,342	5,853
Total	**13,968**	**12,604**	**10,849**

(1) The following is a breakdown of these hectares, according to expected years of production:

	December 31, 2015	December 31, 2014	January 1, 2014
Hectares planted			
Less than 1 year	506	0	0
1 to 5 years	1,612	1,938	2,262
5 to 10 years	5,598	1,626	1,036
More than 10 years	2,268	1,698	1,698
Total	**9,984**	**5,262**	**4,996**

(2) The following table is a breakdown of the time expected to begin production:

	December 31, 2015	December 31, 2014	January 1, 2014
Hectares planted			
Less than 1 year	147	1,759	1,007
2 years	0	1,314	413
2 to 4 years	93	106	0
More than 4 years	3,744	3,744	3,744
Total	**3,984**	**6,923**	**5,164**

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

The following table is a breakdown of the income and costs from biological assets recorded by the Group in the consolidated income statement or loss for the years ended at December 31, 2015 and December 31, 2014:

		December 31, 2015	December 31, 2014
Sales revenue	$	107,355	55,173
Changes in the fair value of biological assets		22,922	(4,731)
Subtotal		**130,277**	**50,442**
Costs and expenses		(63,374)	(52,651)
Cultivation and maintenance costs		(15,214)	(16,970)
General administrative and sales expenses		(11,757)	(12,289)
Financial expenses		(2,031)	(4,483)
Subtotal		**(92,376)**	**(86,393)**
Total Net Income (loss)	$	**37,901**	**(35,951)**

15.3 Investment Properties

The following table shows a breakdown of the investment properties by type:

		December 31, 2015		
		Cost	Accumulated fair value adjustments	Book value
Land	$	252,206	0	252,206
Buildings		36,040	4,656	40,696
	$	**288,246**	**4,656**	**292,902**

		December 31, 2014		
		Cost	Accumulated fair value adjustments	Book value
Land	$	119,056	0	119,056
Buildings		63,084	(1,215)	61,869
	$	**182,140**	**(1,215)**	**180,925**

		January 1, 2014		
		Cost	Accumulated fair value adjustments	Book value
Land	$	106,848	0	106,848
Buildings		63,493	(12,747)	50,746
	$	**170,341**	**(12,747)**	**157,594**

The following amounts are recognized in the consolidated income statement for the years ended on December 31, 2015 and December 31, 2014:

		December 31, 2015	December 31, 2014
Rental income	$	11,098	7,456
Direct operating expenses arising from investment properties generating rental income		(2,839)	(574)
Net	$	8,259	6,882

NOTE 16 - GOODWILL

The Group's management annually performs an impairment test of the goodwill listed on its consolidated financial statements, considering the fact that goodwill is an asset with an indefinite useful life. These assessments are done by independent experts who are hired for that purpose and in accordance with IAS 36 - Impairment of Assets.

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

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

The methods and assumptions used to value the various cash-generating units in which the goodwill are assigned, were reviewed by management and, based on that review, it was concluded there was no need to record any impairment at December 31, 2014, inasmuch as the recoverable amounts are significantly higher than the carrying values.

The following is the movement on goodwill:

		Amount
January 1, 2014	$	**4,218,492**
Foreign Exchange Currency		736,685
December 31, 2014		**4,955,177**
Foreign Exchange Currency		1,188,743
December 31, 2015	$	**6,143,920**

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

Buyer Company	Acquisition	CGU Group		December 31, 2015	December 31, 2014	January 1, 2014
Banco de Bogotá	**Megabanco**	**Banco de Bogotá**	$	**465,905**	**465,905**	**465,905**
Banco de Bogotá	**AFP Horizonte**			**436,096**	**436,096**	**436,096**
	Direct acquisition by the Group	**Porvenir**		90,162	90,162	90,162
	Acquisition through Porvenir			345,934	345,934	345,934
Corficolombiana:				**296,263**	**296,263**	**295,933**
	Episol – Panamericana	**Episol – Panamericana**		119,915	119,915	119,915
	Hoteles Estelar	**Hoteles Estelar**		6,661	6,661	6,661
	Promigas S.A and Subsidiaries	**Promigas and Subsidiaries**		169,687	169,687	169,357
Leasing Bogotá S.A Panama(1)				**4,945,656**	**3,756,913**	**3,020,558**
	BAC Credomatic	**Leasing Bogotá S.A Panama**		3,086,354	2,344,515	1,888,216
	BBVA Panama			1,000,821	760,263	612,298
	Banco Reformador			722,935	549,170	437,118
	Transcom Bank			135,546	102,965	82,926
Total goodwill			$	**6,143,920**	**4,955,177**	**4,218,492**

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

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

		December 31, 2015			
CGU		Goodwill carrying amount	CGU Book Value	CGU Recoverable amount	Excess
CGU inside Banco de Bogotá	$	465,905	3,977,081	9,479,653	5,502,572
Pensiones y Cesantias Porvenir		436,096	1,276,932	3,139,880	1,862,948
Episol Panamericana		119,915	129,969	191,645	61,676
Hoteles Estelar		6,661	47,747	56,342	8,595
Promigas & subsidiaries		169,687	2,850,171	2,897,963	47,792
Leasing Bogotá Panama		4,945,656	10,035,197	15,190,545	5,155,348
Total	$	**6,143,920**			

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

CGU		December 31, 2014			
		Goodwill carrying amount	CGU Book Value	CGU Recoverable amount	Excess
CGU inside Banco de Bogotá	$	465,905	5,570,588	11,871,461	6,300,873
Pensiones y Cesantias Porvenir		436,096	1,189,180	3,779,520	2,590,340
Episol Panamericana		119,915	129,969	233,789	103,820
Hoteles Estelar		6,661	44,855	51,923	7,068
Promigas & subsidiaries		169,687	2,950,811	2,991,679	40,868
Leasing Bogotá Panama		3,756,913	5,612,611	10,073,230	4,460,620
Total	$	**4,955,177**			

CGU		January 1, 2014			
		Goodwill carrying amount	CGU Book Value	CGU Recoverable amount	Excess
CGU inside Banco de Bogotá	$	465,905	5,512,097	11,349,204	5,837,107
Pensiones y Cesantias Porvenir		436,096	1,036,757	3,230,927	2,194,170
Episol Panamericana		119,915	129,969	233,789	103,820
Hoteles Estelar		6,661	44,855	51,923	7,068
Promigas & subsidiaries		169,357	2,950,811	2,991,679	40,868
Leasing Bogotá Panama		3,020,558	3,570,243	8,867,278	5,297,036
Total	$	**4,218,492**			

- **Goodwill generated by the acquisition of Megabanco**

Goodwill was generated in 2006 with the acquisition of 94.99% of the shares of Banco de Crédito y Desarrollo Social – MEGABANCO S.A. and later merger with Banco de Bogotá. This operation was authorized by the Office of the Financial Superintendency in Resolution No. 917 dated 2 June 2006.

That goodwill was allocated to the groups of cash-generating units inside Banco de Bogotá involved in the following lines of business:

	Share (%)	Value
Commercial	32.7%	152,539
Consumer	30.8%	143,287
Payroll installment loans	27.0%	125,934
Vehicles	6.7%	31,304
Microcredit	2.8%	12,841
Total	**100.0%**	**465,905**

The latest valuation update for the business lines of the groups of cash-generating units to which this goodwill was allocated, was done by the expert Incorbank S.A. This valuation is included in its January 2016 report and is based on the Banco de Bogotá financial statements at November 30, 2015, due to the merger with the acquired company.

With this report the Group and management concluded that there are no situations whatsoever that would indicate possible impairment, since $9,479,653 in fair value resulting from the assessment valuation exceeds $5,502,572 in book value for the CGU groups.

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

The following table shows the main premises used in the latest impairment tests of the groups of cash-generating units with allocated goodwill. These were performed in December 2015 and December 2014.

	December 31, 2015				
	2016	2017	2018	2019	2020
Lending rate on the loan portfolio and investments	10.70%	10.70%	11.00%	11.20%	11.20%
Borrowing rate	4.10%	3.80%	3.70%	3.60%	3.60%
Growth in income from commissions	26.70%	25.00%	12.30%	12.40%	15.10%
Growth in expenses	32.60%	12.70%	15.00%	16.90%	15.40%
Inflation	5.00%	3.60%	3.00%	3.00%	3.00%
Discount rate after taxes	13.90%				
Growth rate after ten years	3.00%				

	December 31, 2014				
	2015	2016	2017	2018	2019
Lending rate on the loan portfolio and investments	10.00%	10.50%	10.80%	10.80%	10.90%
Borrowing rate	3.50%	3.70%	3.80%	3.80%	3.80%
Growth in income from commissions	16.50%	15.70%	15.50%	15.60%	15.60%
Growth in expenses	19.00%	19.60%	18.20%	15.80%	15.10%
Inflation	3.60%	3.20%	3.00%	3.00%	3.00%
Discount rate after taxes	12.30%				
Growth rate after ten years	3.00%				

	January 1, 2014				
	2014	2015	2016	2017	2018
Lending rate on the loan portfolio and investments	9.90%	10.30%	10.60%	10.70%	10.80%
Borrowing rate	3.90%	3.80%	3.90%	3.90%	3.90%
Growth in income from commissions	21.30%	17.30%	15.70%	15.60%	15.80%
Growth in expenses	19.10%	18.00%	18.00%	16.00%	16.50%
Inflation	3.00%	3.00%	3.00%	3.00%	3.00%
Discount rate after taxes	12.20%				
Growth rate after ten years	3.00%				

A 10-year projection was made to estimate goodwill, based on macroeconomic assumptions and those related to the businesses listed in the foregoing tables.

The following is a description of that process.

- The lending rates on loans and investments were projected based on the Group's past earnings and the projected FTD rate.

- The borrowing rates were projected based on the Group's historical earnings and the influence the FTD could have on these rates.

- Estimated growth in commissions and expenses is based on the growth in loans and other operations estimated by the Group.

- The rate of inflation used in the projections is based on reports from outside sources, such as the International Monetary Fund, and on documents from experts, such as the projections in Latinfocus and others,

- The growth rate used for the terminal value was 3%, which is the rate used in the most recent studies.

The discount rate after taxes used to discount dividend flows reflects the specific risks relative to each cash-generating unit. If the 13.9% estimated discount rate had been 0.5% higher than the rate estimated in the independent studies, the book value of goodwill would not have to be reduced, since the fair value of the groups of cash-generating units with this sensitivity would be $8,904,691, which is well above the book value of $5,502,572.

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

- **Goodwill was generated by the acquisition of AFP Horizonte:**

The Bank acquired sixteen point seventy-five percent (16.75%) of the shares of AFP Horizonte Pensiones y Cesantías S.A. directly and sixty-four point twenty-eight percent (64.28%) indirectly through its subsidiary Porvenir, as authorized by the Financial Superintendence of Colombia. This acquisition generated $91,746 and $352,081 in initial goodwill, respectively, as per its deemed cost at January 1, 2014.

The value of that goodwill net amortization at December 31, 2013 came to $90,162 and $345,934, respectively.

After the acquisition, Porvenir absorbed AFP Horizonte Pensiones y Cesantías S.A and the goodwill in question was allocated to the groups of cash-generating units that together make up Porvenir later that same year.

The latest valuation update of the groups of cash-generating units that comprise Porvenir was done by PricewaterhouseCoopers based on Porvenir's financial statements at December 31, 2015.

PricewaterhouseCoopers presented its report on 19 January 2016 and there are no situations indicative of possible impairment, since $3,139,880 in fair value exceeds the book value ($1,276,932.) of the cash-generation units to which the goodwill was allocated.

The following are the main premises used in the impairment testreports taken as the basis for impairment testing on the dates listed:

	December 31, 2015				
	2016	2017	2018	2019	2020
Lending interest rate on investments	5.44%	5.38%	5.38%	5.55%	5.69%
Borrowing rate	6.10%	5.90%	5.90%	5.90%	5.90%
Growth in income from commissions	6.60%	7.90%	7.10%	7.00%	6.90%
Growth in expenses	(3.00%)	7.40%	5.10%	6.20%	5.60%
Inflation	5.00%	3.40%	3.00%	3.00%	3.00%
Discount interest rate after taxes	13.49%				
Growth rate after twenty years	4.00%				

	December 31, 2014				
	2015	2016	2017	2018	2019
Lending interest rate on investments	5.15%	4.94%	5.11%	5.19%	5.23%
Borrowing rate	6.30%	6.30%	6.30%	6.30%	6.30%
Growth in income from commissions	3.20%	6.60%	6.80%	7.10%	7.00%
Growth in expenses	(4.30%)	4.50%	3.10%	5.10%	6.30%
Inflation	3.40%	3.00%	3.00%	3.00%	3.00%
Discount interest rate after taxes	11.50%				
Growth rate after twenty years	4.00%				

	January 1, 2014				
	2014	2015	2016	2017	2018
Lending interest rate on investments	4.06%	5.12%	5.89%	5.95%	6.00%
Borrowing rate	6.00%	6.00%	6.00%	6.00%	6.00%
Growth in income from commissions	(5.70%)	8.90%	9.10%	8.20%	8.00%
Growth in expenses	(2.00%)	0.30%	3.70%	5.10%	6.10%
Inflation	3.00%	3.10%	3.10%	3.10%	3.10%
Discount interest rate after taxes	11.90%				
Growth rate after twenty years	4.00%				

A 20-year projection was made to estimate goodwill based on macroeconomic assumptions and those related to the business of AFP Horizonte Pensiones y Cesantías, as indicated in the foregoing tables. The following is a description of that process.

- Lending rates on loans and investments and the borrowing rates were projected using historical data on the business.
- The estimated increases in commissions and expenses are based on business growth and other transactions estimated by the Group.
- The inflation rate used in the projections was taken from several domestic and international sources, such as the International Monetary Fund and the Central Bank of Colombia.
- Finally, the growth rate used for the terminal value was 4%, which is the rate used in the most recent studies.

The discount interest after taxes that was used to discount dividend flows reflects the specific risks relative to each cash-generating unit. If the estimated discount rate of 13.49% had been 1% higher than the estimated rate in the valuation done by outside experts, there would be no need to reduce the book value of goodwill, since the fair value of the cash-generating units to which the goodwill was allocated would be $2,787,092 and exceeds their book value of $1,276,932.

- **Acquisitions through Corficolombiana**

The following assumptions are the main ones used to assess impairment of the most important goodwill.

- **Episol – Panamericana**

Intrex Investment Inc., a subsidiary of Corporación Financiera Colombiana S.A. acquired one hundred percent (100%) the shares of stock in Concesionaria Panamericana S.A. on June 24, 2011. The respective goodwill was recognized on that date. Subsequently, Intrex Investment Inc. merged with Estudios y Proyectos del Sol S.A. S. through a buyout on December 31, 2012.

The respective impairment tests employed when valuing the goodwill allocated to the Episol-Panamericana groups of cash-generating units took into account the following projection assumptions used in the impairment report that was produced.

- 3% long-term growth in traffic.
- The company is valued by discounting the free cash flows at a rate of 14.68%, which is calculated by the WACC method, with a 68%-32% capital structure.
- The risk free rate is the treasury average for a nine-year period, so as to be able to reflect the effects of the economic cycle.
- The country risk premium is taken from the Damodaran publications.

The respective valuation showed $191,645 in recoverable as opposed to $119,915 in book value. Accordingly, it was concluded there are no indicators of any impairment that might adversely affect the value of the goodwill in question.

- **Promigas:**

The deemed cost of the recognized goodwill associated with the acquisition of Promigas was $40,869.

The projected dividend discount model was used to assess impairment, with a terminal value determined on the basis of an assumed P/E multiple (the cash trapped in the company earns the fixed-term deposit rate (DTF) + 1%).

The following assumptions are the main ones used in the impairment studies of the groups of cash-generating units with allocated goodwill.

- Current transport revenue, pursuant to the provisions in CREG resolutions 068/ 2013, 082/2014, 117/2011 and 122/2012 where rates are collected, including startup of the Regulatory Useful Life procedure for certain sections of the Promigas gas pipelines; approval of the so-called Southern Loop (Loop del Sur) project; and the rates initially estimated by CREG, based on the method established in CREG Resolution 126/ 2010.

- Volumes transported and contracted capacity according to the company's current estimates, as well as the coupled charges (fixed-variable charge) that apply to each contract.

- Estimate of the rate recalculation as of 2017, with a reduction in the regulatory WACC (for income from both volume and capacity) of about 2.5% with an approximate 15% reduction, in real terms, in the component of the rate that remunerates the investment. Constant AOM rates, in real terms.

- Transport income denominated in dollars (the component in the rate that compensates the investment) recognized at the average rate of the forwards contracted for 2016, and thereafter according to an exchange rate parity based on actual exchange rate levels.

- Growth in operating costs and expenses at levels between CPI and CPI + 1% (for labor and similar costs).

- 100% dividend distribution, as has been the company's policy historically.

- Maintaining an optimal level of leverage at 3.5 x debt/EBITDA.

The methods and assumptions used in valuing the different cash-generating units to which goodwill is allocated were properly reviewed by management. The conclusion, based on that review, was that no goodwill impairment needed to be recorded at December 31, 2015. This assessment showed $2,897,963 in recoverable value as opposed to $2,850,171 in market capitalization. Accordingly, it was concluded there are no indicators of any impairment that might adversely affect the value of the goodwill in question.

- **Acquisitions through Leasing Bogotá S.A. Panama:**

On December 9, 2010, Banco de Bogotá S.A. acquired control of BAC COM through its subsidiary Leasing Bogotá S.A. Panama (LBP), which is the Panamanian company that executed the purchase agreement. BAC Credomatic Inc. (BAC COM), a company incorporated to do business under the laws of the British Virgin Islands, is the owner of Banco BAC International Bank, Inc. and the operations of BAC Credomatic Inc. (BAC) in Central America.

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

With the acquisition of BAC COM, through LBP, BAC's corporate structure now is controlled by Banco de Bogotá S.A., which is controlled, in turn, by Grupo Aval. Goodwill was generated and recognized as a result of that operation. Banco de Bogotá was authorized by the Financial Superintendency of Colombia to make this acquisition, through its subsidiary Leasing Bogotá Panama, as indicated in Official Notice 2010073017- 048 dated December 3, 2010.

Afterwards, ninety-eight point ninety-two percent (98.92%) of the shares of Banco Bilbao Vizcaya Argentaria S.A. Panama (BBVA Panama, now BAC de Panama) were acquired by Banco de Bogotá, through its subsidiary Leasing Bogotá Panama, under authorization from the Financial Superintendency of Colombia, as per Official Notice 2013072962-052 dated December 12, 2013.

Finally, one hundred percent (100.00%) of the shares of Banco Reformador de Guatemala and of Transcom Bank Limited in Barbados were acquired, and both banks were stated as Grupo Financiero Reformador de Guatemala. The Financial Superintendencie authorized Banco de Bogotá to acquire these banks, through its subsidiaries Credomatic International Corporation and BAC Credomatic Inc., as per Official Notice 2013068082-062 dated December 3, 2013.

Up until December 31, 2015, an independent impairment test was performed individually for the goodwill generated through these acquisitions (BAC COM, BBVA Panama, Reformer and Transcom). However, since the second half of 2015 and after several mergers, this goodwill has been included in the consolidated financial statements of the subsidiary Leasing Bogotá Panama S.A as it consolidates with these companies both operationally and financially. Accordingly, for the purpose of assessing impairment of the goodwill generated via the acquisition of BAC COM, BBVA Panama, Reformer and Transcom through Leasing Bogotá S.A. Panama, Banco de Bogotá concluded it should be assigned to the consolidated level in Leasing Bogotá S.A. Panama as the lowest level in Banco de Bogotá which these goodwills are controlled for internal management purposes and which is not larger than an operating segment, in accordance with the requirements of paragraph 80 of IAS 36,.

In consequence, by December 2015 Banco de Bogotá performed a unitary impairment test at that level.

The latest valuation update for the groups of cash generating units to which this goodwill was allocated was done by Ernst and Young in February 2016, based on the financial statements of BAC Credomatic at November 30, 2015. The respective report indicates there are no situations that would imply possible impairment, since $ 15,190,545 for the in use exceeds the book value of $10,035,197 of the groups of cash generating units that are assigned goodwill.

The following table shows the averages of the primary premises used in the impairment test of the cash-generating units with allocated goodwill, on the indicated dates.

	December 31, 2015				
	2016	**2017**	**2018**	**2019**	**2020**
Lending rate on the loan portfolio and investments inversions	14.4%	14.6%	14.8%	15.0%	15.1%
Borrowing rate	3.4%	3.5%	3.6%	3.6%	3.7%
Growth in income from commissions	15.1%	14.0%	12.0%	10.5%	8.1%
Growth in expenses	9.8%	11.9%	10.0%	8.2%	6.4%
Discount rate after taxes	12.5%				
Growth rate after ten years	3.5%				

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

	December 31, 2014				
	2015	2016	2017	2018	2019
Lending rate on the loan portfolio and investments inversions	15.3%	15.3%	15.4%	15.5%	15.7%
Borrowing rate	3.4%	3.5%	3.6%	3.7%	3.8%
Growth in income from commissions	8.3%	17.0%	13.8%	12.9%	12.4%
Growth in expenses	9.6%	8.7%	8.8%	8.6%	8.5%
Discount rate after taxes	12.9%				
Growth rate after ten years	3.0%				

	January 1, 2014				
	2014	2015	2016	2017	2018
Lending rate on the loan portfolio and investments inversions	14.8%	14.8%	14.9%	14.9%	15.0%
Borrowing rate	3.3%	3.5%	3.5%	3.6%	3.7%
Growth in income from commissions	8.3%	11.1%	10.6%	9.4%	8.6%
Growth in expenses	10.2%	10.2%	9.4%	8.7%	7.7%
Discount rate after taxes	12.2%				
Growth rate after ten years	3.2%				

A 10-year projection was made to evaluate goodwill impairment, considering the business will have matured and the flow of funds will have stabilized once this period has elapsed. In turn, macroeconomic assumptions as well as those for BAC Credomatic's business in each of the countries where it operates were used for the projection, so as to reflect the reality that each market provides to the CGUs as a whole. The averages of the main premises used are listed in the foregoing tables, including the variables for all the countries where BAC Credomatic operates. The following is a description of that process.

- Lending rates on loans and investments were projected based on historical data and on the expectations of management in each of the countries where BAC Credomatic operates, considering the competitiveness of the different services in their respective markets and the growth strategies for each segment. The projection on US Federal Reserve rates was taken into account as well, since these rates serve as a basis for international banking rates.

- Growth in commissions was projected considering the increase in the commercial loan portfolios, as well as more competitive markets over the projected timeline. For this reason, BAC Credomatic is expected to reduce this revenue gradually, so as to improve its competitiveness in the market and the cost of its services in all the countries where it operates, with the exception of Mexico. In the case of Mexico, the operation is solely a credit card business and the account only includes revenue derived from this particular portfolio. Therefore, its projection contemplates growth based on higher billing associated with the credit card portfolio.

  Although the functional or reporting currency of the business is that of each country in the region where BAC subsidiaries operate, the future flows of funds have been converted into nominal US dollars in each projected period, discounted at a nominal rate in US dollars, net of income tax, estimated as "Ke". A discount rate in US dollars is used, inasmuch as a consistent discount rate in the respective local currencies cannot be estimated for lack of the necessary data.

- The discount rate has been estimated in light of the risk profile of each of the markets where BAC operates.

- To estimate the terminal value, the normalized flow of funds, adjusted according to expectations for its growth, was projected in perpetuity.

This projection does not exceed the average long-term rate of growth for the economies in each of the countries where BAC operates. Consequently, an annual growth rate of 3.5% was estimated for the long term.

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

The discount rate after taxes used to discount the dividend flows reflects the specific risks relative to the CGU and the markets where BAC Credomatic operates, as mentioned earlier. Had the estimated 12.5% discount rate been 1.0% higher than the estimated rate; that is, 13.5%, it would not have been necessary to reduce the book value of goodwill, since the vale-in-use of the cash-generating units to which the goodwill was allocated would be $12,888,595. This is more than their book value of $10,035,197.

NOTE 17 - CONCESSION ARRANGEMENTS RIGHTS

Under IFRIC 12, the concession arrangements between several of the Group and the Colombia government for a number of infrastructure projects are classified as financial assets and intangible assets.

17.1 Financial Assets in Concession Arrangements

The following shows the changes in the financial assets in concession arrangements recorded in the Group in the years ended at December 31, 2015 and 2014:

		At fair value	At amortized cost	Total
Balance at January 1, 2014	$	**1,565,709**	**184,227**	**1,749,936**
Additions or new concession arrangements		0	322,386	322,386
Collections received during the year		0	(422,960)	(422,960)
Adjustment to fair value credited to income (1)		172,890	0	172,890
Accrued interest		0	35,684	35,684
Balance at December 31, 2014		**1,738,599**	**119,337**	**1,857,936**
Additions or new concession arrangements		0	369,983	369,983
Collections received during the year		0	(400,703)	(400,703)
Adjustment to fair value credited to income (1)		153,093	0	153,093
Estimation changes on initial recognition		0	(111,432)	(111,432)
Accrued interest		0	65,679	65,679
Balance at December 31, 2015	$	**1,891,692**	**42,864**	**1,934,556**

(1) The income from adjustment to fair value credited to income is in the line sale of goods and services of non-financial companies in the consolidated income statement

17.2 Intangible Assets in Concession Arrangements

The following shows the movement in the main concession agreements registered for the Group's subsidiaries under intangible assets caption during the years ended at December 31, 2015 and 2014:

		Promigas S.A.	Estudios y Proyectos e Inversiones de los Andes S.A.	Proyectos de Infraestructura S.A. – PISA	Estudios y Proyectos del Sol S.A.S - EPISOL	Total
Cost						
Balance at January 1, 2014	$	**1,225,830**	**205,860**	**255,094**	**72,391**	**1,759,175**
Additions		163,830	85,348	4,288	0	253,466
Reclassification – Change in Estimate		0	(12,913)	0	0	(12,913)
Balance at December 31, 2014		**1,389,660**	**278,295**	**259,382**	**72,391**	**1,999,728**
Additions		494,815	147,689	16,902	0	659,406
Reclassification –Estimation changes on initial recognition		0	128,053	(13,878)	0	114,175
Balance at December 31, 2015	$	**1,884,475**	**554,037**	**262,406**	**72,391**	**2,773,309**

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

		Promigas S.A.	Estudios y Proyectos e Inversiones de los Andes S.A.	Proyectos de Infraestructura S.A. – PISA	Estudios y Proyectos del Sol S.A.S - EPISOL	Total
Accumulated amortization						
Balance at January 1, 2014	$	**0**	**0**	**0**	**0**	**0**
Amortization for the year		(52,735)	(93,643)	(9,057)	(1,557)	(156,992)
Balance at December 31, 2014		**(52,735)**	**(93,643)**	**(9,057)**	**(1,557)**	**(156,992)**
Amortization for the year		(97,008)	(117,014)	(9,914)	(1,680)	(225,616)
Balance at December 31, 2015	$	**(149,743)**	**(210,657)**	**(18,971)**	**(3,237)**	**(382,608)**
Net balances						
Balance at January 1, 2014	$	**1,225,830**	**205,860**	**255,094**	**72,391**	**1,759,175**
Cost		1,389,660	278,295	259,382	72,391	1,999,728
Accumulated amortization		(52,735)	(93,643)	(9,057)	(1,557)	(156,992)
Balance at December 31, 2014		**1,336,925**	**184,652**	**250,325**	**70,834**	**1,842,736**
Cost		1,884,475	554,037	262,406	72,391	2,773,309
Accumulated amortization		(149,743)	(210,657)	(18,971)	(3,237)	(382,608)
Balance at December 31, 2015	$	**1,734,732**	**343,380**	**243,435**	**69,154**	**2,390,701**

The following is the activity of income and costs incurred in the construction stage on concession arrangements:

		Promigas S.A. and subordinates	Concesionaria Vial de los Andes S.A.	Proyectos de Infraestructura S.A.	Estudios y proyectos del sol S.A.S. Episol	Total
Accumulated income capitalized as intangible or financial assets, recorded in the income statement						
Balance at January 1, 2014	$	**0**	**0**	**0**	**0**	**0**
Construction income during the year		91,809	394,153	0	10,385	496,347
Accumutated income during the year		0	34,011	0	1,674	35,685
Balance at December 31, 2014		**91,809**	**428,164**	**0**	**12,059**	**532,032**
Construction income during the year		39,259	480,901	13,874	52,797	586,831
Accumutated income during the year		35863	63,562	0	1,222	100,647
Balance at December 31, 2015	$	**75,122**	**544,463**	**13,874**	**54,019**	**687,478**
Accumulated costs incurred in the concession, recorded in the Income statement						
Balance at January 1, 2014		**0**	**0**	**0**	**0**	**0**
Construction costs incurred during the year		91,809	394,153	0	10,676	496,638
Financial costs incurred during the year		0	0	0	8,061	8,061
Balance at December 31, 2014	$	**91,809**	**394,153**	**0**	**18,737**	**504,699**
Construction costs incurred during the year		39,259	480,901	13,874	45,112	579,146
Financial costs incurred during the year		35,863	18,814	0	7,676	62,353
Balance at December 31, 2015	$	**75,122**	**499,715**	**13,874**	**52,788**	**641,499**

The following is additional information on concession arrangements in the construction phase:

		Promigas S.A. and subordinates	Concesionaria Vial de los Andes S. A	Proyectos de Infraestructura S.A.	Estudios y proyectos del sol S.A.S. Episol	Total
January 1, 2014						
Accounts receivable from the Goverment	$	0	169,885	0	14,342	184,227
Recognized intangibles for rights in concession arrangements		47,812	205,861	19,887	0	273,560
December 31, 2014						
Accumulated costs incurred in the concession, recorded in the Profit or loss		91,809	394,153	0	0	485,962
Construction income recognized in the profir or loss statement		0	0	0	10,676	10,676

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

		Promigas S.A. and subordinates	Concesionaria Vial de los Andes S. A	Proyectos de Infraestructura S.A.	Estudios y proyectos del sol S.A.S. Episol	Total
Withholding on payments		0	0	49,367	0	49,367
Accounts receivable from the Goverment		0	257,173	0	25,615	282,788
Recognized intangibles for rights in concession arrangements		173,178	395,075	47,406	0	615,659
December 31, 2015						
Accumulated costs incurred in the concession, recorded in the Profit or loss		26,289	480,900	13,874	0	521,063
Construction income recognized in the profit or loss statement		0	0	0	14,608	14,608
Withholding on payments		0	0	49,367	0	49,367
Accounts receivable from the Goverment		0	110,201	0	22,397	132,598
Recognized intangibles for rights in concession arrangements	$	150,918	535,077	26,262	0	712,257

PROMIGAS S. A and Subordinates

a) Promigas and its subsidiaries have executed several concession agreements with entities of the Colombian Government for the construction, operation and maintenance of gas pipelines in Colombia, entered into mainly during the years 1996 to 2010, which currently are in operational stage. For the construction service Promigas and its subsidiaries receive rates fixed by the Colombian Government for gas transportation in periods between 30 and 50 years and whose contracts comprise the unconditional transfer of the gas pipelines subject matter of the concession, at the end of the contract, to entities of the Colombian Government, for their fair value, or otherwise, obtaining successive extensions for 20 additional years, but in any case, always at the end of each extension period the gas pipelines subject matter of the concession are transferred to the Colombian Government at their fair value.

Due to the foregoing, for purposes of IFRS Interpretations Committee (IFRIC) 12 the aforementioned contracts have been classified as mixed contracts: as intangible assets in the part corresponding as remuneration for the reception of gas transportation rates and as a financial asset in the part corresponding to the unconditional right at the end of the contract to transfer the assets subject matter of the concession to the Colombian Government, at their fair value.

In the opinion of the Management, it was concluded that the best option to record such financial assets is at fair value through profit or loss, taking into account that the amount for which they are required to be transferred to the State entities at the end of the contract may vary from time to time, due to the different variables involved in their determination. The method of discounted cash flows was used for determining their fair value, since it reflects the market expectations present over future costs comprising the amount of the concession to be negotiated with the State, upon the termination of the concession or its renewal.

The assumptions in the calculation of the financial asset were:

- The financial asset of each company is calculated taking into account the termination date of the respective concession contract.
- The calculation was carried out in proportion to the termination of each of the concession contracts in force.
- Only the operational cash flows of these assets under concession were taken into account.

The components of the calculations are as follows:

- Free cash flow generated solely by assets under concession.
- Expiration period of the concession.

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

- Amount in-perpetuity of the Free Cash Flow (FCF) of the year, estimated taking into account a growth in the residual amount of between 1% and 3% each year, as of December 31, 2015 and 2014.
- Current amount of the residual amount Weighted Average Cost of Capital (WACC), estimated taking into account an interest rate between 8.54% and 9.21% each year, as of December 31, 2015 and 2014.
- Financial Income: Annual adjustment of the amount of the financial asset to WACC*.

*Nominal WACC calculated under the Capital Asset Pricing Model (CAPM) methodology for each, updated annually. The following variables were used for determining the WACC:

- Beta Unlevered USA (Oil/Gas Distribution): Damodaran. [Beta unlevered 0.71]
- Risk Free Rate, Source: Geometric Average 10 years of American bonds “T-Bonds”.
- Marker Return, Source: Geometric Average 10 years Damodaran “Stocks” USA 2004-2013
- Market Premium: Market Return – Risk Free Rate
- Country Risk Premium: Average last 5 years EMBI (Difference between 10 year sovereign bonds of Colombia and 10 year “T-Bonds”). Damodaran
- Emerging Market: Equity Premium Emerging countries (Lambda - Damodaran)

The risk committee of Promigas and its controlled companies reviews periodically Level 3 appraisals.

The committee considers the appropriateness of the valuation model inputs as well as the valuation result utilizing several methods and valuation techniques standardized within the industry. For selecting the most appropriate valuation model the committee carries out the tests again and considers which are the results of the model that are historically aligned more accurately with the real market transactions.

The following table includes a sensitivity analysis of the assumptions used by Promigas and its subsidiaries in the calculation of fair value of unconditional transfer rights of gas pipelines to State entities at the termination of the contracts.

Variable	+100 bps	-100 bps
WACC	(26%)	40%
Gradient	21.8%	(15.4%)

b) In addition to the foregoing, Promigas and its subsidiaries have executed other concession contracts entered into with the Colombian Government for the construction, operation and maintenance of gas pipelines in terms of duration of between 30 and 50 years during which, as remuneration for the construction of such gas pipelines, receiving the rates regulated by the Colombian Goverment, but at the end of the contract the assets subject matter of the concession are transferred to the Colombian Government entities, without any consideration; due to the aforementioned, such contracts have been classified under IFRIC 12 as intangible assets.

Proyecto de Infraestructura S.A. (PISA)

a) Pisa has a concession agreement entered into with the Valle del Cauca department, Colombia, executed on December 30, 1993 during a term of fifteen (15) years and subsequently extended for 20 years in 1996, for the construction and maintenance of a new road, improvement and maintenance of the existing lane of the road Buga - Tulua - La Paila in Colombia. The total amount of the construction in accordance with the concession contract was $45,481 from September-93 (total amount of the contract of $52,111 from September -93), which is recovered through tolls during the contract operation stage.

Due to the foregoing, for purposes of IFRIC 12 the concession contract has been deemed as an intangible asset. As of December 31, 2015 the subsidiary has satisfactorily complied with the terms of the agreement and based on impairment assessments carried out, it is expected that the amount registered in books will be totally recoverable with the revenues of future tolls.

b) Concesiones CCFC S.A is within the subordinate Group entities through Pisa, which is executing a concession contract entered into with the National Road Institute (INVIAS, for its Spanish acronym Instituto Nacional de Vías) on June 30, 1995, whose purpose is to develop, under the concession system, the studies and final designs, rehabilitation and construction works, operation and maintenance of the road Bogotá (Fontibon) – Facatativa – Los Alpes, in the Department of Cundinamarca, Colombia, expiring on March. The total amount of the construction in accordance with the concession contract is $43,978 of September -94 (total amount of the contract of $70,344 of September -94), which is recovered through tolls during the contract operation stage. Due to the foregoing, for purposes of IFRIC 12 the concession contract has been deemed as an intangible asset. As of December 31, 2015 the subsidiaries have satisfactorily complied with the terms of the agreement and based on impairment assessments carried out, it is expected that the amount registered in books will be totally recoverable with the revenues of future tolls.

Concesionaria Vial de los Andes S.A. Coviandes

Coviandes has a concession contract with the Colombian Government which purpose is to perform through the concession system, the studies, final designs, rehabilitation and construction works, operation and maintenance of the road denominated Sector Bogotá -Puente Real and maintenance and operation of Sector Puente Real to Villavicencio in Colombia. The total amount of the construction in accordance with the concession contract was $82,445, which is recovered through tolls during the contract operation stage and through minimum amounts guaranteed for receipt from the Colombian Government. Due to the foregoing, for purposes of IFRIC 12 the concession contract has been deemed as a mixed contract including a financial asset for minimum payments guaranteed by the Colombian Government recognized at amortized cost and an intangible asset for the amount collected through tolls.

As of December 31, 2015 the subsidiary has satisfactorily complied with the terms of the agreement and based on impairment assessments carried out, it is expected that the amount registered in books as intangible assets will be totally recoverable with future revenues.

Concesionaria Panamericana S.A.S

In the normal course of the business the company has executed a concession contract with the Department of Cundinamarca, Colombia on December 16, 1997, wherein the Concessionaire binds itself to perform under the Concession system, the studies, final designs, rehabilitation and construction works, operation and maintenance of the project Road Corridor of Central West Cundinamarca (“Corredor Vial del Centro Occidente de Cundinamarca”) in Colombia.

The total amount of the construction in accordance with the concession contract and its additions was $207,851, which is recovered through tolls during the contract operation stage. Due to the foregoing, for purposes of IFRIC 12 the concession contract has been deemed as an intangible asset. As of December 31, 2015 the subsidiary has satisfactorily complied with the terms of the agreement and based on impairment assessments carried out, it is expected that the amount registered in books will be totally recoverable with future revenues.

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

As of December 31, 2014, other additional contracts have been executed for which formalizing of the works liquidation minutes is pending.

As of December 31 2015 and 2014 the subordinate entities of the Group dedicated to the concession business did not have any contingent assets due to revenues receivable deriving from any contractual difference with any concession, other than any rate acknowledgment. They did not have either contingent liabilities due to sanctions or fines enforced by the Government during the development of concession contracts due to potential contractual breaches.

NOTE 18 - OTHER INTANGIBLE ASSETS

The following table shows the balances for other intangible assets at December 2015, December 2014 and January 2014:

		December 31, 2015			
		Cost	**Accumulated amortization**	**Impairment loss**	**Amount on the books**
Computer software and applications	$	461,451	186,046	0	275,405
Other intangible assets		216,622	40,936	0	175,686
Balances at December 31, 2015	$	**678,073**	**226,982**	**0**	**451,091**

		December 31, 2014			
		Cost	**Accumulated amortization**	**Impairment loss**	**Amount on the books**
Computer software and applications	$	285,188	103,222	0	181,966
Other intangible assets		112,254	10,340	12	101,902
Balances at December 31, 2014	$	**397,442**	**113,562**	**12**	**283,868**

		January 1, 2014			
		Cost	**Accumulated amortization**	**Impairment loss**	**Amount on the books**
Computer software and applications	$	147,682	50,463	0	97,219
Other intangible assets		74,742	25,539	0	49,203
Balances at January 1, 2014	$	**222,424**	**76,002**	**0**	**146,422**

The following is the movement in “Other Intangible Assets” account during the years ended at December 31, 2015 and December 31, 2014.

		Other intangibles
Cost:		
Balance at January 1, 2014	$	**222,424**
Additions/purchases (net)		163,184
Disposals /sales (net)		(23,679)
Adjustment for exchange difference		36,809
Transfers (increase/decrease)		(1,296)
Balance at December 31, 2014		**397,442**
Additions/purchases (net)		237,388
Disposals /sales (net)		(19,214)
Adjustment for exchange difference		61,552
Transfers (increase/decrease)		905
Balance at December 31, 2015	$	**678,073**
Accumulated amortization		
Balance at January 1, 2014	$	**76,002**
Annual amortization charged to income		67,248
Disposals		(44,634)
Exchange difference adjustment		16,241
Transfers (increase/decrease)		(1,295)

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

Balance at December 31, 2014	$	**113,562**
Annual amortization charged to income		115,183
		Other intangibles
Disposal/sales		(34,526)
Exchange difference adjustment		43,172
Transfers (increase/decrease)		(10,409)
Balance at December 31, 2015	$	**226,982**
Impairment losses:		
Balance at January 1, 2014		**0**
Balance at December 31, 2014		**12**
Balance at December 31, 2015	$	**0**
Intangible assets, net:		
Balance at January 1, 2014		**146,422**
Balance at December 31, 2014		**283,868**
Balance at December 31, 2015	$	**451,091**

NOTE 19 – INCOME TAX AND EQUITY TAX

19.1. Components of the Income Tax Expense

The income tax expense for the years ended at December 31, 2015 and December 31, 2014 includes the following:

		December 31, 2015	December 31, 2014
Income tax for the current period	$	1,283,950	1,200,900
Deferred income taxes		77,913	125.542
Adjustments for previous periods and uncertain tax positions		16.682	(28.250)
Total income tax	$	**1,378,545**	**1.298.193**

According to the Article 165 from Act 1607 of 2012 and Decree 2548 of 2014, for tax purposes, referrals contained in tax rules related to accounting standards remain in effect during the four (4) years following the entry into force of the International Financial Reporting Standards. Consequently, during the years 2015 to 2018 inclusive, the tax bases of the items included in the tax returns continue unchanged and determination of liability for the current income tax and the income tax for equity (CREE) will be made based on the current tax rules, which in some cases are referred to Colombian accounting principles in force until December 31, 2014 (Decree 2649 of 1993 and other supplementary provisions).

In accordance with the above, the determination of the taxable income of income taxes and CREE for the years ended December 31, 2015 and December 31, 2014 was made based on tax provisions.

19.2 Reconciliation of the Nominal Tax Rate to the Effective Rate*:*

The following are the basic parameters applicable to income tax.

In Colombia

- The rate on taxable income is 25% for income and supplementary taxes.
- The so-called “income tax for equality” (CREE) was created under Law 1607 / December 2012 as a contribution from the companies, legal entities and other taxpayers who are required to file an income and supplementary tax declaration. Effective as of January 1, 2013, this tax is intended to benefit employees, generate employment and promote social investment. The CREE tax rate for 2014, 2015 and thereafter is 9%.

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

- An additional CREE surcharge was created in 2015. It amounts to 5% for 2015, 6% for 2016, 8% for 2017 and 9% for 2018.

- The tax base to determine income tax and CREE may be no less than 3% of the taxpayer's equity established for fiscal purposes on the last day of the immediately preceding fiscal year.

In other countries

The subsidiaries of the Company in Guatemala, are subject to a rate of 28% in 2014, and 25% in the years thereafter, while it´s subsidiaries in El Salvador, Honduras, Costa Rica and Mexico pay 30%. The local-licensed subsidiaries in Panama pay 25%.

The following is a breakdown of the reconciliation between the Group's total income tax expense, calculated at the tax rates provided by the law in Colombia, to the income tax expense actually recorded in the statement of profits or loss for the years ended at December 31, 2015 and December 31, 2014.

		December 31, 2015	December 31, 2014
Income before income tax	$	**4,017,566**	**3,546,911**
Income tax expense at the tax rate of 39% year 2015 and 34% year 2014		1,566,851	1,205,950
Taxes that increase or (decrease) the income tax expense:			
Non-deductible expenses		183,646	242,498
Presumptive income tax excess and non operating lesses with no tax effect		28,601	466
Wealth / equity tax		83,303	24,913
Non – taxable dividends received		(11,036)	(219)
Non – taxable equity method revenues		(79,856)	(36,427)
Non – taxable gain (Loss) on investment		4,756	(918)
Other non – taxable Interest and income		(16,511)	(28,835)
Non – taxable income		(75,007)	(52,851)
Tax benefits on productive acquisition of assets		(52,756)	(21,953)
Income from subsidiaries with different tax rates from 39% and 34%		(123,402)	(70,466)
Dividends from subsidiaries taxed at different tax rates		0	54,915
Deferred income tax effect for change in estimate of reversal timing of temporary differences and tax rate changes		(77,678)	(43,705)
Recognition of deferred tax assets considered non recoverables from previous periods		20,461	0
Previous years adjustments		(12,470)	2,072
Other uncertain tax positions from previous periods		13,514	16,598
Other concepts		(73,871)	6,155
Total income tax expense	$	**1,378,545**	**1,298,193**

19.3 Unusedtax Losses and Excess of Minimum Presumtive Income:

The Goup has unrecognized deferred income tax assets in respect of unused tax loss carry forward and excess of minimum presumptive income over which the Group paid income tax in previous years as follows:

		December 31, 2015	December 31, 2014
Tax losses expiring on:			
December 31, 2015	$	0	1,037
December 31, 2016		0	1,542
December 31, 2017		1,772	162
December 31, 2018		169	6
December 31, 2019		243	0
No expiration date		78,292	74,753

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

Subtotal		**80,476**	**77,500**
		December 31, 2015	**December 31, 2014**
Surplus Presumptive income expiring on:			
December 31, 2015		0	800
December 31, 2016		1,070	1,832
December 31, 2017		1,622	1,614
December 31, 2018		7,141	2,644
December 31, 2019		77,056	0
December 31, 2020		43,344	0
Subtotal		**130,233**	**6,890**
Total	$	**210,709**	**84,390**

In addition, no deferred assets over temporary differences related to subsidiaries with concession contracts were recognized for $341,926 and $180,271 as of December 31, 2015 and December 31, 2014, respectively.

Taxable temporary differences of investment in subsidiaries:

At December 31, 2015 and 2014, the Group did not record deferred tax liabilities on taxable temporary differences on investments in foreign subsidiaries for $4,617,875 and $1,680,203, respectively, resulted for profits of such subsidiaries not paid to the company in Colombia and cumulative translation adjustments of those investments in the Group recorded in OCI accounts in equity. This is because: i) the Group controls the subsidiaries and, consequently, can decide on the reversal of those temporary differences; and ii) the Group is not planning to do so in the medium term; therefore, these temporary differences are not likely to be reversed in the foreseeable future, pursuant to IAS 12.

19.4 Deferred Income Taxes:

The differences between the book value of assets and liabilities and the tax base for these items result in differences that generate deferred taxes, which are calculated and recorded at December 31, 2015 and December 31, 2014 and January 1, 2014, based on the enacted tax rates for the years when the temporary differences will be reversed.

These deferred income taxes are shown in the following table:

Consolidated		Balance as of December 31, 2014	Credits (debits) on income	Credits (debits) on OCI	Reclasifications	Balance as of December 31, 2015
Deferred tax assets						
Valuation of fixed-income investments	$	(6,001)	252,742	171,181	(23,746)	394,176
Valuation of equity investments		378	658	0	0	1,036
Valuation of derivatives		462,929	(112,483)	(81,418)	3,463	272,491
Negative Differences between the accounting and tax bases for the loan portfolio		29,828	(25,747)	0	0	4,081
Positive Differences between the accounting and tax bases for the loan portfolio		44,831	11,127	0	0	55,958
Positive Provisions for accounts receivable		1,897	(1,730)	0	0	167
Positive value in Financial asset in concession arrangements		1,429	(1,429)	0	0	0
Positive value in Intangible asset in concession arrangements		9,912	2,017	0	0	11,929
Negative Differences between the accounting and tax bases for foreclosed assets		18,477	(18,477)	0	0	0
Positive Differences between the accounting and tax		6,238	(2,194)	0	0	4,044

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

bases for foreclosed assets

Consolidated		Balance as of December 31, 2014	Credits (debits) on income	Credits (debits) on OCI	Reclasifications	Balance as of December 31, 2015
Deferred tax assets						
Negative Differences between the accounting and tax bases for property, plant and equipment		20,094	21,961	0	0	42,055
Negative Differences between the tax bases for accrued depreciation of property, plant and equipment		5,085	(2,231)	0	0	2,854
Biological assets		4,580	(4,211)	0	0	369
Negative Differences between the accounting and tax bases for deferred charges for intangible assets		31,051	34,779	0	0	65,830
Tax losses		45,601	3,020	478,532	0	527,153
Surplus presumptive income excess		16,147	(13,249)	163,218	0	166,116
Provisions for non-deductible liabilities		75,247	18,323	0	0	93,570
Employee benefits		69,971	711	(7,066)	(328)	63,288
Goodwill		6,947	0	0	0	6,947
Deferred income		5,310	30,546	0	0	35,856
Leasing contracts		7,315	1,099	0	0	8,414
Other		175,041	(70,292)	0	(4,575)	100,174
Subtotal		**1,032,307**	**124,940**	**724,447**	**(25,186)**	**1,856,508**
Deferred tax liabilities						
Valuation of fixed-income investments		63,887	(282,537)	0	0	(218,650)
Valuation of equity investments		(85,452)	25,981	(12,695)	(74)	(72,240)
Valuation of derivatives		(258,206)	129,471	72,804	0	(55,931)
Positive Differences in the accounting and tax bases for the loan portfolio		(18,299)	(18,463)	0	(376)	(37,138)
Negative Differences in the accounting and tax bases for the loan portfolio		(187,396)	21,521	0	(78)	(165,953)
Positive Differences between the accounting and tax bases for foreclosed assets		(40,124)	(25,919)	0	0	(66,043)
Negative Differences between the accounting and tax bases for foreclosed assets		(3,371)	(3,115)	0	23	(6,463)
Positive Difference between the accounting and tax bases for the cost of property, plant and equipment		(261,448)	88,067	0	(30)	(173,411)
Differences between the tax bases for accrued depreciation of property, plant and equipment		(101,919)	(23,560)	0	(46)	(125,525)
Differences between the accounting and tax bases for deferred charges for intangible assets		(29,112)	(17,437)	0	0	(46,549)
Non-repatriated profits on investments in subsidiaries (only for the consolidated statement)		(17,974)	(20,235)	0	0	(38,209)
Non deductible provisions		(24,468)	23,965	0	0	(503)
Employee benefits		(119)	(627)	0	0	(746)
Goodwill		(15,440)	(19,982)	0	0	(35,422)
Trust rights		(7,966)	(2,039)	0	0	(10,005)
Other deferred income		(19,879)	(7,054)	0	0	(26,933)
Other		(119,601)	80,099	10	(3,409)	(42,901)
Financial asset in concession arrangements		(342,841)	(155,539)	0	0	(498,380)
Intangibles in concession arrangements		(141,264)	11,978	0	0	(129,286)
Biological assets		(10,098)	(7,481)	0	0	(17,579)
Leasing contracts		(267)	53	0	0	(214)
Subtotal		**(1,621,357)**	**(202,853)**	**60,119**	**(3,990)**	**(1,768,081)**
Total	$	**(589,050)**	**(77,913)**	**784,566**	**(29,176)**	**88,427**

Consolidated		Balance as of January 1, 2014	Credits (debits) on income	Credits (debits) on OCI	Reclasifications	Balance as of December 31, 2014
Deferred tax assets						
Valuation of fixed-income investments	$	4,939	(17,307)	14,317	(7,950)	(6,001)
Valuation of equity investments		3,554	(3,176)	0	0	378
Valuation of derivatives		53,811	114,508	294,303	307	462,929
Negative Differences between the accounting and tax bases for the loan portfolio		24,605	5,223	0	0	29,828
Positive Differences between the accounting and tax bases for the loan portfolio		48,041	(3,210)	0	0	44,831
Positive Provisions for accounts receivable		240	1,657	0	0	1,897
Positive value in Financial asset in concession arrangements		0	1,429	0	0	1,429
Negative value in Financial asset in concession		16,573	(6,661)	0	0	9,912

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

arrangements

Consolidated	Balance as of January 1, 2014	Credits (debits) on income	Credits (debits) on OCI	Reclasifications	Balance as of December 31, 2014
Negative Differences between the accounting and tax bases for foreclosed assets	3,602	14,875	0	0	18,477
Positive Differences between the accounting and tax bases for foreclosed assets	7,399	(1,161)	0	0	6,238
Negative Differences between the accounting and tax bases for property, plant and equipment	28,283	(8,189)	0	0	20,094
Negative Differences between the tax bases for accrued depreciation of property, plant and equipment	2,795	2,290	0	0	5,085
Biological assets	55	4,525	0	0	4,580
Negative Differences between the accounting and tax bases for deferred charges for intangible assets	29,525	1,526	0	0	31,051
Tax losses	52,058	(6,457)	0	0	45,601
Surplus presumptive income excess	36,982	(20,835)	0	0	16,147
Provisions for non-deductible liabilities	59,894	15,353	0	0	75,247
Employee benefits	54,852	14,917	202	0	69,971
Goodwill	7,470	(523)	0	0	6,947
Deferred income	0	5,310	0	0	5,310
Leasing contracts	5,437	1,878	0	0	7,315
Other	137,995	36,955	0	91	175,041
Subtotal	**578,110**	**152,927**	**308,822**	**(7,552)**	**1,032,307**
Deferred tax liabilities					
Valuation of fixed-income investments	(55.182)	119,069	0	0	63,887
Valuation of equity investments	(13.469)	(58,748)	2,540	(15,775)	(85,452)
Valuation of derivatives	(41.401)	(112,091)	0	(104,714)	(258,206)
Provisions for investments	(1.058)	1,058	0	0	0
Positive Differences in the accounting and tax bases for the loan portfolio	(9.091)	(9,221)	0	13	(18,299)
Negative Differences in the accounting and tax bases for the loan portfolio	(113.487)	(75,986)	0	2,077	(187,396)
Positive Differences between the accounting and tax bases for foreclosed assets	(17.438)	(22,686)	0	0	(40,124)
Negative Differences between the accounting and tax bases for foreclosed assets	(142.721)	139,350	0	0	(3,371)
Positive Difference between the accounting and tax bases for the cost of property, plant and equipment	(178.006)	(83,442)	0	0	(261,448)
Differences between the tax bases for accrued depreciation of property, plant and equipment	(56.238)	(45,681)	0	0	(101,919)
Differences between the accounting and tax bases for deferred charges for intangible assets	(40)	(29,072)	0	0	(29,112)
Non-repatriated profits on investments in subsidiaries (only in for the consolidated statement)	(2.653)	(15,321)	0	0	(17,974)
Non deductible provisions	(2.110)	(22,358)	0	0	(24,468)
Employee benefits	(834)	715	0	0	(119)
Goodwill	0	(15,440)	0	0	(15,440)
Trust rights	(10.622)	2,656	0	0	(7,966)
Other deferred income	(2.760)	(17,119)	0	0	(19,879)
Other	(51.784)	(68,043)	0	226	(119,601)
Financial asset in concession arrangements	(361.665)	18,824	0	0	(342,841)
Intangibles in concession arrangements	(151.994)	10,730	0	0	(141,264)
Biological assets	(14.536)	4,438	0	0	(10,098)
Leasing contracts	(166)	(101)	0	0	(267)
Subtotal	**(1.227.255)**	**(278,469)**	**2,540**	**(118,173)**	**(1,621,357)**
Total	$ **(649,145)**	**(125,542)**	**311,362**	**(125,725)**	**(589,050)**

(1) The deferred tax liability related to the outside basis correspond to retained earnings from subsidiaries abroad.

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

The Group offset deferred tax assets and liabilities by entity and tax authority, considering the application of the tax provisions in forced in Colombia, and other countries in which the subsidiaries operate, and on the legal right to offset tax assets and liabilities, and other requirements in IAS 12, as follows:

December 31, 2015		**Deferred tax amounts**	**Offset Reclassification**	**Balances on statement of financial position**
Deferred tax asset	$	1,856,508	936,076	920,432
Deferred tax liability		1,768,081	936,076	832,005
Net	$	88,427	0	88,427

December 31, 2014		**Deferred tax amounts**	**Offset Reclassification**	**Balances on statement of financial position**
Deferred tax asset	$	1,032,307	862,887	169,420
Deferred tax liability		1,621,357	862,887	758,470
Net	$	(589,050)	0	(589,050)

January 1, 2014		**Deferred tax amounts**	**Offset Reclassification**	**Balances on statement of financial position**
Deferred tax asset	$	578,110	427,239	150,871
Deferred tax liability		1,227,255	427,239	800,016
Net	$	(649,145)	0	(649,145)

19.5 Current and deferred tax effects relating to each component of other comprehensive income:

The following details the effect of current and deferred taxes on each component of "other comprehensive income" during the years ended at December 31, 2015 and 2014:

		December 31, 2015				**December 31, 2014**			
		Amount before taxes	**Current tax expense (Income)**	**Deferred tax expense (income**	**Net**	**Amount before taxes**	**Current tax expense (income)**	**Deferred tax expense (income)**	**Net**
Items that would be reclassified to net income									
Cash-flow hedging in associates companies	$	15,441	0	3,604	19,045	7,001	0	0	7,001
Gains (losses) in hedging derivatives		(1,683,347)	70,126	629,532	(983,689)	(870,967)	1,671	294,302	(574,994)
Gains (losses) in bonds oustanding		(677,722)	267,528	0	(410,194)	(462,371)	157,206	0	(305,165)
Cumulative translations adjustment in foreign subsidiaries		2,375,002	0	0	2,375,002	1,348,339	0	0	1,348,339
Unrealized income from financial assets at fair value with changes in OCI		(364,425)	0	158,486	(205,939)	91,787	0	16,858	108,645
Other comprehensive income from associates and exchange differences of foreign branches		135,888	(37,862)	0	98,026	28,907	0	0	28,907
Other		235	0	0	235	0	0	0	0
Subtotal		**(198,928)**	**299,792**	**791,622**	**892,486**	**142,696**	**158,877**	**311,160**	**612,733**
Items that would not be reclassified to net income									
Employee benefits		13,225	0	(7,056)	6,169	(474)	0	202	(272)
Subtotal		**13,225**	**0**	**(7,056)**	**6,169**	**(474)**	**0**	**202**	**(272)**
Total other comprehensive income	$	**(185,703)**	**299,792**	**784,566**	**898,655**	**142,222**	**158,877**	**311,362**	**612,461**

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

19.6 Uncertainties in Open Tax Positions

The expense for tax uncertainties came to $105,679 and $60,314 at December 31, 2015 and December 31, 2014, in that order.

Related penalties and interest are accumulated and recorded in the respective expense account. The balance at December 31, 2015 is expected to be used entirely or released when the tax authority's right to review tax returns expires (See Note 19 for details).

19.7 Deferred tax assets realization

On deferred tax assets, have had a significant effect the behavior of the exchange rate of foreign currency, with impact on investments in subsidiaries abroad, which will be recoverable based on fiscal projections, also considering the behavior of foreign exchange rates expected in the next five years, supported on reports from external sources which have renowned prestige.

19.8 WealthTaxes

The Group and its subsidiaries in Colombia are liable for wealth tax during the period from 2015 to 2017. This tax is levied on equity established by the Companies according to fiscal laws at January 1, 2015, 2016 and 2017. The equity tax is charged at progressive rates, depending on the amount of equity. These rates fluctuate between 0.20% and 1.15% in 2015, 0.15% and 1% in 2016, and 0.05% and 0.40% in 2017.

During the year ended at December 31, 2015, the Group and its subsidiaries in Colombia paid $213.573 in tax, recorgnized in the income statement, in other general and administrative expenses.

NOTE 20 – CUSTOMER DEPOSITS

The following table shows a breakdown of the Group deposits the Group received from customers as part of its deposit-taking operations:

Details		December 31, 2015	December 31, 2014	January 1, 2014
Demand deposits				
Checking accounts	$	24,877,931	20,250,127	16,566,049
Savings accounts		28,120,083	21,522,623	22,147,930
Other demand deposits		45,240	32,198	14,143
		53,043,254	**41,804,948**	**38,728,122**
At term				
Time certificates of deposit		38,739,335	31,705,188	24,852,211
Others		261,570	142,664	191,341
Total deposits		**92,044,159**	**73,652,800**	**63,771,674**
By currency				
In Colombian pesos		43,000,943	39,059,075	37,697,529
Others currencies		49,043,216	34,593,725	26,074,145
Total, by currency	$	**92,044,159**	**73,652,800**	**63,771,674**

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

The following are the maturities on the time deposits outstanding at December 31, 2015 and December 31, 2014.

Year		2015	2014
2015	$	0	19,910,894
2016		29,201,011	4,825,805
2017		4,755,356	1,548,930
2018		1,364,268	346,393
After 2018		3,418,700	5,073,166
Total	$	**38,739,335**	**31,705,188**

Effective interest rates on customer deposits are shown below:

	Deposits			
	In Colombian pesos		In US dollars	
	Rate			
	Minimum	Maximum	Minimum	Maximum
	%	%	%	%
December 31, 2015				
Checking accounts	0.00%	6.35%	0.00%	3.75%
Savings accounts	0.00%	6.43%	0.00%	3.75%
Other demand deposits	0.00%	0.00%	0.00%	0.00%
Time certificates of deposit	0.05%	11.50%	0.00%	13.04%
December 31, 2014				
Checking accounts	0.00%	4.89%	0.00%	0.25%
Savings accounts	0.00%	4.50%	0.00%	1.00%
Other demand deposits	0.00%	3.80%	0.00%	0.00%
Time certificates of deposit	0.05%	9.18%	0.00%	5.50%
January 1, 2014				
Checking accounts	0.00%	4.57%	0.00%	0.25%
Savings accounts	0.00%	4.20%	0.00%	1.25%
Other demand deposits	0.00%	3.00%	0.00%	0.00%
Time certificates of deposit	0.91%	9.63%	0.00%	5.50%

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

		December 31, 2015		December 31, 2014		January 1, 2014	
		Value	%	Value	%	Value	%
Colombian government or Colombian government entities	$	6,711,638	7%	5,968,013	8%	6,718,866	10%
Colombian municipalities and departments		2,579,505	3%	204,806	0%	77,835	0%
Foreign governments		1,388,081	2%	264,245	0%	637,506	1%
Manufacturing		8,845,143	10%	2,109,651	3%	1,936,299	3%
Real estate		6,235,286	7%	611,260	1%	506,803	1%
Commerce		21,372,696	23%	10,653,568	15%	8,503,058	13%
Agriculture and livestock		2,286,553	2%	691,928	1%	534,860	1%
Individuals		18,273,753	20%	23,390,687	32%	16,924,436	27%
Others		24,351,504	26%	29,758,642	40%	27,932,011	44%
Total	$	**92,044,159**	**100%**	**73,652,800**	**100%**	**63,771,674**	**100%**

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

NOTE 21 – FINANCIAL OBLIGATIONS

21.1 Financial Obligations

The following table is a summary of the financial obligations the Group had outstanding at December 31, 2015, December 31, 2014 and January 1, 2014, with the purpose to finance its operations, mainly in international trade:

		December 31, 2015	December 31, 2014	January 1, 2014
Colombian pesos				
Interbank funds				
Overnight funds	$	3,058	247,375	110,315
Interbank funds purchased		425,733	317,779	206,414
Investment sold under repurchase agreements		5,421,512	2,220,342	3,547,011
Commitments of openrepo operations		81,238	35,575	12,298
Total interbank funds		**5,931,541**	**2,821,071**	**3,876,038**
Borrowings		1,804,189	1,910,835	1,902,211
Banker´s acceptances		0	0	105
		1,804,189	**1,910,835**	**1,902,316**
Foreign currency				
Interbank funds				
Overnight funds		628	63,874	28,791
Interbank funds purchased		0	95,699	175,342
Investment sold under repurchase agreements		343,593	263,696	246,324
Total interbank funds		**344,221**	**423,269**	**450,457**
Borrowings		17,855,120	11,720,478	9,016,177
Letters of credit		5,622	3,930	5,043
Banker´s acceptances		805,104	285,582	196,827
		18,665,846	**12,009,990**	**9,218,047**
Total financial obligations		**26,745,797**	**17,165,165**	**15,446,858**
Short-term obligations		**6,275,762**	**3,244,340**	**4,326,495**
Long-term obligations	$	**20,470,035**	**13,920,825**	**11,120,363**

$6,275,762 in short-term obligations at December 31, 2015, primarily for repos and simultaneous operations, were backed by $4,350,655 in investments.

At December 31, 2014, they were backed by $3,904,582 in investments.

The following is a summary of the effective interest rates incurred on short-term financial obligations:

	December 31, 2015			
	In Colombian pesos		**In foreign currency**	
	Minimum Rate	**Maximum Rate**	**Minimum Rate**	**Maximum Rate**
	%	%	%	%
Interbank funds and repo and simultaneous operations	1.00%	5.80%	0.00%	9.25%

	December 31, 2014			
	In Colombian pesos		**In foreign currency**	
	Minimum Rate	**Maximum Rate**	**Minimum Rate**	**Maximum Rate**
	%	%	%	%
Interbank funds and repo and simultaneous operations	4.35%	4.56%	0.00%	0.35%

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

	January 1, 2014			
	In Colombian pesos		In foreign currency	
	Minimum Rate	Maximum Rate	Minimum Rate	Maximum Rate
	%	%	%	%
Interbank funds and repo and simultaneous operations	3.19%	3.27%	0.00%	0.68%

21.2 Bonds Issued

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

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

a) The following is a list of bond issuance at December 31, 2015, December 31, 2014 and January 1, 2014, by issue and maturity date:

Colombian pesos Issuer	Date of issue	December 31, 2015	December 31, 2014	January 1, 2014	Maturity date	Interest rate
Banco de Bogotá S.A.						
Subordinated bonds -2008	15/04/2008	$ 0	230,038	225,336	15/04/2015	IPC + 7% to URV + 7% to DR + 3%
Subordinated bonds - 2010	23/02/2010	236,761	227,575	223,261	Between 23/02/2017 and 23/02/2020	CPI + 5.33% to URV + 5.29% to CPI + 5.45% to URVR + 5.45%
Total Banco de Bogotá S.A.		**236,761**	**457,613**	**448,597**		
Corporación Financiera Colombiana S.A.						
Collateral fund of financial institutions	19/06/2010	1,053	1,053	1,053	28/11/2017	DTF – E.A.
Proyectos de infraestructura S,A,	20/05/2009	22,925	22,600	22,600	20/05/2016	11,5%
Proyectos de infraestructura S,A,	20/05/2009	58,226	57,400	57,400	20/05/2016	11,9%
Promigas	27/08/2009	81,212	80,000	80,000	27/08/2016	CPI + 4,95%
Promigas	27/08/2009	152,272	150,000	150,000	27/08/2019	CPI + 5,40%
Promigas	27/08/2009	172,575	170,000	170,000	27/08/2024	CPI + 5,99%
Promigas	29/01/2013	101,333	99,821	99,821	29/01/2020	CPI + 3,05%
Promigas	29/01/2013	152,454	150,179	150,179	29/01/2023	CPI + 3,22%
Promigas	29/01/2013	253,787	250,000	278,424	29/01/2033	CPI + 3,64%
Promigas	11/03/2015	106,591	0	0	11/03/2019	CPI + 2,55%
Promigas	11/03/2015	121,818	0	0	11/03/2022	CPI + 3,34%
Promigas	11/03/2015	177,651	0	0	11/03/2030	CPI + 4,37%
Gases de Occidente	23/07/2009	0	0	25,500	23/07/2014	CPI + 4,79%
Gases de Occidente	23/07/2009	24,294	30,632	24,294	23/07/2016	CPI + 5,39%
Gases de Occidente	23/07/2009	100,206	100,206	100,206	23/07/2019	CPI + 5,89%
Gases de Occidente	11/12/2012	110,382	110,382	110,382	11/12/2022	CPI + 3,75%
Gases de Occidente	11/12/2012	89,618	89,618	89,618	11/12/2032	CPI + 4,13%
Fiducuaria Colombiana de Comercio Exterior	25/10/2012	75,000	0	0	25/10/2027	IPC + 4.25F TV
Surtigas	12/02/2013	130,000	130,000	130,000	12/02/2023	CPI + 3,25%
Surtigas	12/02/2013	70,000	70,000	70,000	12/02/2033	CPI + 3,64%
Total Corporación Financiera Colombiana S.A.		**2,001,397**	**1,511,891**	**1,559,477**		
Total Colombian pesos		**$ 2,238,158**	**1,969,504**	**2,008,074**		

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

Foreign currency Issuer	Date of issue		December 31, 2015	December 31, 2014	January 1, 2014	Maturity date	Interest rate
Under regulation 144A.							
Banco de Bogotá S.A.							
Ordinary bonds abroad (due 2017)	19/12/2011	$	1,924,852	1,454,216	1,169,585	15/01/2017	5.00% SV
Subordinated bonds abroad (due 2023)	19/02/2013		1,599,293	1,214,421	971,930	19/02/2023	5.375% SV
Total Banco de Bogotá S.A.			**3,524,145**	**2,668,637**	**2,141,515**		
BAC Credomatic							
El Salvador	Entre 16/09/2009 y 31/12/2015		531,295	328,271	160,863	Entre 16/02/2014 y 30/07/2020	Entre 4.25% y 6.00%
Guatemala	Entre 15/10/2012 y 29/12/2015		539,820	336,840	238,607	Entre 11/04/2014 y 18/12/2017	Entre 4.75% y 8.50%
Honduras	Entre 21/12/2012 y 08/12/2015		150,574	132,956	81,269	Entre 12/12/2015 y 27/12/2016	Entre 5.50% y 14.00%
Nicaragua	Entre 09/10/2013 y 02/02/2015		15,335	32,927	20,048	Entre 09/10/2015 y 06/11/2017	Entre 5.00% y 5.25%
Under regulation 144A.							
BAC Credomatic							
Panama	Entre 06/10/2011 y 31/05/2013		0	15,910	51,351	Entre 31/05/2016 y 27/10/2021	Entre 3.75% y 5.25%
Total BAC Credomatic			**1,237,024**	**846,904**	**552,138**		
Total			**4,761,169**	**3,515,541**	**2,693,653**		
Total bonds		$	**6,999,327**	**5,485,045**	**4,701,727**		

The following are the bond maturities at December 31, 2015 and 2014:

		2015	**2014**
2015	$	0	657,319
2016		829,299	278,072
2017		2,158,524	1,625,354
2018		37,221	7,177
2019		637,895	417,678
After 2019		3,336,388	2,499,445
Total	$	**6,999,327**	**5,485,045**

21.3 Borrowing from development entities

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

The following is the breakdown at December 31, 2015, December 31, 2014 and January 1, 2014 of loans obtained by the Group from these institutions:

	Interest rates at the end of the year		December 31, 2015	December 31, 2014	January 1, 2014
Banco de Comercio Exterior - "BANCOLDEX"	Between 1.00% - 15.23%	$	450,467	510,190	303,195
Fondo para el Financiamiento del Sector Agropecuario - "FINAGRO"	Between 0.11% - 12.62%		241,180	273,985	338,323
Financiera de Desarrollo Territorial "FINDETER"	Between 0.11% - 9.79%		829,783	553,117	434,037
Total		$	**1,521,430**	**1,337,292**	**1,075,555**

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

The following is a breakdown of the maturities borrowings from development entities at December 31, 2015 and December 31, 2014:

Year		2015	2014
2015	$	0	588,462
2016		406,196	224,377
2017		248,842	135,373
2018		191,308	97,502
2019		131,466	78,723
After 2019		543,618	212,855
Total	$	**1,521,430**	**1,337,292**

NOTE 22 - EMPLOYEE BENEFITS

Pursuant to labor laws in Colombia and the other countries where the Group has subsidiaries, and in light of the work employees contracts and collective bargaining agreements signed with employees, the Group is entitled to short-term benefits such as wages, paid vacation time, mandatory and discretionary bonuses, severance pay and interest on severance pay. There are long-term benefits as well; namely, discretionary bonuses and medical assistance and post-employment benefits, retirement benefits such as severance pay for employees who remained under the labor system in effect prior to Law 50/1990 and mandatory and voluntary retirement pensions. Remuneration for key members of management includes salaries, various non-cash benefits and payments to a post-employment benefit plan see note 3.

Through its employee benefit plans, the Group is exposed to a number of risks (interest rate and operational risks). It tries to minimize them through the policies and risk management procedures outlined in Note 4.

The following is a breakdown of employee benefit liabilities at December 31, 2015, December 31, 2014 and January 1, 2014:

		December 31, 2015	December 31, 2014	January 1, 2014
Short-term benefits	$	279,591	249,543	184,185
Retirement benefits		163,000	161,710	178,345
Long-term benefits (seniority bonus)		94,225	99,000	105,592
Total	$	**536,816**	**510,253**	**468,122**

22.1 Post-Employment Benefits

- In Colombia, pensions for employees who retire after reaching a certain age and completing a particular period of service are assumed by public or private pension funds, based on established contribution plans where the company and the employee pay monthly amounts determined by law so as to afford the employee a retirement pension. However, in the case of some employees who were hired before 1968 and have met the requirements with respect to time of service and age, their pensions are assumed directly by the Group in Colombia.
- The Group recognizes an additional bonus, either discretionary or provided for in collective bargaining agreements, for employees who retire once they comply with the age and years of service required for a pension fund to grant them a retirement pension.
- The Group has a group of employees with severance pay benefits recognized prior to the enactment of Law 50/ 1990. In this case, the benefit is cumulative and is paid based on the last salary earned by the employee, multiplied by the number of years of service, less any advances that might have been made on the new benefit.

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

The following table shows the movement in retirement and long-term employee benefits during the years ended at December 31, 2015 and December 31, 2014.

		Post-employment benefits		Long-term benefits	
		December 31, 2015	**December 31, 2014**	**December 31, 2015**	**December 31, 2014**
Balance at the beginning of the year	$	**161,710**	**178,345**	**99,000**	**105,592**
Costs incurred during the period		5,062	3,299	8,607	10,937
Interest costs		9,711	10,797	6,378	7,223
Cost of past services		1,693	(1,446)	(8,556)	3
		16,466	**12,650**	**6,429**	**18,163**
Changes in actuarial assumptions		1,055	(130)	6,875	(1,380)
(Gain)/loss from changes in mortality tables		0	0	(1,254)	0
(Gain)/Loss on change in interest rates, inflation rates and salary adjustments		(7,772)	(7,656)	(2,949)	(8,347)
(Gain)/Loss on actuarial assumptions of employee turnover		84	0	532	0
		(6,633)	**(7,786)**	**3,204**	**(9,727)**
Exchange currency		8,236	4,171	0	0
Payment to employees		(16,779)	(25,670)	(14,408)	(15,028)
Balance at the end of the year	$	**163,000**	**161,710**	**94,225**	**99,000**

The following variables were used to calculate the projected liability for the retirement and long-term employee benefits.

	December 31, 2015	**December 31, 2014**	**January 1, 2014**
Discount interest rate	7,73%	7.60%	7.50%
Inflation rate	3,50%	3.00%	3.00%
Salary increase rate	3,50%	3.00%	3.00%
Pension increase rate	3,50%	3.00%	3.00%
Employee turnover rate (The following is the turnover rate for men and women between 1 and 40 years of service)	3,98%	3.55%	3.55%

Employee life expectancy is calculated based on mortality tables published by the Office of the Superintendency of Finance of Colombia. These tables are constructed based on mortality experience studies provided by several insurance companies operating in Colombia.

The retirement age in Colombia for women is 57 years old and for men is 62 years old, the table below shows the mortality rates:

	Mortality rates	
Age	Man	Woman
20	0.055%	0.031%
25	0.067%	0.037%
30	0.084%	0.047%
35	0.111%	0.062%
40	0.155%	0.087%
45	0.225%	0.126%
50	0.335%	0.187%
55	0.505%	0.283%
60	0.766%	0.429%
65	1.274%	0.686%
70	2.113%	1.135%
80	5.371%	3.275%
90	12.785%	9.572%
100	29.395%	28.343%
110	100.000%	100.000%

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.

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

22.2 Long-Term Employee Benefits

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

Compensation for key management personnel in each benefit category is disclosed in Note 36 - Related Parties.

The Group records the liabilities for these benefits, based on actuarial calculations done according to the same parameters that apply to post-employment benefits.

Sensitivity analysis:

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

Post-employment Benefits

	Change in the variable	Increase in the variable	Decrease in the variable
Discount interest rate	0.50%	3.21% decrease	3.40% increase
Salary growth rate	0.50%	3.69% increase	3.47% decrease
Pension growth rate	0.50%	3.69% increase	3.47% decrease

Long-term Benefits

	Change in the variable	Increase in the variable	Decrease in the variable
Discount interest rate	0.50%	2.53% decrease	2.68% increase
Salary growth rate	0.50%	2.92% increase	2.73% decrease
Pension growth rate	0.50%	2.92% increase	2.73% decrease

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

		December 31, 2015		December 31, 2014	
Year		Pension plans	Other post employment benefits	Post-employment benefits	Other Post-employment benefits
2015	$	0		23,941	13,432
2016		17,851	8,539	17,919	12,639
2017		16,725	12,878	22,771	13,133
2018		16,231	14,934	19,316	15,056
2019		50,885	16,502	40,656	14,870
Years 2020–2024	$	102,814	93,686	84,702	64,716

NOTE 23 – PROVISIONS FOR LEGAL ISSUES AND OTHER PROVISIONS

The balances and movement in provisions for tax uncertainties, other legal provisionss and other provisions during the years ended at December 31, 2015 and December 31, 2014 are described below:

		Tax uncertainties	Other legal provisions	Total legal provisions	Other provisions	Total provisions
Balance at January 1, 2014	$	**76,495**	**36,829**	**113,324**	**528,778**	**642,102**
Increase in provisions during the period		12,569	82,247	**94,816**	64,233	**159,049**
Used provisions		0	(21,716)	**(21,716)**	(121,493)	**(143,209)**

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

	Tax uncertainties	Other legal provisions	Total legal provisions	Other provisions	Total provisions
Unused provisions	(32,354)	20,302	**(12,052)**	(12,630)	**(24,682)**
Financial cost	3,959	0	**3,959**	0	**3,959**
Variations in the foreign exchange rate	9,469	0	**9,469**	14,398	**23,867**
Reclassifications	0	(616)	**(616)**	(374)	**(990)**
Balance at December 31, 2014	**70,138**	**117,046**	**187,184**	**472,912**	**660,096**
Increase in provisions during the period	19,446	6,554	**26,000**	53,057	**79,057**
Used provisions	0	(22,664)	**(22,664)**	(46,382)	**(69,046)**
Reversed unused provisions	(13,967)	(2,578)	**(16,545)**	(366)	**(16,911)**
Financial cost	7,065	0	**7,065**	0	**7,065**
Variations in the foreign exchange rate	20,013	0	**20,013**	195	**20,208**
Reclassifications	0	0	**0**	(96,919)	**(96,919)**
Balance at December 31, 2015	$ **102,695**	**98,358**	**201,053**	**382,497**	**583,550**

Tax Uncertainties

As at December 31, 2015 and December 31, 2014, the subsidiary Leasing Bogotá Panama maintained fiscal positions in the statement of financial position for $98,317 and $65,883 respectively including interest and penalties. Headquarters recorded estimated tax uncertainties as at December 31, 2015 for $3,830 provisions.

The balance as at, December 31, 2015 is expected to be used fully or released when the rights of inspection of tax authorities regarding tax returns expire, as follows:

Penalties and interest on these amounts are accumulated and recorded as operating expenses.

The following is the balance at December 31, 2015, which is expected to be used entirely or released when the tax authorities' right to review tax returns expires.

Year	**December 31, 2015**	**December 31, 2014**
2015	$ 0	13,773
2016	20,167	14,551
2017	21,305	13,837
2018	20,260	14,834
2019	21,719	13,143
2020	19,244	0
Total	$ **102,695**	**70,138**

- As at December 31, 2015 and December 31, 2014 the financial statements of Corporación Financiera Colombiana S.A. had a lawsuit from its subsidiary Promigas for $35,471 and $32,888 respectively due to a Gibraltar pipeline contract non-compliance.

Other provisions for legal proceedings

The Group's provisions for legal matters pertain primarily to the following:

- **Labor cases**

- As at December 31, 2015 and December 31, 2014 headquarters recorded for labor lawsuits $4,494 and $3,108 respectively.

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

Other provisions

- Porvenir S.A. as at December 31, 2015 and December 31, 2014 has pension claims for $15,274 and $13,857, respectively.

- Corporación Financiera Colombiana S.A. from its subsidiary Hoteles Estelar at December 31, 2015 and December 31, 2014 had by the process which declared the violation of rights by occupation of public space in the city of Cartagena for $23,590 and $31,377 respectively.

NOTE 24 –ACOUNTS PAYABLE AND OTHER LIABILITIES

Accounts payable and other liabilities include the following.

		December 31, 2015	December 31, 2014	January 1, 2014
Suppliers and services payable	$	1,025,327	609,653	369,011
Cashier's checks		437,508	515,786	316,388
Dividends account payable		316,778	291,094	298,725
Other accounts payable		268,306	234,418	151,365
Prepaid income		247,525	53,774	34,592
Withholding and employer contributions		240,469	190,097	191,014
Transactions in ATH network ATMs		200,626	172,732	72,036
Tax payable		127,155	101,338	216,463
Affiliated establishments		122,364	71,249	53,582
Cash surplus		117,403	107,509	129,574
Clearing ACH and Cenit transactions		107,780	154,619	109,939
Electronic transfers – ACH		93,151	0	0
Prepayments and advances received		91,565	78,360	78,099
Collection services		72,849	31,582	23,277
Commission and fees		68,402	56,292	35,861
Checks drawn and not cashed		48,013	17,576	70,091
Visa smart card payments - Visa Electron		36,010	30,558	25,939
Leasing Bogotá Panama S.A. – Collections		32,668	15,131	28,323
Peace bonds interest and capital accounts payable		29,010	28,543	28,522
Unhedged forward accounts		26,134	0	1,064
Electronic purse used by coffee growers		25,245	16,159	99,740
Time deposit certificate - securities due		24,205	24,106	28,177
Withdrawals from ATMs		24,024	788	2,892
Payments, affiliations and transfers		21,186	16,855	9,859
Contributions on transactions		18,520	13,060	25,874
Canceled accounts		18,505	17,931	17,336
Intended purchasers		14,094	10,497	2,587
Lien orders		12,264	16,021	18,274
Accounts receivable from cardholders		11,487	4,469	8,989
Outstanding payments in credit operations		9,024	6,352	11,512
Security bonds		7,375	7,368	7,316
Loan accounts payable or prepaid fines		5,712	8,839	1,547
Balance in favor of paid loans		5,264	6,330	5,151
Leases payable		5,071	6,088	5,467
Distribution of funds pending payment to customers		4,851	4,629	2,520
Bank services		4,829	3,868	17,651
Insurance premiums		1,229	34,111	13,179
Payroll payments and deductions		883	343	1,007
Other anticipated revenue		203	9,615	7,378
	$	**3,923,014**	**2,967,740**	**2,520,321**

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

NOTE 25 –CONTROLLING INTEREST EQUITY

The following are the authorized shares issued and outstanding at December 31, 2015, December 31, and January 1, 2014.

		December 31, 2015	December 31, 2014	January 1, 2014
Number of authorized shares	$	500,000,000	500,000,000	500,000,000
Number of shares to subscribe		331,280,555	331,280,555	307,471,032
Total subscribed and paid shares		331,280,555	331,280,555	307,471,032
Shares of common stock		331,280,555	331,280,555	307,471,032
Subscribed and paid-in capital	$	**3,313**	**3,313**	**3,075**

During 2014, the Bank issued ordinary shares amounting to 1,500,000, equivalent to 23.8 million shares at a price of $63,000 per share with the right to preferential subscription. Increase subscribed and paid-in capital of $238 and Additional paid-in capital of $1,499,762.

<u>Appropriated Reserves</u>

Reserves at December 31, 2015, December 31, and January 1, 2014:

		December 31, 2015	December 31, 2014	January 1, 2014
Legal reserve	$	4,677,985	3,580,624	3,182,515
Statutory and occasional reserves at the disposal of General Assembly		1,181,376	915,052	792,503
	$	**5,859,361**	**4,495,676**	**3,975,018**

Legal Reserve

By law, the Group in Colombia is required to create a legal reserve by appropriating ten percent (10%) of their net earnings, each year, until the reserve equals fifty percent (50.0%) of subscribed capital. The legal reserve may be reduced to less than fifty percent (50.0%) of subscribed capital to cover losses in excess of undistributed profits. However, when undistributed profits are sufficient to cover any losses, the legal reserve may not be less than 50% of subscribed capital.

However, it may not be used to pay dividends or to cover expenses or losses, as long as the company has undistributed profits.

Statutory and Discretionary Reserves

Decisions on statutory and discretionary reserves taken at shareholder meetings.

Declared Dividends

Dividends are declared and paid to shareholders based on the amount of unconsolidated net profits in the immediately prior six-month period.

The dividends declared during the periods ended at December 31, 2015 and 2014 are listed below.

		December 31, 2015	December 31, 2014
Earnings for the year determined in the Bank's individual financial statements.		210.00 per share payable in the first ten (10) days of each month between April and September (based on profits from the second half of 2014) 220.00 per share payable in the first ten (10) days of each month between October 2015 and March 2016 (based on profits from the first half of 2015)	200.00 per share payable in the first ten (10) days of each month between April and September (based on profits from the second half of 2013) 210.00 per share payable in the first ten (10) days of each month between October 2014 and March 2015 (based on profits from the first half of 2014)
Total outstanding shares		331,280,555	331,280,555
Total declared dividends	$	**854,703**	**756,379**

According to the by-laws of the Group, these dividends are declared semiannually.

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

Net earnings per share

The following table summarizes net earnings per share during the years ended at December 31, 2015 and December 31, 2014:

		December 31, 2015	December 31, 2014
Net income for the year,	$	1,893,971	1,551,699
less share of non-controlling interests		745,050	697,019
Net income attributable to controlling interests (1)		2,639,021	2,248,718
Weighted average of shares of common stock used to calculate net basic earnings per shares		331,280,555	331,280,555
Basic net earnings per share, in Colombian pesos		**5,717**	**4,684**
Diluted net earnings per share, in Colombian pesos	$	**5,717**	**4,684**

(1) The statement of financial position shows only the net income for the second semester due to the Group has by-annual closings.

The Group has a simple capital structure in common shares and, as such, there is no difference between basic earnings per share and diluted earnings.

Adjustments in IFRS First Time Adoption

According to instructions issued by the Superintendency of Finance of Colombia in Circular 36/2014, the net positive differences (net gains) generated when supervised institutions adopt IFRS for the first time may not be distributed to cover losses, used in capitalization processes, 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.

The net gains generated when adopting IFRS for the first time will 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 Superintendency of Finance of Colombia.

If the first-time adoption of IFRS generates net negative differences, they must be deducted from regulatory capital. The balance in the aforementioned account was negative by $141,794 as a result of adoption of IFRS in the opening statement.

NOTE 26 – NON-CONTROLLING INTEREST

The following table provides details on each of the Group's subsidiaries that had significant non-controlling interest at December 31, 2015, December 31 and January 1, 2014

	December 31, 2015					
Institution	Country	% Participating voting rights at December 31, 2015		Share of equity at December 31, 2015	Share of profits at December 31, 2015	Dividends paid during the year
Almacenes Generales de Depósito Almaviva S.A.	Colombia	5.08%	$	3,325	559	387
Fiduciaria Bogotá S.A.	Colombia	5.01%		13,562	3,305	1,441
Corporación Financiera Colombiana S.A.	Colombia	61.81%		2,786,093	468,381	426,526
Sociedad Administradora de Pensiones y Cesantías Porvenir S.A	Colombia	63.49%		810,726	161,632	152,340
Megalinea S.A.	Colombia	5.10%		165	44	0
Casa de Bolsa S.A.	Colombia	77.20%		21,267	1,999	278
Others (1)	Colombia			504,734	109,130	229,068
	Total		$	**4,139,872**	**745,050**	**810,040**

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

Institution	Country	% Participating voting rights at December 31, 2014	Share of equity at December 31, 2014	Share of profits at December 31, 2014	Dividends paid during the year
	December 31, 2014				
Almacenes Generales de Depósito Almaviva S.A.	Colombia	5.08%	$ 3,526	1,156	484
Fiduciaria Bogotá S.A.	Colombia	5.01%	9,432	2,967	2,669
Corporación Financiera Colombiana S.A.	Colombia	61.81%	2,597,392	457,017	333,788
Sociedad Administradora de Pensiones y Cesantías Porvenir S.A	Colombia	63.49%	755,011	179,495	132,329
Megalinea	Colombia	5.10%	122	6	0
Casa de Bolsa S.A.	Colombia	77.20%	22,237	536	0
Others (1)	Colombia		417,574	55,842	552,700
	Total		$ **3,805,294**	**697,019**	**1,021,970**

Institution	Country	% Participating voting rights at January 1, 2014	Share of equity at January 1, 2014	Share of profits at January 1, 2014	Dividends paid during the year
	January 1, 2014				
Almacenes Generales de Depósito Almaviva S.A.	Colombia	5.08%	$ 2,356	0	0
Fiduciaria Bogotá S.A.	Colombia	5.01%	9,133	0	0
Corporación Financiera Colombiana S.A.	Colombia	62.10%	2,438,399	0	0
Sociedad Administradora de Pensiones y Cesantías Porvenir S.A	Colombia	64.72%	670,989	0	0
Megalinea	Colombia	5.10%	113	0	0
Casa de Bolsa S.A.	Colombia	77.20%	22,244	0	0
Others (1)	Colombia		391,062	0	0
	Total		$ **3,534,296**	**0**	**0**

(1) Pertains primarily to non-controlling interest in subsidiaries that sub consolidate, primarily Corporación Financiera Colombiana S.A., Leasing Bogotá Panama and Porvenir.

The following table provides summarized financial information on each of the Group's subsidiaries that had significant non-controlling interest at December 31, 2015 and 2014 and January 1, 2014.

Institution	Assets	Liabilities	Total income	Net earnings	OCI
			December 31, 2015		
Almacenes Generales de Depósito Almaviva S.A.	$ 117,001	51,496	172,700	11,017	4,058
Fiduciaria Bogotá S.A.	350,425	79,573	178,216	66,006	29,430
Corporación Financiera Colombiana S.A.	19,511,771	15,004,425	11,372,711	757,747	(53,536)
Sociedad Administradora de Pensiones y Cesantías Porvenir S.A	2,201,665	924,734	1,537,029	254,578	(29,156)
Megalinea	14,955	11,717	103,726	860	0
Casa de Bolsa S.A.	$ 69,229	41,682	96,805	2,589	(3,832)

Institution	Assets	Liabilities	Total income	Net earnings	OCI
			December 31, 2014		
Almacenes Generales de Depósito Almaviva S.A.	$ 110,806	41,338	200,787	22,769	8,313
Fiduciaria Bogotá S.A.	251,980	63,608	164,878	59,261	0
Corporación Financiera Colombiana S.A.	14,185,304	9,983,240	8,813,528	739,362	(39,896)
Sociedad Administradora de Pensiones y Cesantías Porvenir S.A	1,908,415	719,236	1,235,949	282,713	378
Megalinea	14,047	11,665	95,868	113	0
Casa de Bolsa S.A.	$ 63,516	34,713	35,876	695	(286)

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

Institution		January 1, 2014				
		Assets	Liabilities	Total income	Net earnings	OCI
Almacenes Generales de Depósito Almaviva S.A.	$	96,571	50,162	0	0	0
Fiduciaria Bogotá S.A.		236,867	54,463	0	0	0
Corporación Financiera Colombiana S.A.		16,379,876	12,453,308	0	0	(78,789)
Sociedad Administradora de Pensiones y Cesantías Porvenir S.A		1,663,724	626,966	0	0	378
Megalinea		7,273	5,052	0	0	0
Casa de Bolsa S.A.	$	50,047	21,232	0	0	420

The Group neither acquired nor sold significant non-controlling interest during the years ended at December 31, 2015 and 2014.

NOTE 27 – OTHER COMPREHENSIVE INCOME

The following are details on the "Other Comprehensive Income" accounts included in equity for the years ended at December 31, 2015 and 2014.

		Hedging investments in foreign currency	Cash flow hedging	Investment accounted by equity method in Other comprehensive income	Employee benefits	Interest in other comprehensive income of subsidiaries and adjustment for exchange difference in foreign branches	Deferred taxes	Other	Total comprehensive income, net of taxes	Non-controlling interest	Controlling interest
Balance at January 1, 2014	**$**	**0**	**(2,551)**	**(135,936)**	**0**	**0**	**3,047**	**537**	**(134,903)**	**0**	**(134,903)**
Increases (net reductions) during the year		15,001	7,001	91,787	(474)	28,907	470,239	0	612,461	147,349	465,112
Balance at December 31, 2014	**$**	**15,001**	**4,450**	**(44,149)**	**(474)**	**28,907**	**473,286**	**537**	**477,558**	**147,349**	**330,209**
Increases (net reductions) during the year		13,933	15,441	(364,425)	13,225	135,888	1,084,358	235	898,655	66,727	831,928
Balance at December 31, 2015	**$**	**28,934**	**19,891**	**(408,574)**	**12,751**	**164,795**	**1,557,644**	**772**	**1,376,213**	**214,076**	**1,162,137**

NOTE 28 – COMMITMENTS AND CONTINGENCIES

28.1 Credit Commitments

The Group provides guarantees and letters of credit to its customers during the normal course of its business. In doing so, it promises irrevocably to make payments to third parties in the event the customer does not comply with its obligations to those third parties. The credit risk is the same as with financial assets in the loan portfolio, and guarantees and letters of credit are subject to the Group's loan disbursement authorization policies in terms of the customer's credit rating. The collateral considered appropriate under the circumstances is obtained.

Commitments to extend credit represent unused portions of authorizations to grant credit in the form of loans, credit cards, overdrafts and letters of credit. In agreeing to provide a line of credit, the Group becomes exposed to potential losses in an amount equal to the total amount of the unused commitments, were the latter to be drawn in full. However, the amount of the loss is less than the total amount of the unused commitments, inasmuch as most commitments to extend credit are contingent on the customer maintaining specific standards with regard to credit risk.

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

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

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

The table below provides details on the unused guarantees, letters of credit and credit commitments in unused lines of credit at December 31, 2015, and December 31, 2014:

28.1.1 Commitments in Unused Lines of Credit

		December 31, 2015		December 31, 2014	
		Notional amount	Fair value	Notional amount	Fair value
Collateral	$	2,896,458	2,341,086	1,913,378	1,913,378
Unused letters of credit		805,632	795,964	544,052	544,052
Overdraft limits		183,538	183,538	222,565	222,565
Unused credit card limits		13,759,817	13,759,817	8,954,779	8,954,779
Opened lines of credit		2,291,739	2,291,739	2,368,484	2,368,484
Undisbursed approved loans		178,671	178,671	35,000	35,000
Others		355,154	355,154	455,605	455,605
Total	$	**20,471,009**	**19,905,969**	**14,493,863**	**14,493,863**

The following shows credit commitments, by type of currency.

		December 31, 2015	December 31, 2014
Colombian pesos	$	6,991,966	6,030,809
US dollars		13,161,062	8,428,152
Euros		21,911	31,057
Others		296,070	3,845
Total	$	**20,471,009**	**14,493,863**

28.1.2 Capital Expenses Commitments

During the year ended at December 31, 2015, the Group reported $1,414 in disbursements for capital expenses incurred in contracts to purchase property, plant and equipment (immovable).

28.1.3 Operating Lease Commitments

In the development of its operations, the Group signs agreements to receive property, plant and equipment and certain intangible assets under operating leases. The following is a breakdown of the payment commitments in operating leases during the coming years.

		December 31, 2015	December 31, 2014
Not more than one year	$	131,958	65,610
More than one year and less than five years		415,738	251,467
More than five years		175,064	185,333
Total	$	**722,760**	**502,410**

The parent company had an operating lease on $405,501 and $501,455 in property, plant and equipment and intangibles at December 31, 2015 and December 31, 2014, in that order.

Leasing Bogotá Panama has an operating lease on an aircraft, with respective disbursements of $1,300 and $955 at December 31, 2015 and December 31, 2014. The expense of that lease for the period ended at December 31, 2015 includes $111,166 in rental fees.

28.2 Contingencies

28.2.1 Legal Contingencies

There were several administrative and legal cases pending at December 31, 2015 and December 31, 2014 for claims filed against the Group. These claims were assessed based on the opinions and analysis of the lawyers in charge, and the following contingencies were established.

28.2.2 Labor Cases

There were $65,288 and $22,020 in labor claims registered at December 31, 2015 and December 31, 2014, in that order. Historically most claims of this type have been resolved in favor of the Group.

28.2.3 Civil Cases

The assessed value of labor claims in civil suits at December 31, 2015 and December 31, 2014 came to $551,872 and $466,737, respectively. These amounts do not include claims the plaintiff is likely to win.

28.2.4 Administrative Cases and Other Proceedings

Claims in tax-related administrative and legal suits brought by national and local tax authorities sometimes involve penalties the Group would incur in exercise of its activity as a collector of national and regional levies. In other cases, they result in higher taxes for the Group in its capacity as a taxpayer. These claims amounted to $145,014 and $90,560 at December 31, 2015 and December 31, 2014, in that order.

NOTE 29 – ADEQUATE CAPITAL MANAGEMENT

The Bank’s objectives regarding the management of its capital adequacy are aimed at: a) complying with the capital requirements set by the Colombian government, and b) maintaining an adequate equity structure that allows it to generate value for its shareholders.

To manage capital and generate value for its shareholders, management performs permanently and closely monitors the levels of profitability of each business line, as well as capital requirements according to the expectations of growth of each business line. Similarly capital management involves analyzing credit risk, market risk, liquidity risk and operational risk, and the effect of these risks on the capital.

Capital adequacy requirements for Colombian financial institutions, as set forth in Decree 2555 of 2010, as amended by Decree 1771 of 2012, Decree 1648 of 2014 and Decree 2392 of 2015, are based on applicable Basel Committee standards. The total solvency ratio remains at a minimum of 9% of the financial institution’s total risk-weighted assets; however, each entity must comply with a minimum basic solvency ratio of 4.5%, which is defined as the ordinary basic capital after deductions divided by the financial institution’s total risk-weighted assets. The risk levels used to weigh these assets are also determined by law.

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

Consolidated Capital compliance is verified quarterly and supervised by the Financial Superintendency. As of December 31, 2015, the Bank's technical capital ratio was 10.6%, exceeding the requirements of the Colombian government by 106 basis points.

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

		December 2015	December 2014
Regulatory capital	$	12,953,694	11,668,400
Total Risk - weighted assets	$	121,670,078	101,374,476
Total solvency risk rate > 9%		10.6%	11.5%
Basic solvency risk rate > 4.5%		6.5%	8.0%

NOTE 30 – EXPENSES FOR COMMISSIONS AND FEES

The following is a breakdown of expenses for commissions and fees during the years ended at December 31, 2015 and December 31, 2014.

		December 31, 2015	December 31, 2014
Banking services	$	162,786	127,435
Pension fund affiliations		67,854	67,284
Office network services		38,232	31,663
Banking expenses		15,311	0
Operator information processing services		8,551	8,731
Collection service for payments to financial institutions		1,753	2,334
Commissions on sales and services		6,770	0
Letters of credit		110	35
Trust business		3,732	37
Bank guarantees		143	128
Stock exchanges		1,434	55,926
Transfer of securities or bonds		484	0
Operating risk		38	5
Others		79,070	530
	$	**386,268**	**294,108**

Some items were for disclosure purposes from this total to the non financial sector. See details in note 32.

NOTE 31 – GENERAL AND ADMINISTRATIVE EXPENSES

The following is a breakdown of general overhead during the years ended at December 31, 2015 and December 31, 2014:

		December 31, 2015	December 31, 2014
Taxes and other than income taxes	$	608,323	309,526
Others		411,166	337,675
Rent		259,200	211,884
Payments for affiliations and transfers		260,392	193,437
Insurance		178,300	157,171
Public utilities		225,360	199,316
Fees for consulting, auditing and other services		257,718	214,950
Advertising and publicity		188,957	160,249
Maintenance and repairs		208,431	137,210
Transportation services		131,984	102,176
Janitorial and surveillance services		94,161	80,019
Temporary service		53,487	43,774
Electronic data processing		57,303	50,161
Refurbishing and installation		39,694	49,858
Travel expenses		48,327	36,094
Stationary and office supplies		62,273	53,703
Impairment (provisions)		14,173	0
Systemizing expenses		335	0
Readjustment in real unit of value (UVR)		9,271	6,961
Legal costs		1,789	0
Cost of sale of livestock		0	9
Losses on sale of the loan portfolio		0	127
	$	**3,110,644**	**2,344,300**

Some items were for disclosure purposes from this total to the non financial sector. See details in note 32.

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

NOTE 32 – INCOME FROM THE SALE OF GOODS AND SERVICES OF COMPANIES FROM THE NON-FINANCIAL SECTOR.

The following are details of the reclassification of income from the sale of goods and services of non-financial sector companies, mainly from of Corporación Financiera Colombiana S.A.

The income for years ended at December 31, 2015 and December 31, 2014 is net.

		December 31, 2015	December 31, 2014
Non-financial sector income			
Income from the sale of goods and services of non-financial companies	$	5,139,535	4,434,502
Income from commissions and fees		2,168	4,226
Other commissions		2,155	0
Earnings on the sale of non-current assets held for sale		1,014	0
Storage services		428	3,792
Total non-financial sector income		**5,145,300**	**4,442,520**
Loss from impairment of financial assets			
Expenses for commissions and fees		41,235	20,844
Loan portfolio and accounts receivable		18,600	25,521
Investments in debt and equity securities		904	97
Foreclosed assets		436	289
Other expenses			
Sales costs from non-financial sector companies		3,138,041	2,731,170
Overhead expenses		514,648	408,336
Personnel expenses		296,903	259,377
Depreciation and amortization of tangible and intangible assets		180,992	134,900
Other operating expenses		16,167	151,907
Total non-financial sector expenses	$	**4,207,926**	**3,732,441**

NOTE 33 – OPERATING SEGMENTS

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

Based on this definition and given that the Board of Directors, which is the maximum operational decision-making authority, reviews and assesses consolidated operating revenue on a regular basis, obtaining additional information from the subsidiaries, with an emphasis on financial information from the major institutions that are part of the consolidated entity, the Group operates through four (4) segments that involve Banco de Bogotá and its significant subsidiaries; namely, Leasing Bogotá Panama and Subsidiary, Corporación Financiera Colombiana S.A. and Subsidiaries, and Porvenir and Subsidiary. See Note 1 for details on their main activities and places of business.

The following are the primary products and services offered in each operating segment and from which their revenue comes.

a) Banco de Bogotá

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

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

b) Leasing Bogotá Panama and Subsidiary

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

c) Corporación Financiera Colombiana S.A. and Subsidiaries

Corporación Financiera Colombiana S.A. delivers a large portfolio of services specialized in private banking, investment banking, cash positions, and equity and fixed-income investments, including holdings in subsidiaries and other entities. Through its subsidiaries, Corporación Financiera Colombiana S.A. offers capital leasing services, natural gas and energy transmission and distribution services, highway construction, operation and maintenance services, as well as hotel services. It also markets agro industrial products, mainly wood, palm oil, rubber and rice.

d) Porvenir and Subsidiary

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

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

Information on the Group is reviewed quarterly by the Board of Directors of the Group and measured according to the accounting standards applicable to preparation of the financial statements, as described in Note 3.

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

Assets and Liabilities, by Segment

		December 31, 2015						
		Banco de Bogotá	Leasing Bogotá Panama and subsidiaries	Porvenir and subsidiaries	Corficol and subsidiaries	Other subsidiaries	Eliminations	Consolidated
<u>Assets</u>								
Cash and cash equivalents	$	**5,927,442**	**9,233,664**	**218,756**	**1,690,393**	**1,888,882**	**(1,110,742)**	**17,848,395**
Financial assets held for trading		**934,515**	**605,707**	**1,042,565**	**1,907,725**	**99,045**	**(2,664)**	**4,586,893**
Debt securities		498,360	603,154	112,083	1,266,505	1,071	(3,709)	2,477,464
Equity instruments		258	0	929,952	400,817	97,959	1,045	1,430,031
Trading derivatives		435,897	2,553	530	240,403	15	0	679,398
Financial assets available for sale		**3,253,586**	**4,411,517**	**400,860**	**3,538,517**	**1,214,047**	**(189,914)**	**12,628,613**
Debt securities		3,221,749	4,411,517	400,860	2,864,321	1,032,842	0	11,931,289
Equity instruments		31,837	0	0	674,196	181,205	(189,914)	697,324
Other financial assets at fair value		**0**	**0**	**0**	**1,891,692**	**0**	**0**	**1,891,692**
Financial assets in debt securities held to maturity		**1,126,973**	**0**	**0**	**112,944**	**0**	**0**	**1,239,917**

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

	December 31, 2015						
	Banco de Bogotá	Leasing Bogotá Panama and subsidiaries	Porvenir and subsidiaries	Corficol and subsidiaries	Other subsidiaries	Eliminations	Consolidated
Loan portfolio	**47,338,133**	**42,400,011**	**0**	**1,513,035**	**2,620,362**	**107,018**	**93,978,559**
Commercial	37,477,013	19,129,975	0	1,532,329	2,618,275	(148,282)	60,609,310
Consumer	9,076,098	15,138,952	0	17,913	2,079	255,300	24,490,342
Mortgage	1,966,071	8,659,664	0	1,082	1,049	0	10,627,866
Microcredit	385,639	0	0	0	0	0	385,639
Loan impairment allowance	(1,566,688)	(528,580)	0	(38,289)	(1,041)	0	(2,134,598)
Other accounts receivable	**588,932**	**880,341**	**23,574**	**1,843,101**	**88,900**	**(281,508)**	**3,143,340**
Hedging derivatives	**30,647**	**6,114**	**1,373**	**1,670**	**0**	**0**	**39,804**
Non-current assets held for sale	**26,370**	**102,167**	**0**	**58,419**	**11,973**	**(48)**	**198,881**
Investments in associates and joint ventures	**14,711,382**	**0**	**923**	**924,400**	**1,957**	**(14,732,914)**	**905,748**
Tangible assets	**903,965**	**1,132,087**	**122,869**	**2,658,324**	**82,536**	**(16,012)**	**4,883,769**
Own-use property, plant and equipment	768,854	1,132,087	96,744	2,285,790	81,819	(14,639)	4,350,655
Investment properties	135,111	0	26,125	132,322	717	(1,373)	292,902
Biological assets	0	0	0	240,212	0	0	240,212
Goodwill	**556,067**	**4,945,656**	**345,934**	**296,263**	**0**	**0**	**6,143,920**
Concession arrangement rights and other intangible assets	**194,828**	**154,229**	**3,185**	**2,480,575**	**9,065**	**(90)**	**2,841,792**
Income tax	**966,355**	**80,560**	**41,626**	**325,298**	**26,424**	**0**	**1,440,263**
Current	328,921	49,163	0	117,454	24,293	0	519,831
Deferred	637,434	31,397	41,626	207,844	2,131	0	920,432
Other assets	**19,946**	**236,828**	**0**	**269,415**	**6,970**	**(35,481)**	**497,678**
Total assets	**$ 76,579,141**	**64,188,881**	**2,201,665**	**19,511,771**	**6,050,161**	**(16,262,355)**	**152,269,264**
<u>Liabilities</u>							
Financial liabilities at fair value							
Trading derivatives	**$ 479,964**	**35**	**584**	**393,893**	**2**	**0**	**874,478**
Financial liabilities at amortized cost	**57,729,126**	**52,620,515**	**586,049**	**12,315,814**	**5,320,399**	**(1,261,190)**	**127,310,713**
Customer deposits	**44,806,317**	**39,024,742**	**0**	**4,085,344**	**5,242,204**	**(1,114,448)**	**92,044,159**
Current accounts	9,765,781	14,921,841	0	0	334,435	(144,126)	24,877,931
Time certificates of deposit	14,509,968	16,287,118	0	3,270,640	4,675,303	(3,694)	38,739,335
Savings accounts	20,501,132	7,613,161	0	786,685	230,961	(966,616)	28,165,323
Other deposits	29,436	202,622	0	28,019	1,505	(12)	261,570
Financial obligations	**12,922,809**	**13,595,773**	**586,049**	**8,230,470**	**78,195**	**(146,742)**	**35,266,554**
Interbank funds	2,022,424	186,907	0	4,027,960	38,471	0	6,275,762
Bank loans and others	5,726,817	12,171,842	586,049	2,092,345	39,724	(146,742)	20,470,035
Bonds issued	3,760,906	1,237,024	0	2,001,397	0	0	6,999,327
Borrowing from development entities	1,412,662	0	0	108,768	0	0	1,521,430
Hedging derivatives	**310,240**	**1,702**	**12,932**	**13,343**	**0**	**0**	**338,217**
Provisions	**27,678**	**98,317**	**188,669**	**257,999**	**10,887**	**0**	**583,550**
Litigation	10,134	98,317	16,414	72,766	3,422	0	201,053
Other provisions	17,544	0	172,255	185,233	7,465	0	382,497
Income tax liability	**152,194**	**229,840**	**58,127**	**834,464**	**8,178**	**(16,921)**	**1,265,882**
Current	135,272	85,101	58,127	149,052	6,325	0	433,877
Deferred	16,922	144,739	0	685,412	1,853	(16,921)	832,005
Employee benefits	**258,372**	**162,696**	**15,952**	**75,885**	**23,911**	**0**	**536,816**
Other liabilities	**1,641,077**	**1,040,578**	**62,421**	**1,113,027**	**93,654**	**(27,743)**	**3,923,014**
Total liabilities	**$ 60,598,651**	**54,153,683**	**924,734**	**15,004,425**	**5,457,031**	**(1,305,854)**	**134,832,670**

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

		December 31, 2014						
		Banco de Bogotá	Leasing Bogotá Panama and subsidiaries	Porvenir and subsidiaries	Corficol and subsidiaries	Other subsidiaries	Eliminations	Consolidated
Assets								
Cash and cash equivalents	$	**5,172,604**	**7,218,054**	**63,255**	**408,599**	**921,992**	**(195,832)**	**13,588,672**
Financial assets held for trading		**1,758,838**	**458,841**	**1,065,721**	**750,771**	**94,805**	**(25,697)**	**4,103,279**
Debt securities		1,138,778	457,849	193,631	229,195	30,463	(29,491)	2,020,425
Equity instruments		30,033	0	872,089	288,592	64,333	3,794	1,258,841
Trading derivatives		590,027	992	1	232,984	9	0	824,013
Financial assets available for sale		**6,538,353**	**4,258,645**	**201,724**	**2,325,714**	**681,994**	**(3,215,987)**	**10,790,443**
Debt securities		3,288,667	4,258,645	201,724	1,634,307	679,775	23,777	10,086,895
Equity instruments		3,249,686	0	0	691,407	2,219	(3,239,764)	703,548
Other financial assets at fair value		**0**	**0**	**0**	**1,738,599**	**0**	**0**	**1,738,599**
Financial assets in debt securities held to maturity		**1,240,360**	**0**	**0**	**55,716**	**0**	**0**	**1,296,076**
Loan portfolio		**41,539,013**	**28,233,773**	**(1,477)**	**1,223,816**	**1,285,087**	**143,512**	**72,423,724**
Commercial		32,921,359	12,493,068	(1,477)	1,211,465	1,283,644	(98,873)	47,809,186
Consumer		8,160,082	10,011,055	0	3,761	1,462	242,385	18,418,745
Mortgage		1,429,404	6,137,548	0	43,119	802	0	7,610,873
Microcredit		353,025	0	0	0	0	0	353,025
Loan impairment allowance		(1,324,857)	(407,898)	0	(34,529)	(821)	0	(1,768,105)
Other accounts receivable		**539,868**	**449,230**	**28,755**	**1,720,111**	**68,422**	**(272,523)**	**2,533,863**
Hedging derivatives		**12,992**	**19**	**51,842**	**0**	**0**	**0**	**64,853**
Non-current assets held for sale		**50,834**	**86,504**	**0**	**70,447**	**0**	**0**	**207,785**
Investments in associates and joint ventures		**8,168,647**	**0**	**0**	**711,795**	**140,001**	**(8,328,041)**	**692,402**
Tangible assets		**794,070**	**835,398**	**123,128**	**2,478,628**	**77,401**	**(20,719)**	**4,287,906**
Own-use property, plant and equipment		736,109	829,475	98,669	2,173,229	77,292	(10,192)	3,904,582
Investment properties		57,961	5,923	24,459	103,000	109	(10,527)	180,925
Biological assets		0	0	0	202,399	0	0	202,399
Goodwill		**556,066**	**3,756,914**	**345,934**	**296,263**	**0**	**0**	**4,955,177**
Concession arrangement rights and other intangible assets		**56,365**	**82,290**	**0**	**1,844,091**	**1,772**	**142,086**	**2,126,604**
Income tax		**(287,857)**	**112,217**	**26,450**	**241,903**	**12,938**	**291,323**	**396,974**
Current		0	78,367	21,392	113,321	14,474	0	227,554
Deferred		(287,857)	33,850	5,058	128,582	(1,536)	291,323	169,420
Other assets		**88,927**	**123,279**	**3,083**	**318,851**	**20,592**	**(123,224)**	**431,508**
Total assets	$	**66,229,080**	**45,615,164**	**1,908,415**	**14,185,304**	**3,305,004**	**(11,605,102)**	**119,637,865**
Liabilities								
Financial liabilities at fair value								
Trading derivatives	$	**609,904**	**422**	**12**	**340,426**	**0**	**(282)**	**950,482**
Financial liabilities at amortized cost		**49,718,714**	**37,580,367**	**445,189**	**7,551,914**	**2,710,917**	**(366,799)**	**97,640,302**
Customer deposits		**40,984,613**	**27,410,635**	**0**	**2,775,602**	**2,668,627**	**(186,677)**	**73,652,800**
Current accounts		9,855,326	10,098,681	0	0	371,269	(75,149)	20,250,127
Time certificates of deposit		15,108,308	11,905,875	0	2,559,906	2,134,153	(3,054)	31,705,188
Savings accounts		15,993,570	5,303,019	0	205,098	161,607	(108,473)	21,554,821
Other deposits		27,409	103,060	0	10,598	1,598	(1)	142,664
Financial obligations		**8,734,101**	**10,169,732**	**445,189**	**4,776,312**	**42,290**	**(180,122)**	**23,987,502**
Interbank funds		2,127,677	129,131	0	955,691	31,841	0	3,244,340
Bank loans and others		2,286,069	9,193,696	445,189	2,162,541	10,449	(177,119)	13,920,825
Bonds issued		3,129,252	846,905	0	1,511,891	0	(3,003)	5,485,045
Borrowing from development entities		1,191,103	0	0	146,189	0	0	1,337,292
Hedging derivatives		**529,207**	**14,822**	**17**	**0**	**0**	**27,599**	**571,645**
Provisions		**18,067**	**138,469**	**171,715**	**293,714**	**12,583**	**25,548**	**660,096**
Litigation		9,004	66,167	18,206	62,930	4,557	26,320	187,184
Other provisions		9,063	72,302	153,509	230,784	8,026	(772)	472,912

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

	December 31, 2014						
	Banco de Bogotá	Leasing Bogotá Panama and subsidiaries	Porvenir and subsidiaries	Corficol and subsidiaries	Other subsidiaries	Eliminations	Consolidated
Income tax liability	**(84,182)**	**154,918**	**36,800**	**808,934**	**3,674**	**153,190**	**1,073,334**
Current	364,349	75,552	36,800	133,359	6,224	(301,420)	314,864
Deferred	(448,531)	79,366	0	675,575	(2,550)	454,610	758,470
Employee benefits	**273,068**	**115,013**	**17,860**	**81,862**	**22,363**	**87**	**510,253**
Other liabilities	**1,252,585**	**667,872**	**47,643**	**906,390**	**76,667**	**16,583**	**2,967,740**
Total liabilities	**$ 52,317,363**	**38,671,883**	**719,236**	**9,983,240**	**2,826,204**	**(144,074)**	**104,373,852**

Consolidated income statement for the Period, by Segment

	December 31, 2015						
	Banco de Bogotá	Leasing Bogotá Panama and subsidiaries	Porvenir and subsidiaries	Corficol and subsidiaries	Other subsidiaries	Eliminations	Consolidated
Interest and similar income	**$ 4,400,368**	**3,944,520**	**69,152**	**334,383**	**70,790**	(35,866)	**8,783,347**
Loan portfolio interest	4,252,245	3,743,261	6,119	183,709	50,978	(35,866)	8,200,446
Interest on investments in debt securities, at amortized cost	148,123	201,259	63,033	150,674	19,812	0	582,901
Interest and similar expenses	**1,814,922**	**1,332,396**	**28,123**	**607,988**	**41,287**	(35,991)	**3,788,725**
Deposits	**1,439,681**	**841,651**	**0**	**196,852**	**38,861**	(21,538)	**2,495,507**
Current account deposits	92,993	73,618	0	1	263	(42)	166,833
Time certificates of deposit	727,429	680,659	0	171,954	38,440	(2)	1,618,480
Savings deposits	619,259	87,374	0	24,897	158	(21,494)	710,194
Financial obligations	**375,241**	**490,745**	**28,123**	**411,136**	**2,426**	**(14,453)**	**1,293,218**
Interbank funds	101,762	6,838	15	133,749	1,630	(172)	243,822
Bank loans and others	3,277	411,110	28,108	68,081	695	(14,189)	497,082
Bonds and investments securities	185,275	72,797	0	202,696	0	(92)	460,676
Borrowings from development entities	84,927	0	0	6,610	101	0	91,638
Net investment and similar income	**2,585,446**	**2,612,124**	**41,029**	**(273,605)**	**29,503**	**125**	**4,994,622**
Impairment loss on financial assets	**690,782**	**529,375**	**22,945**	**7,923**	**1,202**	**(2)**	**1,252,225**
Loan portfolio and accounts receivable	780,511	518,682	22,945	8,468	1,200	0	1,331,806
Non-current assets held for sale	8,848	11,681	0	738	0	0	21,267
Investments in debt and equity securities	333	0	0	(746)	2	(2)	(413)
Recoveries	(98,910)	(988)	0	(537)	0	0	(100,435)
Net interest and similar income, after impairment loss on financial assets	**1,894,664**	**2,082,749**	**18,084**	**(281,528)**	**28,301**	**127**	**3,742,397**
Income from commissions and fees	**836,440**	**1,567,231**	**763,148**	**61,304**	**271,020**	**(7,550)**	**3,491,593**
Trust activities	0	0	0	40,865	126,818	(120)	167,563
Pension and severance fund management	0	22,902	763,127	0	0	0	786,029
Commissions on banking services	121,799	1,206,397	21	19,517	20,508	(3,553)	1,364,689
Commissions on credit cards	646,985	337,932	0	0	0	0	984,917
Commissions on drafts, checks and checkbooks	40,840	0	0	8	463	(39)	41,272
Office network services	26,816	0	0	914	0	(2,673)	25,057
Storage services	0	0	0	0	112,928	(481)	112,447
Other commissions	0	0	0	0	10,303	(684)	9,619
Expenses for commissions and fees	**141,649**	**87,484**	**95,897**	**18,013**	**7,323**	**(5,333)**	**345,033**
Net income from commissions and fees	**694,791**	**1,479,747**	**667,251**	**43,291**	**263,697**	**(2,217)**	**3,146,560**
Profit or loss from financial assets or liabilities for trading, net	**127,276**	**29,066**	**122,071**	**(131,171)**	**8,701**	**(294)**	**155,649**

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

	December 31, 2015						
	Banco de Bogotá	Leasing Bogotá Panama and subsidiaries	Porvenir and subsidiaries	Corficol and subsidiaries	Other subsidiaries	Eliminations	Consolidated
Net loss on financial derivatives for trading	(111,480)	7,598	(2,201)	(143,651)	234	0	(249,500)
Net gain in hedging	148,352	207,604	89,491	(25,539)	486	0	420,394
Net gain on investments	90,404	(186,136)	34,781	38,019	7,981	(294)	(15,245)
Profit or loss from assets or liabilities designed at fair value with changes in income statement	**0**	**0**	**0**	**153,094**	**0**	**0**	**153,094**
Other net income	**2,009,939**	**259,900**	**(73,006)**	**1,475,327**	**64,311**	**(1,634,967)**	**2,101,504**
Net gain on exchange difference	202,105	219,801	(138,242)	191,247	1,682	3,838	480,431
Net gain on sale of investments	52,518	7,277	1,117	4,133	984	1,030	67,059
Earnings on the sale of non-current assets held for sale	10,902	4,548	0	700	0	399	16,549
Share of profits of associate and joint ventures	1,287,537	0	0	206,261	1,584	(1,290,622)	204,760
Dividends	216,732	0	0	26,113	35,410	(249,621)	28,634
Income from the sale of goods and services of non-financial companies	0	0	7,232	1,031,108	(1,616)	(99,348)	937,376
Other operating income	240,145	28,274	56,887	15,765	26,267	(643)	366,695
Other expenses	**1,871,933**	**2,635,760**	**314,783**	**170,377**	**232,848**	**55,937**	**5,281,638**
Personal expenses	607,408	1,325,671	113,756	66,127	104,719	62	2,217,743
General and administrative expenses	1,124,650	1,053,465	163,166	90,812	108,499	55,404	2,595,996
Depreciation and amortization of tangible and intangible assets	111,596	222,324	13,863	5,811	10,264	470	364,328
Other operating expenses	28,279	34,300	23,998	7,627	9,366	1	103,571
Profit before income tax	**2,854,737**	**1,215,702**	**419,617**	**1,088,636**	**132,162**	**(1,693,288)**	**4,017,566**
Income tax expense	**442,368**	**380,849**	**165,039**	**330,889**	**31,554**	**27,846**	**1,378,545**
Net income for the year	**$ 2,412,369**	**834,853**	**254,578**	**757,747**	**100,608**	**(1,721,134)**	**2,639,021**

	December 31, 2014						
	Banco de Bogotá	Leasing Bogotá Panama and subsidiaries	Porvenir and subsidiaries	Corficol and subsidiaries	Other subsidiaries	Eliminations	Consolidated
Interest and similar income	**$ 3,833,443**	**2,690,523**	**26,424**	**237,102**	**47,191**	**(34,604)**	**6,800,079**
Loan portfolio interest	3,619,075	2,480,607	4,994	210,010	30,901	(34,185)	6,311,402
Interest on investments in debt securities, at amortized cost	214,368	209,916	21,430	27,092	16,290	(419)	488,677
Interest and similar expenses	**1,411,965**	**908,434**	**20,881**	**483,767**	**26,782**	**(21,598)**	**2,830,231**
Deposits	**1,149,946**	**572,786**	**0**	**177,742**	**25,174**	**(19,164)**	**1,906,484**
Current account deposits	101,436	47,085	0	501	375	(97)	149,300
Time certificates of deposit	527,167	467,642	0	152,310	24,892	(2)	1,172,009
Savings deposits	521,343	58,059	0	24,931	(93)	(19,065)	585,175
Financial obligations	**262,019**	**335,648**	**20,881**	**306,025**	**1,608**	**(2,434)**	**923,747**
Interbank funds	49,653	5,975	440	90,681	886	(270)	147,365
Bank loans and others	1,934	287,867	20,441	62,509	693	(1,745)	371,699
Bonds and investments securities	148,802	41,806	0	146741	0	(419)	336,930
Borrowings from development entities	61,630	0	0	6,094	29	0	67,753
Net investment and similar income	**2,421,478**	**1,782,089**	**5,543**	**(246,665)**	**20,409**	**(13,006)**	**3,969,848**
Impairment loss on financial assets	**621,926**	**319,911**	**29,466**	**16,537**	**626**	**(325)**	**988,141**
Loan portfolio and accounts receivable	696,741	312,658	29,466	17,078	590	(307)	1,056,226
Non-current assets held for sale	(885)	12,115	0	255	0	0	11,485
Investments in debt and equity securities	0	(2)	0	475	36	(18)	491

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

	December 31, 2014						
	Banco de Bogotá	Leasing Bogotá Panama and subsidiaries	Porvenir and subsidiaries	Corficol and subsidiaries	Other subsidiaries	Eliminations	Consolidated
Recoveries	(73,930)	(4,860)	0	(1,271)	0	0	(80,061)
Net interest and similar income, after impairment loss on financial assets	**1,799,552**	**1,462,178**	**(23,923)**	**(263,202)**	**19,783**	**(12,681)**	**2,981,707**
Income from commissions and fees	**768,750**	**984,398**	**740,018**	**58,092**	**266,775**	**10,468**	**2,828,501**
Trust activities	0	0	0	38,007	119,908	(25)	157,890
Pension and severance fund management	0	13,575	739,772	0	3,608	0	756,955
Commissions on banking services	270,031	731,169	246	20,085	28,088	(4,128)	1,045,491
Commissions on credit cards	430,526	239,654	0	0	0	0	670,180
Commissions on drafts, checks and checkbooks	34,301	0	0	0	474	(34)	34,741
Office network services	33,892	0	0	0	0	(2,851)	31,041
Storage services	0	0	0	0	114,697	17,506	132,203
Expenses for commissions and fees	**126,627**	**49,549**	**87,733**	**8,586**	**6,754**	**(5,985)**	**273,264**
Net income from commissions and fees	**642,123**	**934,849**	**652,285**	**49,506**	**260,021**	**16,453**	**2,555,237**
Profit or loss from financial assets or liabilities for trading, net	**45,269**	**(39,762)**	**147,023**	**109,744**	**8,236**	**(1,397)**	**269,113**
Net loss on financial derivatives for trading	(191,152)	3,050	(5,815)	(94,319)	629	(939)	(288,546)
Net gain in hedging	205,599	(45,920)	62,501	0	(623)	0	221,557
Net gain on investments	30,822	3,108	90,337	204,063	8,230	(458)	336,102
Profit or loss from assets or liabilities designed at fair value with changes in income statement	**0**	**0**	**0**	**172,889**	**0**	**0**	**172,889**
Other net income	**1,303,471**	**258,360**	**(51,130)**	**1,142,093**	**63,201**	**(1,132,547)**	**1,583,448**
Net gain on exchange difference	145,345	200,059	(84,302)	103,525	1,452	(25,901)	340,178
Net gain on sale of investments	41,658	26,510	8	1,051	8,866	0	78,093
Earnings on the sale of non-current assets held for sale	(5,482)	(619)	0	(1,975)	94,055	(111,326)	(25,347)
Share of profits of associate and joint ventures	0	0	0	107,141	0	(108)	107,033
Dividends	978,460	0	0	100,649	28,754	(1,004,388)	103,475
Income from the sale of goods and services of non-financial companies	0	0	7,467	786,345	(94,211)	10,477	710,078
Other operating income	143,490	32,410	25,697	45,357	24,285	(1,301)	269,938
Other expenses	**1,704,817**	**1,732,493**	**289,264**	**156,547**	**215,429**	(83,067)	**4,015,483**
Personal expenses	556,225	879,416	109,877	61,082	94,306	(747)	1,700,159
General and administrative expenses	1,016,772	693,919	159,421	63,795	102,323	(99,964)	1,936,266
Depreciation and amortization of tangible and intangible assets	99,160	140,130	10,473	4,455	10,958	537	265,713
Other operating expenses	32,660	19,028	9,493	27,215	7,842	17,107	113,345
Profit before income tax	**2,085,598**	**883,132**	**434,991**	**1,054,483**	**135,812**	**(1,047,105)**	**3,546,911**
Income tax expense	**432,494**	**237,082**	**152,278**	**315,121**	**29,956**	**131,262**	**1,298,193**
Net income for the year	$ **1,653,104**	**646,050**	**282,713**	**739,362**	**105,856**	**(1,178,367)**	**2,248,718**

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

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

	December 31, 2015						
	Colombia	Panama	Guatemala	Costa Rica	Others (1)	Eliminations	Consolidated
Net income for the period	$ 10,485,121	1,035,374	921,678	1,998,811	1,922,881	(1,678,678)	14,685,187
Noncurrent assets other than financial instruments							
Property, plant and equipment	3,201,598	202,833	106,003	385,779	469,081	(14,639)	4,350,655
Intangible assets	3,885,024	3,951,630	8,449	52,377	1,088,322	(90)	8,985,712
Deferred Income Tax – Assets	$ 889,036	(9,804)	3,013	15,767	22,420	0	920,432

	December 31, 2014						
	Colombia	Panama	Guatemala	Costa Rica	Others (1)	Eliminations	Consolidated
Net income for the period	$ 8,855,251	698,764	651,505	1,304,070	1,302,518	(1,158,078)	11,654,030
Noncurrent assets other than financial instruments							
Property, plant and equipment	3,060,671	151,115	85,111	264,980	352,897	(10,192)	3,904,582
Intangible assets	3,099,558	2,968,789	6,420	37,261	827,667	142,086	7,081,781
Deferred Income Tax – Assets	$ (155,754)	(2,268)	10,253	9,772	16,094	291,323	169,420

(1) Pertains to Nicaragua, Honduras, El Salvador, Mexico, the United States, the British Virgin Islands and the Cayman Islands.

Some items were reclassified from this total to the non financial sector. See details in note 32

During the years ended December 31, 2015 and December 31, 2014, the Group reported no concentration of revenue in customers with more than a 10% share of revenue from ordinary activities. The Bank considers single clients, other than related parties, as those under common control, based on the information it has at hand. See Note 36 for details on income of related parties.

NOTE 34 – FINANCIAL ASSETS OFFSET AGAINST FINANCIAL LIABILITIES

The following is a breakdown at December 31, 2015, December 31, 2014 and January 1, 2014 of the financial assets subject to contractually required offsetting.

	At December 31, 2015					
	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Consolidated Balance Sheet	Net Amounts of Assets Presented in the Consolidated Balance Sheet	Gross Amounts Not Offset in the Consolidated Balance Sheet		Net Exposure
				Financial instruments	Cash collateral received	
Offsetting assets						
Derivatives	$ 879,585	(160,383)	719,202	0	0	719,202
Repurchase agreements	297,316	0	297,316	(201,281)	0	96,035
Total assets subject to offsetting	**1,176,901**	**(160,383)**	**1,016,518**	**(201,281)**	**0**	**815,237**
Liabilities						
Derivatives	1,731,163	(518,468)	1,212,695	0	(597,323)	615,372
Repurchase agreements (rep, sim yttv)	5,776,997	0	5,776,997	(5,628,549)	0	148,448
Total liabilities subject to offsetting	$ 7,508,160	(518,468)	6,989,692	(5,628,549)	(597,323)	763,820

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

		At December 31, 2014					
		Gross Amounts of Recognized Assets	Gross Amounts Offset in the Consolidated Balance Sheet	Net Amounts of Assets Presented in the Consolidated Balance Sheet	Gross Amounts Not Offset in the Consolidated Balance Sheet		Net Exposure
					Financial instruments	Cash collateral received	
Offsetting assets							
Derivatives	$	1,148,287	(292,701)	855,586	0	(2,584)	853,002
Repurchase agreements		269,613	0	269,613	(237,358)	0	32,255
Total assets subject to offsetting		**1,417,900**	**(292,701)**	**1,125,199**	**(237,358)**	**(2,584)**	**885,257**
Liabilities							
Derivatives		2,288,589	(841,601)	1,446,988	0	(310,915)	1,136,073
Repurchase agreements (rep, sim yttv)		2,254,794	0	2,254,794	(1,622,865)	0	631,929
Total liabilities subject to offsetting	$	**4,543,383**	**(841,601)**	**3,701,782**	**(1,622,865)**	**(310,915)**	**1,768,002**

		At January 1, 2014					
		Gross Amounts of Recognized Assets	Gross Amounts Offset in the Consolidated Balance Sheet	Net Amounts of Assets Presented in the Consolidated Balance Sheet	Gross Amounts Not Offset in the Consolidated Balance Sheet		Net Exposure
					Financial instruments	Cash collateral received	
Offsetting assets							
Derivatives	$	198,158	(76,409)	121,749	0	(7,606)	114,143
Repurchase agreements		880,982	0	880,982	(869,653)	0	11,329
Total assets subject to offsetting		**1,079,140**	**(76,409)**	**1,002,731**	**(869,653)**	**(7,606)**	**125,472**
Liabilities							
Derivatives		226,895	(72,975)	153,920	0	(8,502)	145,418
Repurchase agreements (rep, sim yttv)		241,715	0	241,715	(142,533)	0	99,182
Total liabilities subject to offsetting	$	**468,610**	**(72,975)**	**395,635**	**(142,533)**	**(8,502)**	**244,600**

NOTE 35 – FIRST-TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

The year ended at December 31, 2014 was the last time the Group prepared its financial statements in accordance with generally accepted accounting principles in Colombia, under the supervision of the Financial Superintendence of Colombia (Colombian GAAP).

The Group subsequently prepared its first financial statements in accordance with International Financial Reporting Standards (IFRS) for the year ended at December 31, 2015. To do so, it was necessary to prepare an opening statement of financial position at January 1, 2014.

According to IFRS 1 “First time adoption of International Financial Reporting Standards”, the Group in its first financial statement under IFRS has:

- Provided comparative financial information.
- Used the same accounting principles in all the periods presented.
- Applied retrospectively the current accounting standards under IFRS.
- Applied certain exemptions and exceptions they are permitted to required under IFRS 1.

1. Exemptions and Exceptions

The following are the main exemptions and exceptions that the Group used in the preparation of its opening statement of financial position at January 1, 2014, according to IFRS 1.

Exceptions

1. Derecognition of financial assets and liabilities: IAS 39 has certain requirements to be met to derecognize assets and liabilities in the financial statements. However, IFRS 1 requires first-time adopters of IFRS to comply with this requirement prospectively for transactions that occur after the IFRS transition date.

2. Accounting estimates: The estimates made at the transition date, according to IFRS, must be consistent with those made at the same date under the previous GAAP, unless there is objective evidence that those estimates were erroneous.

3. Hedge accounting: As required by IAS 39, first time adopters at the transition date: (i) must measure all derivatives at fair value; and (ii) must eliminate all deferred losses and gains from derivatives that might have been reported as assets or liabilities under the Colombian GAAP. In its opening statement of financial position in compliance with IFRS, an entity may not reflect a hedging relationship of a type that does not qualify for hedge accounting under IAS 39. However, if an entity designated a net position as a hedged item under the previous GAAP, it may designate an individual item within that net position as a hedged item under IFRS, provided it does not do so after the IFRS transition date.

4. Financial assets classification and measurement :

   The measurement of a financial assets at amortized cost was performed under facts and circumstances at the transition date.

5. Government Loans:

For some of Banco de Bogotá's subsidiaries, their corporate purpose is to carry out agricultural activities, which receive loans from the Colombian Government entities with subsidized interest rates. According to the International Standard IAS 20 "Accounting for Government Grants", these grants should be recognized in results on a systematic basis over the periods wherein the subsidiary recognizes the related costs for which the grant is intended to offset as expenses. IFRS 1 requires the application of this requirement prospectively for government loans existing as of the transition date to IFRS and to not recognize the corresponding benefit of the government loan at an interest rate below the market as a government grant.

Exemptions

a) Deemed cost: Under IFRS 1 an entity can elect to measure an item of property and equipment at the transaction date to IFRS at its fair value and use that fair value as its deemed cost at that date. Instead a first time adopter may elect to use a Colombian GAAP revaluation of an item of property and equipment at, or before, the date of transition to IFRS as deemed cost if that revaluation was similar to fair value at the date the revaluation was performed. The Group has decided to apply this exemption to certain assets and to record them, on the transition date, by their Colombian GAAP revaluation and for others, the Group used their fair value at this date.

b) Designation of previously recognized financial instruments: IFRS 1 permits a financial asset to be designated at the transaction date, as available for sale or a financial instrument, provided it met certain criteria, to be designated as a financial asset or financial liability at fair value through profit or loss. The Group used this exemption to record its investments securities at January 1, 2014.

c) Cumulative translations differences: According to IAS 21, the adjustment resulting from conversion of the financial statements of foreign subsidiaries for consolidation purposes is recorded under equity, in the “other comprehensive income” account. However, with respect to preparation of the opening statement of financial position, IFRS 1 allows that the value determined for this item for all foreign operations is to be zero on the transaction date. The Group took this exemption.

d) Fair value measurement of financial assets and liabilities at initial recognition: In the initial recognition of assets and liabilities during the normal course of the Group’s operations, some financial asset and liability transactions may differ from their fair value, in which case such transaction will have to be adjusted to fair value. However, IFRS 1 may apply this requirement prospectively to transactions entered after the transaction date. The Group took this exemption.

e) Concession arrangements rights: According to IFRIC12, the rights resulting from concession arrangements may give rise to a financial asset, an intangible asset or a mixed asset.

   This definition must be determined initially, at the moment the concession arrangement is signed. Nevertheless, if retroactive application of this standard on the transition date is impractical, IFRS 1 allows the Group’s subsidiary that handles concession agreements to use the Colombian GAAP carrying amount of such financial assets and intangibles as their carrying amount on to the transition date in which case shall be testing for impairment at that date. The Group took this exemption.

f) Borrowing costs: IFRS requires the financial costs an entity incurs during the property and equipment construction process to be capitalized in the cost of such assets, according to certain parameters. However, IFRS 1 allows this capitalization process to be realized according to IAS 23 since the transition date for qualifying assets.

g) Business combinations:

   a) IFRS 3 - “Business Combinations” requires to record assets acquired and liability assumed in a transaction or event that is a business combination according to the purchase method. Under that method, goodwill originated in a business combination is determined at the moment of purchase by the difference between the amount paid and the net value of the acquired assets and assumed liabilities, established on the basis of their fair value, with certain exceptions. However, IFRS 1 permits to a first-time adopter not to apply IFRS 3 retroactively to past business combinations. The Group has decided to not restate any business combination which occurred before the transition date.

   b) IFRS 10 “Consolidation financial statements” requires an entity that controls one or more entities to present consolidated financial statements.

According to IFRS 1, first time adopters could not have been consolidate any entity in its consolidated financial statements prepared under previous GAAP. The first time adopters shall adjust the carrying amount of the assets and liabilities of the unconsolidated subsidiaries under Colombian GAAP to the amounts that IFRS would require in the subsidiaries statement of financial position at the transition date. The deemed cost of goodwill will be equal to the difference at the transition date to IFRS between the investment cost of the subsidiary in the parent separate financial statements and the parent interest in the net asset carrying amount of the subsidiary under IFRS at the transition date. The Group adopted this exemption to consolidate Promigas Group and its subsidiaries at the transition date previous adjustment of the investment at cost under IFRS.

2. Changes In The Group Accounting Policies On The IFRS Implementation

In addition to the exemptions and exceptions described above, the main differences between the main accounting policies previously used by the Group in accordance with Generally Accepted Accounting Principles in Colombia (Colombian GAAP) and accounting policies in force used under IFRS that are applicable are explained as follows.

a) Financial Statements Presentation

Colombian GAAP: The standards of the Financial Superintendence of Colombia required the presentation of a general balance sheet, an income statement, a statement of changes in equity and a cash flow statement from the Group, along with the notes thereto.

IFRS: According to the International Accounting Standard IAS 1 “Presentation of Financial Statements” a set of financial statements comprises: a) a statement of financial position at the end of the period, b) an income statement and other comprehensive income of the period submitted jointly or separately, c) a statement of changes in equity, d) a cash flow statement for the period and, e) notes comprising a summary of significant accounting policies and other explanatory information wider and deeper than that previously notes included in the local financial statements.

b) Consolidation of Financial Statements

Colombian GAAP: Under Colombian legal provisions, an entity should prepare consolidated financial statements when it held a equity investment with voting rights of more than 50% of the stock capital of the wherein entity or when without reaching such voting rights, it has administrative control over that entity.

For such purpose voting shares held through investments funds are not taken in account, due to such funds are not societies in Colombia.

IFRS: An investor shall prepare consolidated financial statements when it has all of the following elements over an investee: i) power over the entity, ii) exposure or right to variable returns deriving from its involvement with the investee and iii) ability to use its power in that entity to influence the amount of returns of the investor.

c) Loans and Receivables

Colombian GAAP: Loans and receivables were recorded at nominal value and allowance for impairment was carried out based on reference models established by the Financial Superintendence of Colombia for commercial and consumer loans portfolios, subject to prior classification of loans by risk level and allowance percentages established by that Office, including cyclical and counter-cyclical components; and for mortgage and microcredit loans portfolios for which the Financial Superintendence of Colombia did not have a specific model, loans were rated by risk levels according to their level of arrears and the allowance was calculated based on specific allowance percentages determined by the Financial Superintendence of Colombia, according to the risk category plus a general allowance of 1% of the total balance of such loans.

IFRS: Loans and receivables are recorded at amortized cost and an impairment allowance for financial assets is calculated on the financial assets that the Group considers significant based on individual evaluations performed by analyzing the debt profile of each debtor, the guarantees granted and the information from external credit agencies. When the Group based on such evaluations considers the financial asset impaired, the amount of loss is measured by the difference between the present value of expected cash flows according to the loans agreement conditions, discounted at the originally contractual interest rate, or by the fair value of the collateral guarantee which covers the loan less the estimated sales costs and the carrying amount of the loan.

For assets which are not deemed significant, and for individually significant loans which were not considered impaired in the individual analysis, the Group carries out a collective evaluation grouping portfolios of financial assets by segments with similar characteristics, using statistical techniques based on the analysis of historical losses to determine the estimated percentage of losses incurred in such assets as of the balance sheet date, but which have not been individually identified.

d) Properties, plant and equipment

Colombian GAAP: Properties, plant and equipment were recorded at cost adjusted for inflation until year 2000, which did not include, for example, abandonment costs; subsequently, assets subject to depreciation were mainly depreciated based on useful lives used for tax purposes, 20 years for buildings, 10 years for machinery, equipment and furniture and 5 years for vehicles and computer equipment, without including the determination of their residual value. Additionally, to the aforementioned, revaluation of such assets were calculated by the difference between the amount of the revaluation and the carrying value of the asset. Such appraisals were recorded in the assets group in a separate caption called “revaluations of assets” with offsetting account in the equity account called revaluation surplus. If the amount of the appraisal was lower than the asset carrying value, the difference was recorded as a provision charged against income statement.

IFRS: Properties, plant and equipment are recorded at its cost, which includes estimated costs of abandonment, and financial costs incurred in the construction process calculated based on certain parameters. The depreciation is calculated based on the useful life defined by independent expert appraisers of the different assets and the calculation of such depreciation takes into account its residual value estimated by the independent experts’ appraisers.

On each accounting closing, the Group analyzes if there are indications, both external and internal, that a material asset could be impaired. If there is evidence of impairment, the Group analyzes if there effectively exists impairment comparing the net carrying value with its recoverable value (established as the greater between the fair value minus the cost of sales of the asset and its value of use). When the book value exceeds the recoverable value, the carrying value is adjusted to its recoverable value, modifying future amortization charges, according to the new remaining useful life.

Real estate assets which the Group holds with the purpose of generating rental income, revaluation of the asset or both, instead of using them in the Group normal operations, are denominated “Investment properties” and initially they are recorded at their cost and subsequently measured at fair value, with changes in the fair value recorded in the profit or loss account.

e) Biological assets

Colombian GAAP: The costs incurred in the production of short term agricultural goods were recorded as inventory and the costs incurred in medium or long term crops were recorded as properties and equipment or as deferred charges and subsequently such costs were amortized by the straight line method during the economic life of the crop.

IFRS: Biological assets according to IAS 41 “Agricultural”, are measured at fair value, less the costs of sale, except, when for any reason the fair value cannot be reliably measured, in this case, they are recorded at their cost less the accumulated amortization and any accumulated loss due to impairment.

f) Concession contracts rights

Colombian GAAP: The costs incurred during the construction phase of the asset under concession were recorded as deferred assets and subsequently amortized during the life of the contract after the construction phase by the straight line method.

The income received for services rendered by the assets was rerecorded in the period wherein it was effectively received or based on the accrual of payments guaranteed by the Colombian Government.

IFRS: The rights on concession contracts are accounted as financial assets or as intangible assets depending on the conditions of the contract, if it there or not an unconditional contractual right to receive from the granting entity cash or other financial assets for the construction services. If they are classified as financial assets, they shall be recorded at fair value through profit or loss or at amortized cost in accordance with the financial instrument business model of the entity. If they are considered as intangible assets, they are recorded in such account for the estimated value of the income during the construction phase and amortized during the contract life subsequent to the completion of such phase. The income generated by the asset during the life of the contract is recorded when it is effectively received.

g) Goodwill

Colombian GAAP: When an entity acquired control of another entity pursuant to Colombian legal provisions, the goodwill was recorded by the difference in the amount paid and the net carrying amount of acquired assets and the assumed liabilities in the books of the acquired entity acquired. Subsequently, such goodwill was amortized with charge to profit or losses during a 20 year period based on exponential percentages established by the Financial Superintendence of Colombia.

IFRS: Total or partial acquisition of entities, when control is acquired, is recorded in the consolidated financial statements using the “purchase method”. According to such method, the acquisition price is distributed among the identifiable assets acquired including any intangible asset and assumed liability, on the basis of their corresponding fair value. The difference between the amount paid plus the amount of non-controlling interests and the net amount of the assets acquired less the assumed liabilities is recorded as goodwill. The goodwill is not subsequently amortized but is subject to an annual assessment for impairment.

h) Deferred taxes

Colombian GAAP: Deferred taxes were recognized as assets or differed liabilities due to the temporary differences which originated a higher or lower tax payment in the corresponding period; however, the Financial Superintendence of Colombia had restricted to record deferred taxes assets over tax losses and surplus presumptive income.

IFRS: Deferred taxes are recognized over temporary differences arising between tax basis of assets and liabilities and the amounts recognized in the consolidated financial statements, which give place to quantities which are deductible and taxable at the time of determining the tax gain or loss corresponding to future periods, when the carrying amount of the asset is recovered or the liability is settled. However, deferred liability taxes are not recognized if they derive from the initial recognition of goodwill; or from the initial recognition of an asset or liability in a transaction different than a business combination, that at the time of the transaction does not affect the tax or accounting profit or loss. The deferred tax is determined using tax rates in force as of the date of the balance sheet and shall be applied when the asset for deferred tax is realized or when the liability for deferred tax is settled. Deferred tax assets are recognized only to the extent that it is likely that future tax income will be available against which the temporary differences may be utilized.

i) Employee benefits

Colombian GAAP: Under Colombian GAAP, liabilities were only recorded for post-employment benefits of legal retirement pensions. Such liability was calculated based on actuarial studies, using the assumptions of mortality rates, salary increments, personnel rotation and interest rates determined with reference to the average interest rate of the last 10 years of the deposits of financial institutions in Colombia. The amount of such liability was amortized with change to profit or loss account in maximum terms established by the Colombian Government. The long-term employee benefits were generally recorded when paid or through the accrual system throughout the years of enforceability.

IFRS: Post-employment benefits not only include legal retirement pensions but also severance payments for employees under the previous employment regime established before the Law 50 was issued in 1990 and agreed extralegal benefits in collective conventions.

The actuarial liability for post-employment benefits is determined based on actuarial studies prepared with the projected credit unit method using the same actuarial assumptions of mortality rates, salary increments and personnel rotation used in Colombian GAAP but the interest rates are determined with reference to the market yields in force of bonds at the end of the period issued by the Colombian Government or other entrepreneurial high quality obligations. Under the projected credit unit method, future benefits, which will be paid to employees, are assigned in each accounting period wherein the employee renders service. Therefore, the corresponding expense for these benefits is recorded in the financial statements of the bank including the present cost of the service assigned in the actuarial calculation plus the financial cost calculation of the liability. Variations in the liability for changes in the actuarial assumptions are recorded in the account other comprehensive income in the equity. Liabilities for long term employee benefits are determined in the same manner as the post-employment benefits described above, with the sole difference that the changes in the actuarial liability for changes in the actuarial assumptions are also recorded in the income statement.

j) Leased assets

Colombian GAAP: Leased assets were classified as financial leases basically when the lease agreements included bargain a purchase option for the lessee. All other lease contracts were included in the account of properties, plant and equipment at the cost of the asset and were depreciated following the same depreciation policies established for the same type of assets used in the Group operations.

IFRS: Lease agreement are classified at the inception date of execution of the contract as financial or operating leases. A lease is classified as financial asset when all of the risks and advantages of the property are substantially transferred. A lease is classified as operating lease if such risks and advantages of the property are not substantially transferred. Lease contracts classified as financial leases are included in the balance sheet within the item of "loans and receivables" and are recorded in the same manner as other loans granted. Lease agreements that are classified as operating leases are included within the account of properties, plants and equipment and are recorded and depreciated in the same manner as the property and equipment used by Group in its operations.

k) Investments in associates and joint ventures

Colombian GAAP: Investments in equity instruments where Group had significant influence, were recorded as "Available for sale securities" at cost plus or less revaluations performed with credit to equity. The investment revaluation of each investment was established by reference to its market value or to the investor share in the equity of the investee.

Joint ventures were recorded as joint operations in other assets and other liabilities of the share by Group in the assets and liabilities of the joint venture, respectively.

IFRS: Investments in associated companies and joint ventures wherein significant influence or joint control is held are recorded in the consolidated financial statements by equity method in the profits or losses of the investee with credit or charge to profit or loss account.

l) Loyalty programs

Colombian GAAP: There was not a specific rule to record for recording these types of programs, reason for which the entities of the Group, following the prudence accounting rule, recorded a provision as a liability to attend the redemption points based on an estimate according to their experiences in past years.

IFRS: Reward points recognized to customer in loyalty programs are recorded as an identifiable income component separate from the initial sale or service operation rendered to customer of which they obtained the points, assigning the fair value of the consideration received between the award points and other components of the sale. Such reward points are initially recognized as deferred income in the liability at its fair value. Income of the award points is recognized as a credit to the income statement when they are redeemed.

m) Provisions

Colombian GAAP: Under Financial Superintendence rules, provisions for legal proceedings were recorded only when the Group had adverse rulings in first instance before the judicial courts and in that case the Group recorded provisions up to 50% of the total claim.

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

IFRS: According to IAS 37 a provision is recorded when:

(a) an entity has a present obligation (legal or constructive) as a result of a past event;
(b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
(c) A reliable estimate can be made of the amount of the obligation.

3. Reconciliation Of The Latest Financial Statements Of Banco De Bogotá Prepared According To Colombian GAAP And The Financial Statements Of The Same Period Prepared According To The International Financial Reporting Standards

According to the aforementioned, the following are the reconciliations between the financial position statement of Banco de Bogotá as of January 1, 2014 and December 31, 2014 prepared according to Colombian GAAP and the financial position statement prepared at the same dates under International Financial Reporting Standards currently in force, and between the income statement for the year ended as of December 31, 2014, prepared under the Colombian GAAP and the Group statement for the same year prepared under International Financial Reporting Standards:

Statement of the Financial Position

		January 1, 2014		
		Balance under Colombian GAAP as of January 1, 2014	**Adjustments and reclassifications**	**Balance under IFRS as of January 1, 2014**
Assets				
Cash and cash equivalents	$	9,746,186	1,303,861	11,050,047
Interbank loans		2,500,405	(2,500,405)	0
Financial assets held for trading		7,798,346	(2,671,327)	5,127,019
Financial assets available for sale		8,997,444	619,834	9,617,278
Other financial assets at fair value		0	1,565,709	1,565,709
Financial assets in debt securities held to maturity		1,549,270	(4,374)	1,544,896
Loan portfolio		58,152,510	3,446,372	61,598,882
Loan impairment		(1,637,497)	108,314	(1,529,183)
Bankers´ acceptances and derivatives instruments		367,746	(367,746)	0
Other accounts receivable		2,187,370	(276,578)	1,910,792
Foreclosed assets		234,601	(234,601)	0
Hedging derivatives		0	18,213	18,213
Non-current assets held for sale		0	299,879	299,879
Investments in associated companies and joint ventures		0	538,428	538,428
Own-use property, plant and equipment		1,525,239	2,046,015	3,571,254
Investment properties		0	157,594	157,594
Biological assets		0	201,183	201,183
Concession arrangement rights		0	1,759,175	1,759,175
Goodwill		3,964,317	254,175	4,218,492
Deferred charges		2,068,355	(2,068,355)	0
Other intangible assets		0	146,422	146,422
Income tax		0	212.828	212,828
Other assets		834,121	(500.487)	333,634
Reappraisal of assets		2,380,619	(2,380,619)	0
Total assets		**100,669,032**	**1,673,510**	**102,342,542**
Liabilities and equity				
Liabilities				
Financial liabilities at fair value				
Trading derivatives		409,298	(215,208)	194,090
Financial liabilities at amortized cost				
Customer deposits		64,093,792	(322,118)	63,771,674
Financial obligations		18,642,218	2,581,922	21,224,140
Accounts payable		2,234,591	(2,234,591)	0
Hedging derivatives		0	54,138	54,138
Provisions		0	642,102	642,102
Income tax liability		152,092	996,750	1,148,842
Employee benefits		325,916	142,206	468,122
Other liabilities		1,431,322	1,088,999	2,520,321
Minority interests		3,482,437	(3,482,437)	0
Total liabilities		**90,771,666**	**(748,237)**	**90,023,429**

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

		January 1, 2014		
		Balance under Colombian GAAP as of January 1, 2014	Adjustments and reclassifications	Balance under IFRS as of January 1, 2014
Equity				
Controlling interest				
Subscribed and paid-in capital		3,075	0	3,075
Additional paid-in capital		4,221,859	0	4,221,859
Reserves and undistributed profits from prior period		4,169,926	666,654	4,836,580
Surplus from IFRS first-time adoption		0	(141,794)	(141,794)
Net income for the year		644,642	(644,642)	0
Surplus of reappraisal of assets		866,001	(866,001)	0
Other comprehensive income		(8,137)	(126,766)	(134,903)
Controlling interest equity		**9,897,366**	**(1,112,549)**	**8,784,817**
Non-controlling interest		0	**3,534,296**	**3,534,296**
Total equity		**9,897,366**	**2,421,747**	**12,319,113**
Total liability and equity	$	**100,669,032**	**1,673,510**	**102,342,542**

		December 31, 2014		
		Balance under COL GAAP as of December 31, 2014	Adjustments and reclassifications	Balance under IFRS as of December 31, 2014
Assets				
Cash and cash equivalents	$	13,141,642	447,030	13,588,672
Interbank loans		1,574,734	(1,574,734)	0
Financial assets held for trading		6,074,288	(1,971,009)	4,103,279
Financial assets available for sale		9,928,479	861,964	10,790,443
Other financial assets at fair value through profit or losses		0	1,738,599	1,738,599
Financial assets in debt securities held to maturity		1,355,858	(59,782)	1,296,076
Loan portfolio		71,271,565	2,920,264	74,191,829
Loan impairment		(1,855,047)	86,942	(1,768,105)
Bankers´ acceptances and derivatives instruments		964,676	(964,676)	0
Other accounts receivable		2,539,634	(5,771)	2,533,863
Foreclosed assets		217,279	(217,279)	0
Hedging derivatives		0	64,853	64,853
Non-current assets held for sale		0	207,785	207,785
Investments in associate companies and joint ventures		0	692,402	692,402
Own-use property, plant and equipment		1,731,039	2,173,543	3,904,582
Investment properties		0	180,925	180,925
Biological assets		0	202,399	202,399
Concession arrangement rights		0	1,842,736	1,842,736
Goodwill		4,661,435	293,742	4,955,177
Deferred charges		2,596,762	(2,596,762)	0
Other intangible assets		0	283,868	283,868
Income tax credit		0	396,974	396,974
Other assets		1,362,330	(930,822)	431,508
Reappraisal of assets		2,801,967	(2,801,967)	0
Total assets		**118,366,641**	**1,271,224**	**119,637,865**
Liabilities and equity				
Liabilities				
Financial liabilities at fair value				
Trading derivatives		1,741,191	(790,709)	950,482
Financial liabilities at amortized cost				
Customer deposits		74,302,801	(650,001)	73,652,800
Financial obligations		20,904,894	3,082,608	23,987,502
Accounts payable		2,625,339	(2,625,339)	0
Liabilities				
Hedging derivatives		0	571,645	571,645
Provisions		0	660,096	660,096
Income tax liability		502,469	570,865	1,073,334
Employee benefits		368,771	141,482	510,253
Other liabilities		1,861,126	1,106,614	2,967,740
Minority interests		3,857,253	(3,857,253)	0
Total liabilities		**106,163,844**	**(1,789,992)**	**104,373,852**

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

		December 31, 2014		
		Balance under COL GAAP as of December 31, 2014	**Adjustments and reclassifications**	**Balance under IFRS as of December 31, 2014**
Equity				
Controlling interest				
Subscribed and paid-in capital		3,313	0	3,313
Additional paid-in capital		5,721,621	0	5,721,621
Reserves and undistributed profits from prior period		4,723,656	79,737	4,803,393
Surplus from IFRS first-time adoption		0	(141,851)	(141,851)
Net income for the year		701,622	40,412	742,034
Surplus of reappraisal of assets		1,108,432	(1,108,432)	0
Other comprehensive income		(55,847)	386,056	330,209
Controlling interest equity		**12,202,797**	**(744,078)**	**11,458,719**
Non-controlling interest		0	3,805,294	**3,805,294**
Total equity		**12,202,797**	**3,061,216**	**15,264,013**
Total liability and equity	$	**118,366,641**	**1,271,224**	**119,637,865**

Income Statement for the year ending December 31, 2014

		Income statement under COL GAAP for year ended December 31, 2014	Adjustments and reclassifications	Income statement under IFRS year ended December 31, 2014
Interests and similar income				
Loan portfolio interests	$	6,140,075	171,327	6,311,402
Net changes in the fair value of financial assets in debt securities		839,114	(839,114)	0
Interbank loans		144,135	(144,135)	0
Interest on investments in debt securities, at amortized cost		0	488,677	488,677
		7,123,324	**(323,245)**	**6,800,079**
Interests and similar expenses				
Deposits				
Current account deposit		149,329	(29)	149,300
Time certificates of deposit		1,171,796	213	1,172,009
Savings deposits		587,975	(2,800)	585,175
		1,909,100	**(2,616)**	**1,906,484**
Financial obligations				
Interbank funds		147,427	(62)	147,365
Bank loans and others		413,720	(42.021)	371,699
Bonds and investment securities		191,041	145,889	336,930
Borrowings from development entities		0	67,753	67,753
		752,188	**171,559**	**923,747**
Net interests and similar income		**4,462,036**	**(154,302)**	**3,969,848**
Impairment loss on financial assets				
Loan portfolio and accounts receivables		1,036,652	19.574	1,056,226
Non-current assets held for sale		0	11,485	11,485
Investment in debt and equity securities		0	491	491
Recovery of write-offs		0	(80,061)	(80,061)
Other assets provisions		55,083	(55,083)	0
		1,091,735	**(103.594)**	**988,141**
Net interest income, after impairment loss on financial assets		**3,370,301**	**(388,594)**	**2,981,707**
Income from commissions and fees		**2,913,616**	**(85,115)**	**2,828,501**
Expenses for commissions and fees		**321,396**	**(48,132)**	**273,264**
Net income from commissions and fees		**2,592,220**	**(36,983)**	**2,555,237**
Profit or loss from financial assets or liabilities for trading net				
Profit or loss from financial assets or liabilities for trading net				
Net loss in financial derivatives for trading		(884,079)	595,533	(288,546)
Net gain in hedging		0	221,557	221,557
Net gain on investments		0	336,102	336,102
		(884,079)	**1,153,192**	**269,113**
Profit or loss from assets or liabilities designed at fair value with changes in income statement		**0**	**172,889**	**172,889**

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

	Income statement under COL GAAP for year ended December 31, 2014	Adjustments and reclassifications	Income statement under IFRS year ended December 31, 2014
Other net income			
Net gain on sale of available for sale financial	1,125,136	(784,958)	340,178
Net gain on sale of investment	(394)	78,487	78,093
Earnings on the sale of non-current assets held for sale	0	(25,347)	(25,347)
Share or profit of associate and joint ventures	0	107,033	107,033
Dividends	284,506	(181,031)	103,475
Income from the sale of goods and services of non- financial companies	0	710,078	710,078
Other operating income	1,807,296	(1,537,358)	269,938
	3,216,544	**(1,633,096)**	**1,583,448**
Other expenses			
Personnel expenses	1,873,362	(173,203)	1,700,159
General and administrative expenses	0	1,936,266	1,936,266
Depreciation and amortization of tangible and intangible assets	320,676	(54,963)	265,713
Other operating expenses	3,495,137	(3.381,792)	113,345
	5,689,175	**(1,673,692)**	**4,015,483**
Non operating income	460,404	(460,404)	0
Non operating expenses	182,386	(182,386)	0
Profit before income tax	**2,883,829**	**663,082**	**3,546,911**
Income tax expense	993,489	304,704	1,298,193
Net income for the year	**1,890,340**	**358,379**	**2,248,718**
Net income for the year attributable to:			
Controlling interest	**1,388,620**	**163,079**	**1,551,699**
Non-controlling interest	**501,720**	**195,299**	**697,019**
	$ 1,890,340	**358,378**	**2,248,718**

4. Reconciliation of equity and net income

Reconciliation of Equity

Notes		December 31, 2014	January 1, 2014
	Equity balance of the shareholders under Colombian GAAP	**$ 12,202,795**	**9,897,366**
1	Adjustments for consolidation of Promigas S.A.	(1,820,035)	(1,520,216)
2	Equity financial instruments	21,779	(43,685)
3	Accrual of interests and transaction costs of loans and receivables	41,745	29,309
4	Impairment provision for loans and accounts receivable	249,429	287,501
5	Equity method on investments in associate companies	98,496	41,451
6	Property, plant and equipment	(527,301)	(509,353)
7	Investments property	(21,544)	(2,199)
8	Fair value of biological assets	27,554	57,453
9	Goodwill adjustments	190,640	(1,585)
10	Joint arrangements	(12,301)	(8,024)
11	Foreclosed assets	115,852	95,417
12	Equity tax	(68,418)	(106,555)
13	Amortization of deferred charges	43,637	(72,596)
14	Amortization of intangible assets in concession contracts	(132,420)	7,065
15	Costs of debt issuance	26,958	29,911
16	Customer loyalty programs	(27,233)	(14,330)
17	Employee benefits	(109,913)	(114,443)
18	Provision	(233,980)	(165,060)
19	Deferred tax	92,190	(155,696)
20	Non-controlling interests	1,310,540	1,085,581
	Other minor adjustments	(9,754)	(32,495)
	Total adjustments	**(744,076)**	**(1,112,549)**
	Equity of the controlling interests under IFRS	**11,458,719**	**8.784.817**
	Non-controlling interests		
	Equity balance of non-controlling interests under Colombian GAAP	3,857,253	3,482,437
	Participation of non-controlling interests on IFRS adjustments	(51,959)	51,859
	Equity balance of non-controlling interests under IFRS	3,805,294	3,534,296
	Total equity under IFRS	**$ 15,264,013**	**12,319,113**

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

Reconciliation of net income

Notes			Year ended December 31, 2014
	Net income under Colombian GAAP for controlling interests	**$**	**1,388,620**
1	Adjustments for consolidation of Promigas S.A.		364,238
2	Equity financial instruments		2,206
3	Accrual of interests and transaction costs of loans and receivables		12,522
4	Impairment provision for loans and accounts receivable		(64,996)
6	Property, plant and equipment		7,138
7	Investments property		(19,346)
8	Fair value of biological assets		(29,899)
9	Goodwill adjustments		192,225
10	Joint arrangements		(8,175)
11	Foreclosed assets		20,436
12	Equity tax		37,064
13	Amortization of deferred charges		116,233
14	Amortization of intangible assets in concession contracts		(139,484)
16	Customer loyalty programs		(12,904)
17	Employees benefits		4,052
18	Provisions		(43,960)
19	Deferred taxes		(192,539)
20	Non-controlling interests		(176,798)
	Hedge accounting		20,673
	Translations adjustments in foreign operations		96,088
	Other minor adjustments		(21,695)
	Total adjustments		**163,080**
	Net income under IFRS of controlling interests		**1,551,699**
	Non-controlling interests		
	Net income for non-controlling interests under Colombian GAAP		**501,720**
	Participation of non-controlling interests on IFRS adjustments		195,298
	Net income under IFRS for non-controlling interests		697,018
	Total Net income under IFRS	**$**	**2,248,718**

4. Analysis of the most important adjustments and reclassifications performed during the IFRS first time adoption process

The Group first time adoption process included three main aspects, as follows:

a. Reclassification of accounts, for purpose of presenting financial statements under IFRS that did not have any impact on equity.

b. Financial statements consolidation of Promigas Group and its subsidiaries that was not required under Colombian GAAP.

c. Adjustment to different accounts of financial statements with impact on Group equity at January 1, and December 31, 2014 and income statement for the year ended in December 31, 2014.

Below we have included an analysis of reclassifications, Promigas consolidation, and the most important adjustments with impact on equity and results carried out during the adoption process of IFRS, included in the adjustment and reclassification columns and equity reconciliation in the above tables.

The aforementioned adjustments were made on the basis of exceptions and exemptions took in the process cited above of this note, as well as the differences in applying accounting policies under IFRS in comparison with Colombian GAAP rules used before by the Group to prepare its financial statements.

a. Financial statement reclassifications

The Group financial statements presentation under IFRS differs in certain aspects of the previous Group financial statements presentations under Colombian GAAP; therefore, it was necessary to perform several reclassifications between the differences accounts of the financial position statements and income statements. The most important reclassifications performed were as follows.

Financial Position Statement

Assets

Cash and cash equivalents

Certain financial assets at fair value through profit and losses and available for sale were reclassified to cash and cash equivalents under IFRS because they fulfill the conditions to be considered as cash equivalents under IAS 7.

Interbank Loans

These loans were reclassified to loans account receivables.

Investments securities at fair value through profit and losses and available for sale.

Some financial assets were reclassified to cash and cash equivalents investment in associated companies was reclassified to a separate caption in the financial position statement.

Other financial assets at fair through profit or losses:

This account is related to a financial asset in concessions agreements of Promigas subsidiary. See note below.

Loans and receivables

Under Colombian GAAP, certain credits granted by the Group were presented on different assets accounts such as: remittances in transit which were presented in cash, interbank loans presented on a separate line of the balance sheet, bank acceptances also presented in a separated line of the balance sheet and loans to employees and letters of credit letters presented on other assets account; accrued interest on loans and other items inherent to loans portfolio presented on other receivable accounts. Under IFRS, all of these accounts, along with their impairment provisions have been grouped into loans and receivables.

Other account receivables

Accrued interest on loans and receivables were presented under Colombian GAAP in this account and under IFRS were reclassified to loan and account receivables.

Bankers´ acceptance and derivative instruments

From this account under Colombian GAAP Bankers´ acceptances were reclassified to loans and receivables and derivatives instruments were reclassified to a separate lines as financial assets through profit and losses and hedging derivatives under IFRS.

Foreclosed assets

Foreclosed assets under Colombian GAAP were presented on a separate line regardless of the possibility of sale. Under IFRS, certain foreclosed assets whose purpose of the management is to sell them within a period not exceeding one year, complying certain requirements, were left in the account " non-current assets held for sale "; other foreclosed assets not in compliance with these requirements were reclassified to the accounts of properties, plant and equipment for own use or investment property.

Investment in associate companies and joint ventures

Investment in associated companies and joint ventures under Colombian GAAP were included as available for sale investments and other assets, respectively under IFRS this items are shown in this separate line.

Properties, plant and equipment for own use

- Foreclosed assets which were used for the Group in its operations, advanced payments to contractors carried out for property, plant and equipment that were registered during the construction process in other receivable accounts and property improvements in leases that were recorded as deferred charges in the financial position statement under Colombian GAAP were reclassified to this account under IFRS.

- Certain lease agreements according to Colombian GAAP were registered as operating leases in the account property and equipment. Under IFRS, most of these contracts comply with the condition to be considered financial leases and therefore, were reclassified as loans and receivables under IFRS.

Investment properties

Foreclosed assets that the management of the Group does not have the purpose to sell in a short term, and other properties that the Group has to generate rents or for appreciation purposes recorded as foreclosed assets in a separate line and as property and equipment under Colombian GAAP, respectively, were reclassified to investment property under IFRS.

Biological assets:

Under Colombian GAAP, the accumulated cost in agricultural activities was recorded as deferred assets or property, plant and equipment. Under IFRS these accounts were reclassified in a separate line in the statement of financial position as biological assets.

Service concession arrangement rights

Deferred charges in service concession arrangement which were included as other assets under Colombian GAAP are shown as a separate line under IFRS.

Deferred charges

Deferred charges under Colombian GAAP such as service concession arrangement rights, leasehold improvements and prepaid expenses were reclassified to other accounts described above.

Income tax assets

This account was reclassified under IFRS from other assets under Colombian GAAP.

Reappraisal of assets

This account under Colombian GAAP with counter entry in equity. Under IFRS for those items of property, plant and equipment in which the cost model of IAS 16 was used, the reappraisals were removed.

Liabilities

The main reclassifications of liabilities accounts related to interest payable of deposits and financial obligations accounts which under Colombian GAAP was shown as separate line as interest payable; under IFRS was transferred to the underlying accounts.

Under Colombian GAAP minority interest was showed as a separate liability account. According to IFRS 10 this account is shown as a separate component of the Group equity in the non-controlling interest account.

Income statement

According to IAS 1, the expenses of the Group in the income statement were presented by expenditure nature, which is similar to the manner in which they were presented under Colombian GAAP by the Group. The main differences, in addition to the consolidation of Promigas and its subsidiaries and the adjustments set forth below, related to:

- Foreign exchange gains in trading derivatives and hedging activities which under Colombian GAAP were included in one line of this account but for IFRS purposes were reclassified to respective accounts.
- Not presenting the lines of other non-operating income and expenses under IFRS, which was presented under Colombian GAAP.
- Other non-controlling interest under Colombian GAAP were presented in the income statement as other expense, while under IFRS is presented on a separate table within the same statement, separating the net income of the period in controlling and non-controlling interests.
- Certain personnel and administrative expenses were capitalized as transactions cost of financial assets recorded at amortized cost and therefore, under IFRS are recorded as deductions of financial income when the interest income of the financial asset is accrued.
- Revenue from sales and goods of the group non-financial subsidiaries and shares of profit or losses in associated companies were included under Colombian GAAP in the line “other income – others”; under IFRS are shown in separate lines.

b. Consolidation of Promigas S.A. Consolidation

Under Colombian GAAP, the Group did not consolidate the financial statements of Promigas, because the evaluation of control according to Colombian laws did not include some shares in Promigas maintained through of investment funds controlled by Grupo Aval, because those funds are not legal Societies under such laws.. Under IFRS 10, an entity shall be consolidate, other company, if the investor met all the following conditions: i) power over the entity, ii) exposure or entitlement to variable returns arising from its involvement with the entity, and iii) capacity of utilizing its power in such entity influencing the amount of the returns of the investor. Due to the foregoing, under IFRS 10 the Group has to consolidate in its financial statements the Promigas and its subsidiaries financial statement.

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

The financial position statements of Promigas S.A. and its subsidiaries prepared under IFRS are shown as follows, which were included in the consolidated financial statements of the Group during the process of adopting IFRS:

Promigas S.A.

Financial Position Statement

		January 1, 2014	December 31, 2014
Assets			
Current assets:			
Cash and cash equivalents	$	105,557	91,838
Trading Financial assets at fair value through profit or loss		181,259	91,591
Financial assets at amortized cost		571,327	655,837
Inventories		32,561	35,274
Total current assets		890,704	874,540
Long term assets			
Other Financial assets at fair value through profit or loss		1,565,709	1,738,899
Financial asset at amortized cost		345,703	403,280
Inventories		6,452	9,212
Equity instruments at fair value through profit or loss		0	1,739
Investments in associates		363,245	464,153
Properties, gas pipelines, plant and equipment		1,082,517	1,176,981
Biological assets		3,458	3,625
Intangible assets		1,396,401	1,521,691
Deferred taxes assets		122,662	134,771
Total long term assets		4,886,147	5,454,351
Total assets	$	**5,776,851**	**6,328,891**
Liabilites and equity			
Liabilities			
Current liabilites:			
Financial obligations		95,112	55,945
Outstanding Bonds		29,799	13,491
Accounts payable		485,499	491,675
Employee benefits		14,682	14,419
Provisions		4,617	593
Other liabilities		23,086	29,539
Total current liabilities		**652,795**	**605,662**
Long term liabilities			
Financial obligations		696,302	990,160
Bonds		1,423,773	1,422,061
Employee benefits		8,988	11,578
Deferred income taxes liabilities		618,335	676,973
Provisions		189,688	205,260
Other liabilities		3,056	1,168
Total long term liabilities		**2,940,142**	**3,307,200**
Total liabilities	$	**3,592,937**	**3,912,862**
Equity			
Capital paid and subscribed		109,883	113,492
Additional paid in capital		152,448	322,823
Reserves		200,943	128,992
Retained earnings in IFRS first time adoption		1,459,755	1,459,755
Unappropriated earnings		161,621	(6,677)
Net income of the year		0	246,562
Other comprehensive income		1,081	27,425
		2,085,731	2,292,372
Non-controlling interests		98,181	123,657
Total equity		**2,183,912**	**2,416,029**
Total liabilities and equity	**$**	**5,776,849**	**6,328,891**

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

Promigas S.A.

Income Statement for the year ended as of December 31, 2014

Operating income	$	2,408,015
Sales costs		(1,629,597)
Gross profit		**778,418**
Operating expenses		(22,908)
Operating profit		**755,510**
Other expenses		(138,300)
Profit before income tax		**617,210**
Income tax expense		(168,487)
Non-controlling interest	$	(18,500)

c. Main adjustment made by the group under IFRS with impact on equity or income statement

The explanations of main adjustments carried out throughout the IFRS adoption process with equity impact as of January 1, 2014, December 31, 2014 and on the income statement for the year ended as of December 31, 2014 are as follows:

1. Adjustment to equity investment in Promigas for consolidation purposes

Just as Promigas was not consolidated in the Group financial statements under Colombian GAAP, as described above, the investment in the equity financial instrument in Promigas was recorded sometimes as trading investments at fair value through profit and losses and in other cases as investments available for sale with adjustments at fair value recorded on the equity account of unrealized gains on investments. As stated above, in accordance with the exception established by IFRS 1, business combination, previous to consolidation process it was necessary to adjust such investments at cost with charge to the equity account for IFRS first time adoption.

2. These amounts related to adjustments done to investments in equity financial instruments classified under IFRS as trading and available for sale financial assets in accordance to IFRS 13.

3. Under Colombian GAAP, interest accrual on loan portfolio was suspended for loans 90 days past due for commercial portfolio, 60 days for consumer and residential and mortgages portfolios, and 30 days for microcredit portfolio. In turn loan transactions costs were recorded when accrued with charge to profit or losses. Under IFRS, accrual of interests receivable is not suspended within a fixed determined past due period of financial assets, unless the receipt of economic benefits associated with the transaction is not probable; in addition, transaction costs on loan disbursements are capitalized on the underlying loan account for amortization inside of accrual interest income using the effective interest rate method.

4. The adjustment corresponds to the difference between the allowance for impairment loss of loans and accounts receivables recorded under Colombian GAAP, calculated in accordance with the methodology established by Financial Superintendence of Colombia and the allowances for impairment losses calculated in an individual and collective manner to loans and receivable accounts according to the parameters established under IAS 39 as described above.

5. Under Colombian GAAP, all equity investments, regardless of their percentage of interest in the equity of other corporations, were registered as trading or investments available for sale. Under IAS 28, investments in associated companies where Group has significant influence are registered based on the equity method applied over the net income and other comprehensive income of the investee using for such propose the financial statements of corporations wherein the investment is held, prepared under IFRS.

6. As shown above under item 30.1, under IFRS 1, the first time adoption process, properties, plant and equipment of own use and investment properties may be registered at its deemed cost determined in accordance with their fair value or using a revaluation performed under Colombian GAAP if such revaluation is similar to their fair value. The Group decided to take such exception and most of its properties of land and buildings were recorded in the opening balance sheet at their fair value or including the amounts recorded in the revaluations account under Colombian GAAP, with exception of some properties, for which some affiliates of the Banco de Bogotá Group deemed that their cost under IFRS was the best measure for such assets, and therefore their revaluations under Colombian GAAP were eliminated under IFRS.

7. Correspond to reclassifications from foreclosed assets under Colombian GAAP and properties and equipment account made for the Group according to IAS 40 for real state used by the Group for rental or appreciation and its valuation at fair value.

8. According to IAS 41, under IFRS biological assets are registered at fair value, while under Colombian GAAP they were registered at cost, minus accumulated amortization calculated during the plantations' lifetime.

9. Under Colombian GAAP, goodwill was amortized with charge to profit or loss account according to Financial Superintendence rules in a term of 20 years. Under IFRS, goodwill is not amortized and instead is tested by impairment on an annual basis. The adjustments under IFRS during 2014 correspond to the reversal of the amortizations recorded under Colombian GAAP. During 2014 it was not necessary to record any charge for goodwill impairment.

10. Under IFRS 11, the Group has to recognize the effect of the joint arrangements in the financial position statement determined on financial statement of the joint arrangements prepared under IFRS. Under Colombian GAAP joint ventures arrangements were recognized in the financial statement of the joint arrangements also prepared under Colombian GAAP.

11. Under the regulation of the Financial Superintendence of Colombia, foreclosed assets were registered at the amount agreed with the debtor who gave the foreclosed assets as payment less allowance record with charge to results, until reaching 80% of the amount of the foreclosed assets, if it was not sold within the two following years, regardless of the fair value of the foreclosed assets. Under IFRS some foreclosed assets are shown as non-current assets available for sale at fair value less sale cost, and others were reclassified to properties and equipment for own use or investment properties at their fair value as deemed cost, in accordance with the exception of deemed cost established in IFRS 1 described above.

The adjustment for the January 1, 2014, December 31, 2014 and results corresponds to the reversion of provisions constituted under regulations of the Financial Superintendence of Colombia and the adjustment of foreclosed assets received as payment according to the new classification at fair value.

12. According to Colombian tax regulations, companies in Colombia were required in 2011, to pay a levy during 2011 to 2014, in favor of the Colombian State, calculated to a tariff applied over the equity of each entity, determined on tax accounting regulations, and recorded as deferred assets and amortized during a four year period until 2014. Under IFRS, such levy shall be recorded with charge to income statement.

13. Under Colombian GAAP, certain expenses made by companies such as pre-operating expenses, advertising, special projects, etc, which were capitalized and amortized with charge to results in periods of 3-5 years. Under IFRS, these items do not comply with the definition of an asset and therefore were adjusted with charge to the equity of the Group during the first time adoption process.

14. The adjustments in contract of concession rights correspond to the difference between the carrying amount of financial assets and intangible assets recognized under IFRIC 12 and the carry amount record as deferred charges of these kind of agreements under Colombian GAAP.

15. Certain costs incurred throughout the process of issuing bonds abroad, under Colombian GAAP were recorded as deferred charges and amortized with change to profit or loss account by the straight line method. Under IAS 39, transaction cost due to issuance of financial liabilities form part of the debt's original cost and are amortized with charge on results by the effective interest rate method, as part of the debt's financial cost.

16. The adjustment corresponds to the income recognition under IFRIC 13 of the amount of reward points offered by financial subsidiaries and hotels of the Group to customers of loyalty programs mainly through credit cards, taking into account that under Colombian GAAP a specific provision for its registration does not exist, and only some provisions were made based on redemption points estimates of previous years.

17. As explained above in 2. i) Under Colombian GAAP post-employment benefits liabilities were recorded under actuarial basis, only legal pension plans calculated such actuarial liability with assumptions stablished by the Colombian Government; other post-employment benefits and long term employee benefits were recorded in accrual basis. Under IFRS all the post-employments benefits liabilities and long term employee benefits are recorded under actuarial basis determinate with assumptions described above in 2. i).

18. According to IAS 37, the Group recorded provisions under IFRS, among other things, for the following matters:

a) In the subsidiary Porvenir provision covering shortfalls resources in individual saving accounts of people in the mandatory fund denominated "Fondo de Pensiones Obligatorias Especial Porvenir del Retiro Programado" managed by Porvenir. Such saving accounts were open by the people according to Colombian regulation with the only purpose to cover their future legal retirement pension payments. Under Colombian regulation those shortfalls should be assumed by the pension fund manager.

The provision is calculated under actuarial assumptions that show some person in the fund does not have enough funds to cover their future pension payments.

b) Different legal proceedings against the Group subsidiaries in foreign operations.

19. The resulting adjustment corresponds to the difference of calculation methodologies of deferred income taxes described in item 2, indicating that under Colombian GAAP in some cases the deferred tax assets were not recorded and in other cases were recorded based on temporary differences only generating a higher or lower expense in the current tax of the period, while under IFRS deferred taxes are recognized over temporary differences arising among between assets and liabilities tax bases and amounts recognized in the financial statements under IFRS for the same assets and liabilities. In addition the adjustment includes the impact on the deferred income tax of all IFRS adjustments carried out throughout the adoption process.

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

Deferred tax adjustment as of January 1, 2014, and December 31, 2014 is showed in the following table:

		December 31, 2014	January 1, 2014
Deferred tax recognized under previous GAAP	$	154,781	(100,547)
IFRS Adjustments *		(743,831)	(443,884)
IFRS Deferred tax	$	(589,050)	(649,145)

*Inlcudes the IFRS adjustment for Promigas

The main temporary differences that generate adjustments related to deferred taxes between previous GAAP and IFRS, according to the aformentioned number 2 h of this note, are related to property, plant and equipment, equity financial instruments, tax credits, loan portfolio and other. The effect in income and OCI during 2014 amounted to ($125,542) and $311,362, respectively.

20. This adjustment is related to the share of non-controlling interest over the IFRS adjustment on each Group subsidiary with no controlling interest.

d. Cash flow reconciliation

Reconciliation of cash flow balances determined under Colombian GAAP of operating activities, investment and financing activities and the balances of such items determined under IFRS during the year ended as of December 31, 2014 are as follows:

		Year ended December 31, 2014		
		Colombian GAPP	Adjustments/ Reclassifications	IFRS
Operating activities	$	327,042	2,442,177	2,769,219
Investment activities		(880,276)	(579,261)	(1,459,537)
Financing activities		2,998,142	(1,739,386)	1,258,756
Effects of foreign currency translation on cash and cash equivalents	$	0	(29,813)	(29,813)

The adjustments and reclassifications correspond mainly to:

1. The cash flow operation, investment and financing activities under IFRS approved by the Financial Superintendence of Colombia including the cash flows resulting from the Promigas and Subsidiaries consolidation process through Corporación Financiera Colombiana S.A. according to explanations included in (a) Reconciliation footnotes.

2. Exchange difference in bonds issuance and financial obligation under Colombian GAAP was presented in financing activities and according to IAS 7 should be presented as an adjustment to net income in operation activities for $1,204,451.

3. The exchange difference in cash and cash equivalents were presented in a separate category according to IAS 7 por ($29,813).

4. Under previous GAAP the interest paid on interbank loans and overnight funds was presented in financing activities by the amount of $149,339; under IFRS are presented in operating activities.

5. Under IFRS the cash flows in operating activities are based on the income of controlling and no controlling, under previous GAAP are based on the income of the controller, It has an impact by the amount of $745,050.

6. Under previous GAAP the dividends paid and presented in financing activities only included the amount paid by the parent; under IFRS the dividends paid for the non-controlling part are also considered by the amount of $605,623.

NOTE 36 – RELATED PARTIES

According to IAS 24, a related party is a person or entity that is related to the entity that prepares its financial statements, which could exercise control or joint control over the reporting entity, significant influence over the reporting entity, or could be considered a key member of management within the reporting entity or a controller of the reporting entity.

The definition of related parties includes persons and/or family members related to the entity, entities that belong to the same group (controller and subsidiary), associates or business combinations of the entity or of the entities in Grupo Aval, and post-employment plans benefitting the employees of the reporting entity or a related entity.

Accordingly, the Group regards the following as related parties.

1) An economically related party is a person or entity that is related to any entity in the Group through transactions such as transfers of resources, services or obligations, regardless of whether or not a price is charged.

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

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

3) Key management personnel: Persons 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.

4) Subordinate entities: Companies in which the Bank exercises control, according to the definition of control outlined in the Commercial Code and in IFRS 10 – Consolidation.

5) 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 like associate companies.

Transactions With Related Parties

The Group may enter into transactions, agreements or contracts with related parties, with the understanding that any such operation shall be conducted at fair value, taking into account market conditions and rates.

There were none of the following between the Group and its related parties during the periods ended at December 31, 2015 and 2014.

- 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 allow them to use its network of offices.

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

In keeping with the provisions outlined in Law 50/ 1990 (Labor Reform Act) and Law100/ (General Social and Comprehensive Security System), the Bank entered into an agreement with Sociedad Administradora de Fondos de Pensiones y Cesantías Porvenir S.A., whereby Porvenir uses the Bank's offices as a support network to provide services related to the severance and mandatory pension funds it manages.

During the years ended at December 31, 2015 and December 31, 2014, $4,629 and $2,750 in fees were paid, respectively, to members of the Board of Directors.

The following shows the Group balances in loans and deposits with companies to, related directors and managers at December 31, 2015 and December 31, 2014.

		December 31, 2015	December 31, 2014
Loan portfolio	$	418,857	471,646
Deposits and callable	$	37,174	29,746

All transactions and disbursements were conducted at market prices. Credit card operations and overdrafts were done at the full rates for those products.

The most representative balances with related parties at December 31, 2015, December 31, 2014 and January 1, 2014 are included in the following tables.

The headings correspond to the definition of related parties, as outlined in the five points above.

		December 31, 2015				
					Related entities	
In millions of pesos		**Economically related parties**	**Grupo Aval**	**Key management personnel (1)**	**Non-subsidiaries**	**Subsidiaries**
Assets						
Cash and cash equivalents	$	0	0	0	25	12,697
Investments in subsidiaries, associate companies and joint ventures		0	58,299	0	1,415	14,708,329
Investment provisions		0	0	0	0	1,196
Loan portfolio and capital leasing operations		403,281	389,902	16,749	573	148,282
Other accounts receivable		1,135	319,846	628	3	25,373
Trading derivatives		0	6,114	0	0	101
Investment financial assets		0	0	0	0	194
Other assets		2,759	0	3	0	0
Total Assets		**407,175**	**774,161**	**17,380**	**2,016**	**14,896,172**

	December 31, 2015				
				Related entities	
In millions of pesos	Economically related parties	Grupo Aval	Key management personnel (1)	Non-subsidiaries	Subsidiaries
Liabilities					
Financial liabilities, at amortized cost	628,816	4,201,361	8,685	2,014	1,097,522
Hedging derivatives	0	467	0	0	0
Accounts payable and other liabilities	2,633	167,790	627	4,710	3,967
Total Liabilities	**631,449**	**4,369,618**	**9,312**	**6,724**	**1,101,489**
Income					
Interest	23,173	11,285	1,218	0	14,206
Commissions and other services	1,722	256	8	76	6,985
Other income	2,429	422,491	26	2,549	246,290
Total income	**27,324**	**434,032**	**1,252**	**2,625**	**267,481**
Expenses					
Financial costs	8,134	121,493	298	45	20,669
Expenses for commissions and other services	0	0	0	79	2,237
Other expenses	22,746	238,760	24,017	10,495	101,390
Total expenses	**$ 30,880**	**360,253**	**24,315**	**10,619**	**124,296**

	December 31, 2014				
				Related entities	
In millions of pesos	Economically related parties	Grupo Aval	Key management personnel (1)	Non-subsidiaries	Subsidiaries
Assets					
Cash and cash equivalents	$ 0	0	0	144	14,314
Investments in subsidiaries, associate companies and joint ventures	0	45,423	0	1,415	11,404,173
Investment provisions	0	0	0	0	927
Loan portfolio and capital leasing operations	374,155	11	23,699	672	177,232
Accounts receivable	3,835	101,040	3	236	91,694
Investment financial assets	0	19	0	0	14,364
Other assets	1,372	0	131	0	0
Total Assets	**379,362**	**146,493**	**23,833**	**2,467**	**11,702,704**
Liabilities					
Financial liabilities at amortized cost	102,476	3,287,735	9,246	3,745	153,924
Hedging derivatives	0	12,166	0	0	0
Accounts payable and other liabilities	2,829	158,759	54	4,983	4,179
Total Liabilities	**105,305**	**3,458,660**	**9,300**	**8,728**	**158,103**
Income					
Interest	31,067	5,621	1,237	1,299	10,001
Commissions and other services	2,180	285	16	69	6,649
Other income	22	149,624	15	625	1,003,258
Total Income	**33,269**	**155,530**	**1,268**	**1,993**	**1,019,908**
Expenses					
Financial costs	4,162	97,250	149	264	17,903
Expense for commissions and other services	0	0	0	239	2,502
Other expenses	8,529	220,792	10,692	13,093	97,726
Total Expenses	**$ 12,691**	**318,042**	**10,841**	**13,596**	**118,131**

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

		January 1, 2014				
					Related entities	
		Economically related parties	Grupo Aval	Key management personnel (1)	Non-subsidiaries	Subsidiaries
Assets						
Cash and cash equivalents	$	0	0	0	48	13,061
Investments in subsidiaries, associate companies and joint ventures		0	37,622	0	1,350	9,260,671
Investment provisions		0	0	0	0	747
Loan portfolio and capital leasing operations		569,268	11	6,527	737	173,739
Investment financial assets		0	1,126	0	0	0
Other accounts receivable		10,717	126,589	42	719	41,199
Other assets		7,497	0	2	0	0
Total Assets		**587,482**	**165,348**	**6,571**	**2,854**	**9,489,417**
Liabilities						
Financial liabilities at amortized cost		185,207	1,784,995	1,521	8,616	658,570
Hedging derivatives		0	6,729	0	0	37,214
Accounts payable and other services		967	131,978	85	6,570	4,229
Total Liabilities	$	**186,174**	**1,923,702**	**1,606**	**15,186**	**700,013**

(1) Includes key management personnel and board members

The outstanding amounts are guaranteed and no expense in the current period or prior periods has been recognized in terms of uncollectible or doubtful accounts related to the amounts owed by related parties.

Compensation of key management personnel

The compensation received by key management personnel includes the following.

		Years ended	
Items		**December 31, 2015**	**December 31, 2014**
Short-term employee benefits	$	18,528	11,349
Post-employment benefits		3	0
Other long-term benefits		1,824	1,912
Termination benefits		30	9
Remuneration for key management personnel		67,290	53,839
Total	$	**87,675**	**67,109**

Compensation of key management personnel includes salaries, non-cash benefits and payments to a defined post-employment benefit scheme. See Note 22.

NOTE 37 – SUBSEQUENT EVENTS

On February 8, 2016, the sale of an equity instrument was agreed, the company CIFIN, in which Banco de Bogotá held 123,519 shares. The transferred shares were 92,796 at a price of $629,563.37 per share.

APPENDIX A

SELECTED 2013, 2012 AND 2011 FINANCIAL AND STATISTICAL DATA PREPARED UNDER COLOMBIAN BANKING GAAP

Included below is selected financial and statistical data for Banco de Bogotá that has been derived from audited financial statements at and for the years ended December 31, 2013, 2012 and 2011, prepared in accordance with the regulations of the Superintendency of Finance applicable to financial institutions (Resolution 3600 of 1988 and External Circular 100 of 1995) and, on issues not addressed by these regulations, generally accepted accounting principles prescribed by the Superintendency of Finance for banks operating in Colombia, consistently applied, together with such regulations, on the issue date (which we refer to in this offering memorandum, collectively, as "Colombian Banking GAAP.") The audited consolidated financial statements as of and for the years ended December 31, 2015 and 2014 included elsewhere in this offering memorandum have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS"). Colombian Banking GAAP differs in certain material respects from IFRS. Reconciliations and descriptions of the effect of the transition from Colombian Banking GAAP to IFRS are provided in Note 35 to our audited consolidated financial statements. For further information about the preparation of our financial data, please see "Presentation of Financial and Other Information" and "Selected Financial and Operating Data—Non-IFRS measures."

This appendix reflects our accounting policies in force on or prior to December 31, 2013.

Statement of income data

	For the year ended December 31,		
	2013	2012	2011
Colombian Banking GAAP	(In Ps billions)		
Operating income:			
Net interest income	3,983.2	3,509.7	2,936.7
Total provisions, net	(773.9)	(515.1)	(139.0)
Total fees and other services income, net	2,254.3	1,883.7	1,756.8
Total other operating income	1,036.7	676.3	757.9
Total operating income	6,500.3	5,554.6	5,312.3
Total operating expenses	(3,780.1)	(3,198.6)	(2,967.7)
Net operating income	2,720.2	2,356.0	2,344.6
Non-operating income (expense):			
Other income	350.0	451.2	166.7
Other expense	(178.8)	(136.2)	(98.2)
Total non-operating income (expense), net	171.2	314.9	68.5
Income before income tax expense and non-controlling interest	2,891.4	2,670.9	2,413.1
Income tax expense	(944.9)	(919.3)	(737.2)
Income before non-controlling interest	1,946.5	1,751.6	1,675.9
Non-controlling interest	(546.5)	(425.6)	(530.2)
Net income attributable to shareholders	1,400.0	1,326.0	1,145.7

Balance sheet data

	At December 31,		
	2013	2012	2011
Colombian Banking GAAP		(In Ps billions)	
Assets:			
Total cash and cash equivalents	12,246.6	9,658.7	8,151.7
Total investment securities, net	18,345.1	16,899.8	12,152.7
Total loans and financial leases, net	56,583.3	44,211.8	38,935.7
Total interest accrued on loans and financial leases, net	435.6	394.9	328.4
Bankers' acceptances, spot transactions and derivatives	367.7	379.6	343.1
Accounts receivable, net	1,751.8	1284.4	1,194.0
Property, plant and equipment, net	1,493.4	1,262.3	1,140.9
Operating leases, net	31.8	9.5	3.9
Foreclosed assets, net	70.6	50.6	58.7
Prepaid expenses and deferred charges	2,068.4	1,623.6	1,537.0
Goodwill, net	3,964.3	2,411.0	2,660.1
Other assets, net	929.7	828.3	778.3
Reappraisal of assets	2,380.6	1,491.8	1,525.1
Total assets	100,669.0	80,506.4	68,809.6
Liabilities:			
Deposits	64,093.8	51,021.7	43,366.5
Bankers' acceptances	409.3	345.6	393.3
Interbank borrowings and overnight funds	4,141.1	4,031.9	2,507.2
Borrowings from banks and others	11,301.4	8,949.6	7,680.8
Accounts payable	1,916.8	1,803.2	1,844.9
Accrued interest payable	317.8	269.0	182.5
Other liabilities	1,541.0	1,090.1	847.1
Long-term debt (bonds)	3,199.7	2,050.5	2,174.8
Estimated liabilities	368.3	480.1	509.6
Non-controlling interest	3,482.4	2,662.7	2,457.0
Total liabilities	90,771.7	72,704.5	61,963.7
Shareholders' equity:			
Subscribed and paid-in capital:			
Common shares	3.1	2.9	2.9
Additional paid-in capital	4,221.9	2,922.0	2,922.1
	4,224.9	2,924.9	2,924.9
Retained earnings:			
Appropriated[(1)]	4,169.9	3,398.3	2,709.3
Unappropriated	644.6	661.3	565.3
	4,814.6	4,059.6	3,274.6
Equity surplus:			
Revaluation of equity	—	0.5	2.9
Unrealized gains (losses) on investment securities available for sale	(72.6)	54.6	6.5
Reappraisal of assets	930.5	762.3	637.0
Total	857.9	817.4	646.4
Total shareholders' equity	9,897.4	7,801.9	6,845.9
Total liabilities and shareholders' equity	100,669.0	80,506.4	68,809.6

(1) Appropriated earnings refer to legal reserves and statutory and voluntary reserves. Legal reserves corresponds to 10% of net income for each accounting period until the reserve reaches 50% of subscribed capital. Statutory and voluntary reserves are determined by the shareholders at their semi-annual meetings.

Other financial and operating data

Colombian Banking GAAP	Banco de Bogotá		
	At and for year ended December 31,		
	2013	2012	2011
	(in percentages, unless otherwise indicated)		
Profitability ratios:			
Net interest margin (1)	5.8%	6.1%	6.0%
ROAA (2)	2.1%	2.3%	2.6%
ROAE (3)	15.8%	18.1%	21.3%
Efficiency ratio:			
Operating expenses before depreciation and amortization / total operating income before net provisions (4)	49.0%	49.6%	50.9%
Capital ratios: (5)			
Solvency ratio (technical capital divided by risk-weighted assets)	11.2%	13.1%	13.3%
Credit quality data:			
Non-performing loans as a percentage of total loans (6)	1.7%	1.5%	1.6%
Delinquency ratio past due more than 30 days	2.3%	2.1%	1.9%
"C," "D" and "E" loans as a percentage of total loans (7)	3.9%	3.4%	2.8%
Allowance for loans as a percentage of non-performing loans	161.5%	178.2%	174.2%
Allowance for loans as a percentage of past due loans	123.3%	132.2%	140.9%
Allowance for loans as a percentage of "C," "D" and "E" loans	73.0%	81.2%	96.9%
Allowance for loans as a percentage of total loans	2.8%	2.8%	2.7%
Operational data (in units):			
Number of customers (in millions) (8)	15.9	10.9	9.7
Number of employees (9)	41,717	35,496	32,763
Number of branches (10)	1,467	1,247	1,205
Number of ATMs (11)	3,193	2,531	2,205

(1) Net interest margin is calculated as net interest income divided by total average interest-earning assets.

(2) For methodology used to calculate ROAA, see note 2 to the table under "Summary—Summary financial and operating data—Other financial and operating data."

(3) For methodology used to calculate ROAE, see note 3 to the table under "Summary—Summary financial and operating data—Other financial and operating data."

(4) For methodology used to calculate efficiency ratio, see note 4 to the table under "Summary—Summary financial and operating data—Other financial and operating data."

(5) Capital ratio calculations based on our unconsolidated financial statements under Colombian IFRS for the period indicated

(6) Non-performing loans include microcredit loans that are 31 days or more past due, mortgage and consumer loans that are 61 days or more past due and commercial loans that are 91 days or more past due. Each category includes financial leases. See "—Investment Portfolio—Risk categories."

(7) See "—Investment Portfolio—Risk categories."

(8) Reflects aggregated customers of each of Banco de Bogotá, Corficolombiana, Porvenir and BAC Credomatic. Customers of more than one of these entities are counted separately for each subsidiary.

(9) Reflects aggregated employees of Banco de Bogotá, Corficolombiana, Porvenir, Banco de Bogotá Panamá, Almaviva, Fidubogotá, Casa de Bolsa and BAC Credomatic.

(10) Reflects aggregated branches of Banco de Bogotá, Corficolombiana, Porvenir, Banco de Bogotá Panamá, Almaviva, Fidubogotá, Casa de Bolsa and BAC Credomatic.

(11) Reflects aggregated ATMs of Banco de Bogotá and BAC Credomatic.

Average balance sheet

For the years ended December 31, 2013, 2012 and 2011, the following table presents:

- average balances calculated using actual month-end balances for our assets and liabilities (based on non-consolidated monthly amounts for a 13-month period and the last day of the prior year, adjusted for consolidation by the addition or subtraction of, as applicable, average balances for the three respective semi-annual periods);
- interest income earned on assets and interest paid on liabilities; and
- average yield and interest rate for our interest-earning assets and interest-bearing liabilities, respectively.

The interest rate subtotals are based on the weighted average of the average peso-denominated and foreign currency-denominated (principally U.S. dollars) balances.

	Average balance sheet and income from interest-earning assets for the years ended December 31,								
	2013			2012			2011		
	Average balance	Interest income earned	Average yield	Average balance	Interest income earned	Average yield	Average balance	Interest income earned	Average yield
	(in Ps billions, except percentages)								
Assets									
Interest-earning assets									
Interbank and overnight funds									
Domestic									
Peso-denominated	967.6	102.9	10.6%	974.2	105.0	10.8%	754.1	71.5	9.5%
Foreign currency-denominated	544.6	2.5	0.5%	349,5	5.2	1.5%	280.4	3.7	1.3%
Total domestic	1,512.2	105.5	7.0%	1,323.7	110.1	8.3%	1,034.5	75.2	7.3%
Foreign	770.5	30.5	4.0%	801,8	28.3	3.5%	1,033.8	23.0	2.2%
Total	**2,282.7**	**135.9**	**6.0%**	**2,125.5**	**138.4**	**6.5%**	**2,068.3**	**98.2**	**4.7%**
Investment securities [(1)]									
Domestic									
Peso-denominated	12,725.3	722.6	5.7%	11,301.0	752.0	6.7%	9,447.0	464.7	4.9%
Foreign currency-denominated	1,003.8	20.8	2.1%	1,048.6	32.9	3.1%	923.7	34.6	3.7%
Total domestic	13,729.0	743.4	5.4%	12,349.7	784.9	6.4%	10,370.7	499.4	4.8%
Foreign	3,320.1	161.4	4.9%	1,802.1	66.0	3.7%	1,333.4	52.8	4.0%
Total	**17,049.1**	**904.8**	**5.3%**	**14,151.8**	**850.9**	**6.0%**	**11,704.1**	**552.2**	**4.7%**
Loans and financial leases [(2)]									
Domestic									
Peso-denominated	29,362.0	3,251.1	11.1%	26,120.9	3,103.5	11.9%	22,292.8	2,310.4	10.4%
Foreign currency-denominated	5,092.2	141.9	2.8%	3,894.5	128.7	3.3%	3,229.0	96.0	3.0%
Total domestic	34,454.2	3,393.0	9.8%	30,015.5	3,232.2	10.8%	25,521.9	2,406.4	9.4%
Foreign	14,337.7	1,791.9	12.5%	11,465.8	1,476.9	12.9%	9,961.3	1,339.2	13.4%
Total	**48,791.9**	**5,184.9**	**10.6%**	**41,481.2**	**4.709.2**	**11.4%**	**35,483.1**	**3,745.6**	**10.5%**
Total interest-earning assets									
Domestic									
Peso-denominated	43,054.9	4,076.6	9.5%	38,396.2	3,960.5	10.3%	32,493.9	2,846.7	8.8%
Foreign currency-denominated	6,640.5	165.3	2.5%	5,292.6	166.8	3.2%	4,433.2	134.3	3.0%
Total domestic	49,695.4	4,241.9	8.5%	43,688.8	4,127.3	9.4%	36,927.1	2,981.0	8.1%
Foreign	18,428.3	1,983.7	10.8%	14,069.7	1,571.2	11.2%	12,328.4	1,415.0	11.5%
Total interest-earning assets	**68,123.7**	**6,225.6**	**9.1%**	**57,758.5**	**5,698.5**	**9.9%**	**49,255.5**	**4,395.9**	**8.9%**
Non-interest-earning assets									
Cash and due from banks									
Domestic									
Peso-denominated	3,046.6	—	—	2,341.9	—	—	2,282.0	—	—
Foreign currency-denominated	815.6	—	—	1,127.7	—	—	376.1	—	—
Total domestic	3,862.3	—	—	3,469.6	—	—	2,658.0	—	—
Foreign	3,649.9	—	—	2,931.1	—	—	2,438.2	—	—
Total	**7,512.2**	**—**	**—**	**6,400.7**	**—**	**—**	**5,096.2**	**—**	**—**

	Average balance sheet and income from interest-earning assets for the years ended December 31,								
	2013			2012			2011		
	Average balance	Interest income earned	Average yield	Average balance	Interest income earned	Average yield	Average balance	Interest income earned	Average yield
	(in Ps billions, except percentages)								
Allowance for loan and financial lease losses									
Domestic									
Peso-denominated	(1,108.0)	—	—	(930.3)	—	—	(825.8)	—	—
Foreign currency-denominated	(25.3)	—	—	(14.9)	—	—	(10.4)	—	—
Total domestic	(1,133.3)	—	—	(945.2)	—	—	(836.2)	—	—
Foreign	(265.2)	—	—	(199.9)	—	—	(108.7)	—	—
Total	**(1,398.5)**	—	—	**(1,145.1)**	—	—	**(944.9)**	—	—
Non-performing past due loans (3)									
Domestic					—	—		—	—
Peso-denominated	563.7	—	—	404.8	—	—	401.4	—	—
Foreign currency-denominated	4.6	—	—	2.9	—	—	5.5	—	—
Total domestic	568.3	—	—	407.7	—	—	406.9	—	—
Foreign	243.8	—	—	236.6	—	—	260.1	—	—
Total	**812.0**	—	—	**644.3**	—	—	**667.0**	—	—
Bankers' acceptances, spot transactions and derivatives									
Domestic									
Peso-denominated	582.8	—	—	3,632.4	—	—	817.9	—	—
Foreign currency-denominated	(267.9)	—	—	(3,318.3)	—	—	(478.7)	—	—
Total domestic	314.9	—	—	(314,1)	—	—	339.3	—	—
Foreign	28.2	—	—	14.6	—	—	16.5	—	—
Total	**343.1**	—	—	**328.7**	—	—	**355.8**	—	—
Accounts receivable, net									
Domestic									
Peso-denominated	1,294.2	—	—	1,273.8	—	—	1,088.7	—	—
Foreign currency-denominated	98.4	—	—	42.6	—	—	58.8	—	—
Total domestic	1,392.6	—	—	1,316.4	—	—	1,147.5	—	—
Foreign	504.2	—	—	259,1	—	—	335.4	—	—
Total	**1,896.8**	—	—	**1,575.5**	—	—	**1,482.9**	—	—
Foreclosed assets, net									
Domestic									
Peso-denominated	24.8	—	—	28.0	—	—	27.7	—	—
Foreign currency-denominated	—	—	—	—	—	—	0.0	—	—
Total domestic	24.8	—	—	28.0	—	—	27.7	—	—
Foreign	22.5	—	—	25.2	—	—	37.1	—	—
Total	**47.2**	—	—	**53.2**	—	—	**64.9**	—	—
Property, plant and equipment, net									
Domestic									
Peso-denominated	959.8	—	—	883.0	—	—	821.2	—	—
Foreign currency-denominated	71.0	—	—	35.1	—	—	42.9	—	—
Total domestic	1,030.8	—	—	918.1	—	—	864.0	—	—
Foreign	333.8	—	—	298.7	—	—	307.6	—	—
Total	**1,364.6**	—	—	**1,216.8**	—	—	**1,171.7**	—	—
Other assets net									
Domestic									
Peso-denominated	5,256.4	—	—	4,316.5	—	—	3,767.6	—	—
Foreign currency-denominated	58.4	—	—	49.2	—	—	34.1	—	—
Total domestic	5,314.8	—	—	4,365.7	—	—	3,801.7	—	—
Foreign	2,367.3	—	—	2,227.7	—	—	2,231.8	—	—
Total	**7,682.1**	—	—	**6,593.3**	—	—	**6,033.5**	—	—
Total non-interest-earning assets									
Domestic									
Peso-denominated	10,620.3	—	—	11,950.0	—	—	8,380.7	—	—
Foreign currency-denominated	754.8	—	—	(2,075.6)	—	—	28.4	—	—
Total domestic	11,375.1	—	—	9,874.3	—	—	8,409.1	—	—
Foreign	6,884.5	—	—	5,793.1	—	—	5,518.0	—	—
Total non-interest-earning assets	**18,259.6**	—	—	**15,667.4**	—	—	**13,927.1**	—	—

	Average balance sheet and income from interest-earning assets for the years ended December 31,								
	2013			2012			2011		
	Average balance	Interest income earned	Average yield	Average balance	Interest income earned	Average yield	Average balance	Interest income earned	Average yield
	(in Ps billions, except percentages)								
Total interest and non-interest-earning assets									
Domestic									
Peso-denominated	53,675.2	4,076.6	7.6%	50,346.2	3,960.5	7.9%	40,874.6	2,846.7	7.0%
Foreign currency-denominated	7,395.3	165.3	2.2%	3,217.0	166,8	5.2%	4,461.6	134.3	3.0%
Total domestic	61,070.5	4,241.9	6.9%	53,563.7	4,127.3	7.7%	45,336.2	2,981.0	6.6%
Foreign	25,312.8	1,983.7	7.8%	19,862.8	1,571.2	7.9%	17,846.4	1,415.0	7.9%
Total assets	**86,383.3**	**6,225.6**	**7.2%**	**73,426,0**	**5,698.5**	**7.8%**	**63,182.6**	**4,395.9**	**7.0%**

	Average balance sheet and income from interest–bearing liabilities for years ended December 31,								
	2013			2012			2011		
	Average balance	Interest expense paid	Average interest rate	Average balance	Interest expense paid	Average interest rate	Average balance	Interest expense paid	Average interest rate
	(in Ps billions, except percentages)								
Liabilities and shareholders' equity									
Interest-bearing liabilities									
Checking accounts									
Domestic									
Peso-denominated	2,531.4	91.5	3.6%	1,793.6	87.8	4.9%	987.4	36.0	3.6%
Foreign currency-denominated	286.5	0.7	0.2%	868.9	5.2	0.6%	163.1	0.4	0.3%
Total domestic	2,817.9	92.2	3.3%	2,662.5	93.0	3.5%	1,150.5	36.4	3.2%
Foreign	4,837.6	35.4	0.7%	4,305.6	30.2	0.7%	4,223.0	29.6	0.7%
Total	**7,655.5**	**127.6**	**1.7%**	**6,968.1**	**123.3**	**1.8%**	**5,373.5**	**66.0**	**1.2%**
Savings deposits									
Domestic									
Peso-denominated	15,706.4	504.0	3.2%	13,029.3	538.5	4.1%	11,947.1	389.3	3.3%
Foreign currency-denominated	453.4	2.8	0.6%	377.7	2.7	0.7%	231.2	0.9	0.4%
Total domestic	16,159.8	506.9	3.1%	13,407.0	541.2	4.0%	12,178.3	390.2	3.2%
Foreign	2,983.8	39.7	1.3%	2,463.4	31.3	1.3%	2,212.6	31.5	1.4%
Total	**19,143.6**	**546.6**	**2.9%**	**15,870.4**	**572.5**	**3.6%**	**14,390.9**	**421.7**	**2.9%**
Time deposits									
Domestic									
Peso-denominated	11,516.1	610.5	5.3%	10,833.5	681.8	6.3%	7,760.2	375.8	4.8%
Foreign currency-denominated	3,433.9	50.7	1.5%	2,364.2	39.4	1.7%	1,742.8	31.0	1.8%
Total domestic	14,950.0	661.2	4.4%	13,197.6	721.1	5.5%	9,503.0	406.8	4.3%
Foreign	5,845.6	297.7	5.1%	4,628.7	214.5	4.6%	4,079.5	164.9	4.0%
Total	**20,795.6**	**958.9**	**4.6%**	**17,826.4**	**935.7**	**5.2%**	**13,582.4**	**571.7**	**4.2%**
Interbank borrowings and overnight funds (4)									
Domestic									
Peso-denominated	4,189.2	116.0	2.8%	3,878.1	162.7	4.2%	3,057.9	101.8	3.3%
Foreign currency-denominated	232.1	1.9	0.8%	162.4	1.6	1.0%	186.5	2.3	1.2%
Total domestic	4,421.4	118.0	2.7%	4,040.5	164.3	4.1%	3,244.4	104.1	3.2%
Foreign	71.2	3.8	5.4%	88.7	5.9	6.7%	117.8	7.0	6.0%
Total	**4,492.6**	**121.8**	**2.7%**	**4,129.1**	**170.2**	**4.1%**	**3,362.2**	**111.1**	**3.3%**
Borrowings from banks and others (5)									
Domestic									
Peso-denominated	2,079.4	100.9	4.9%	1,806.6	101.6	5.6%	1,584.1	73.2	4.6%
Foreign currency-denominated	1,512.0	19.8	1.3%	1,979.2	39.6	2.0%	3,326.6	47.4	1.4%
Total domestic	3,591.4	120.7	3.4%	3,785.8	141.2	3.7%	4,910.7	120.7	2.5%
Foreign	5,351.9	197.9	3.7%	3,201.0	121.5	3.8%	2,358.2	83.4	3.5%
Total	**8,943.4**	**318.5**	**3.6%**	**6,986.8**	**262.7**	**3.8%**	**7,268.9**	**204.0**	**2.8%**

	Average balance sheet and income from interest–bearing liabilities for years ended December 31,								
	2013			2012			2011		
	Average balance	Interest expense paid	Average interest rate	Average balance	Interest expense paid	Average interest rate	Average balance	Interest expense paid	Average interest rate
	(in Ps billions, except percentages)								
Bonds									
Domestic									
Peso-denominated	582.1	34.7	6.0%	666.2	47.7	7.2%	1,258.1	63.9	5.1%
Foreign currency-denominated	1,921.8	102.4	5.3%	1,082.7	56.2	5.2%	89.7	2.0	2.2%
Total domestic	2,503.8	137.1	5.5%	1,748.9	104.0	5.9%	1,347.8	65.9	4.9%
Foreign	466.7	31.9	6.8%	316.6	20.5	6.5%	295.4	18.7	6.3%
Total	**2,970.5**	**169.0**	**5.7%**	**2,065.4**	**124.4**	**6.0%**	**1,643.1**	**84.6**	**5.2%**
Total interest-bearing liabilities									
Domestic									
Peso-denominated	36,604.7	1,457.8	4.0%	32,007.3	1,620.2	5.1%	26,594.8	1,040.0	3.9%
Foreign currency-denominated	7,839.7	178.3	2.3%	6,835.0	144.7	2.1%	5,739.8	84.1	1.5%
Total domestic	44,444.3	1,636.1	3.7%	38,842.3	1,764.9	4.5%	32,334.6	1,124.1	3.5%
Foreign	19,556.9	606.3	3.1%	15,004.0	423.9	2.8%	13,286.5	335.1	2.5%
Total	**64,001.2**	**2,242.4**	**3.5%**	**53,846.3**	**2,188.8**	**4.1%**	**45,621.1**	**1,459.2**	**3.2%**
Total non-interest-bearing liabilities and shareholders' equity	**22,382.1**			**19,579.7**			**17,561.5**		
Total liabilities and shareholders' equity	**86,383.3**	**2,242.4**	**2.6%**	**73,426.0**	**2,188.8**	**3.0%**	**63,182.6**	**1,459.2**	**2.3%**

(1) Includes available for sale securities, in which yields are based on historical cost balances.

(2) Includes an immaterial amount of interest earned on loans rated "C," "D" and "E."

(3) Loans past due more than 90 days for commercial loans, more than 60 days for consumer loans, more than 30 days for microcredit loans, more than 60 days for mortgages, more than 90 days for commercial financial leases and more than 60 days for consumer financial leases. See "—Investment Portfolio—Risk categories."

(4) Reflects operations involving: common short-term interbank funds, repurchase transactions (repos), simultaneous operations and transactions involving the temporary transfer of securities.

(5) Reflects loans made by other financial institutions including development banks and international correspondent banks.

Changes in net interest income and expenses – volume and rate analysis

The following tables allocate by currency of denomination, changes in our net interest income to changes in average volume, changes in nominal rates and the net change caused by changes in both average volume and nominal rates the year ended December 31, 2013 compared to the year ended December 31, 2012, and the year ended December 31, 2012 compared to the year ended December 31, 2011. Volume and rate variances have been calculated based on variances in average balances over the period and changes in nominal interest rates on average interest-earning assets and average interest-bearing liabilities. Net changes attributable to changes in both volume and interest rate have been allocated to changes in volume.

	2013 - 2012 Increase (decrease) due to changes in			2012 - 2011 Increase (decrease) due to changes in		
	Volume	Rate	Net change	Volume	Rate	Net change
	(in Ps billions)					
Interest-earning assets						
Interbank and overnight funds						
Domestic						
Peso-denominated	(0.7)	(1.3)	(2.0)	23.7	9.7	33.4
Foreign currency-denominated	0.9	(3.5)	(2.6)	1.0	0.5	1.5
Total domestic	**0.2**	**(4.9)**	**(4.7)**	**24.7**	**10.2**	**34.9**
Investment securities						
Domestic						
Peso-denominated	80.9	(110.3)	(29.4)	123.4	163.9	287.3
Foreign currency-denominated	(0.9)	(11.2)	(12.1)	3.9	(5.7)	(1.7)
Total domestic	**79.9**	**(121.5)**	**(41.5)**	**127.3**	**158.3**	**285.6**
Loans and financial leases (1)						
Domestic						
Peso-denominated	358.9	(211.3)	147.6	454.8	338.2	793.1
Foreign currency-denominated	33.4	(20.2)	13.2	22.0	10.8	32.8
Total domestic	**392.2**	**(231.5)**	**160.8**	**476.8**	**349.0**	**825.8**
Total interest-earning assets						
Domestic						
Peso-denominated	439.0	(322.9)	116.2	601.9	511.9	1,113.8
Foreign currency-denominated	33.4	(34.9)	(1.6)	26.9	5.6	32.5
Total domestic	**472.4**	**(357.8)**	**114.6**	**628.9**	**517.4**	**1,146.3**
Foreign	431.5	(18.9)	412.5	202.8	(46.5)	156.2
Total interest-earning assets	**903.9**	**(376.7)**	**527.1**	**831.6**	**470.9**	**1,302.6**

	2013 - 2012 Increase (decrease) due to changes in			2012 - 2011 Increase (decrease) due to changes in		
	Volume	Rate	Net change	Volume	Rate	Net change
	(in Ps billions)					
Interest-bearing liabilities						
Checking accounts						
Domestic						
Peso-denominated	26.7	(22.9)	3.7	39.5	12.3	51.8
Foreign currency-denominated	(1.4)	(3.2)	(4.6)	4.3	0.6	4.8
Total domestic	**25.3**	**(26.1)**	**(0.8)**	**43.7**	**12.9**	**56.6**
Savings deposits						
Domestic						
Peso-denominated	85.9	(120.4)	(34.5)	44.7	104.5	149.2
Foreign currency-denominated	0.5	(0.3)	0.1	1.0	0.7	1.8
Total domestic	**86.4**	**(120.7)**	**(34.3)**	**45.8**	**105.3**	**151.0**

	2013 - 2012 Increase (decrease) due to changes in			2012 - 2011 Increase (decrease) due to changes in		
	Volume	Rate	Net change	Volume	Rate	Net change
	(in Ps billions)					
Time deposits						
Domestic						
Peso-denominated	36.2	(107.4)	(71.2)	193.4	112.5	305.9
Foreign currency-denominated	15.8	(4.5)	11.3	10.3	(2.0)	8.3
Total domestic	**52.0**	**(111.9)**	**(59.9)**	**203.8**	**110.5**	**314.3**
Interbank borrowings and overnight funds						
Domestic						
Peso-denominated	8.6	(55.3)	(46.7)	34.4	26.5	60.9
Foreign currency-denominated	0.6	(0.2)	0.3	(0.2)	(0.4)	(0.7)
Total domestic	**9.2**	**(55.5)**	**(46.3)**	**34.2**	**26.1**	**60.3**
Borrowings from banks and others						
Domestic						
Peso-denominated	13.2	(13.9)	(0.7)	12.5	15.9	28.4
Foreign currency-denominated	(6.1)	(13.7)	(19.8)	(27.0)	19.2	(7.8)
Total domestic	**7.1**	**(27.6)**	**(20.5)**	**(14.5)**	**35.0**	**20.6**
Long-term debt (bonds)						
Domestic						
Peso-denominated	(5.0)	(8.0)	(13.0)	(42.4)	26.3	(16.1)
Foreign currency-denominated	44.7	1.5	46.2	51.6	2.6	54.2
Total domestic	**39.7**	**(6.5)**	**33.2**	**9.1**	**28.9**	**38.1**
Total interest-bearing liabilities						
Domestic						
Peso-denominated	165.6	(328.0)	(162.4)	282.1	298.0	580.1
Foreign currency-denominated	54.1	(20.5)	33.6	40.0	20.7	60.7
Total domestic	**219.7**	**(348.5)**	**(128.8)**	**322.1**	**318.7**	**640.8**
Foreign	161.6	41.2	182.4	60.6	40.3	88.8
Total interest-bearing liabilities	381.27	(307.22)	53.61	382.7	359.0	729.6

(1) Includes an immaterial amount of interest earned on loans rated "C," "D" and "E."

Interest-earning assets – net interest margin and spread

The following table presents average balances of interest-earning assets as well as our yields on our average interest-earning assets, net interest earned, net interest margin and interest spread for the years ended December 31, 2013, 2012 and 2011.

	For the year ended December 31,		
	2013	2012	2011
	(in Ps billions, except percentages)		
Interbank and overnight funds			
Domestic			
Peso-denominated	967.6	974.2	754.1
Foreign currency-denominated	544.6	349.5	280.4
Total Domestic	1,512.2	1,323.7	1,034.5
Foreign	770.5	801.8	1,033.8
Total	**2,282.7**	**2,125.5**	**2,068.3**
Investment securities			
Domestic			
Peso-denominated	12,725.3	11,301.0	9,447.0
Foreign currency-denominated	1,003.8	1,048.6	923.7
Total Domestic	13,729.0	12,349.7	10,370.7
Foreign	3,320.1	1,802.1	1,333.4
Total	**17,049.1**	**14,151.8**	**11,704.1**

	For the year ended December 31,		
	2013	2012	2011
	(in Ps billions, except percentages)		
***Loans and financial leases* [(1)]**			
Domestic			
Peso-denominated	29,362.0	26,120.9	22,292.8
Foreign currency-denominated	5,092.2	3,894.5	3,229.0
Total Domestic	34,454.2	30,015.5	25,521.9
Foreign	14,337.7	11,465.8	9,961.3
Total	**48,791.9**	**41,481.2**	**35,483.1**
Total average interest-earning assets			
Domestic			
Peso-denominated	43,054.9	38,396.2	32,493.9
Foreign currency-denominated	6,640.5	5,292.6	4,433.2
Total Domestic	49,695.4	43,688.8	36,927.1
Foreign	18,428.3	14,069.7	12,328.4
Total	**68,123.7**	**57,758.5**	**49,255.5**
***Net interest earned* [(2)]**			
Domestic			
Peso-denominated	2,618.9	2,340.3	1,806.7
Foreign currency-denominated	(13.1)	22.1	50.2
Total Domestic	2,605.8	2,362.4	1,856.9
Foreign	1,377.4	1,147.3	1,079.9
Total	**3,983.2**	**3,509.7**	**2,936.7**
Average yield on interest-earning assets			
Domestic			
Peso-denominated	9.5%	10.3%	8.8%
Foreign currency-denominated	2.5%	3.2%	3.0%
Total Domestic	8.5%	9.4%	8.1%
Foreign	10.8%	11.2%	11.5%
Total	**9.1%**	**9.9%**	**8.9%**
***Net interest margin* [(3)]**			
Domestic			
Peso-denominated	6.1%	6.1%	5.6%
Foreign currency-denominated	(0.2%)	0.4%	1.1%
Total Domestic	5.2%	5.4%	5.0%
Foreign	7.5%	8.2%	8.8%
Total	**5.8%**	**6.1%**	**6.0%**
***Interest spread on loans and financial leases* [(4)]**			
Domestic			
Peso-denominated	7.1%	6.8%	6.5%
Foreign currency-denominated	0.5%	1.2%	1.5%
Total Domestic	6.2%	6.3%	6.0%
Foreign	9.4%	10.1%	10.9%
Total	**7.1%**	**7.3%**	**7.4%**
***Interest spread on total interest-earning assets* [(5)]**			
Domestic			
Peso-denominated	5.5%	5.3%	4.9%
Foreign currency-denominated	0.2%	1.0%	1.5%
Total Domestic	4.9%	4.9%	4.6%
Foreign	7.7%	8.3%	9.0%
Total	**5.6%**	**5.8%**	**5.7%**

(1) Includes immaterial amount of interest earned on loans rated “C,” “D” and “E” for each year presented.

(2) Net interest earned is calculated as interest income less interest paid and includes accrued interest, valuation adjustments and gains (losses) realized on debt and equity securities that are accounted for as "available for sale," gains (losses) on repurchase transactions (repos), gains (losses) realized on the sale of debt securities, and mark-to-market gains (losses) on trading securities portfolio.

(3) Net interest margin is calculated as net interest income divided by total average interest-earning assets, determined based on monthly ending balances during the applicable period.

(4) Interest spread on loans and financial leases is calculated as the difference between the average yield on interest-earning loans and financial leases and the average rate paid on interest-bearing liabilities.

(5) Interest spread on total interest-earning assets is calculated as the difference between the average yield on interest-earning assets and the average rate paid on interest-bearing liabilities.

Investment portfolio

We acquire and hold fixed income debt and equity securities for liquidity and other strategic purposes, or when required by law. In recent years, credit institutions, including our financial subsidiaries, have been required to hold certain debt securities issued by the Colombian government or government-related entities. Central Bank regulations require credit institutions to make investments in agricultural development bonds (*Títulos de Desarrollo Agropecuario*), or "TDAs," issued by the Agricultural Sector Financing Fund (*Fondo para el Financiamiento del Sector Agropecuario*), or "Finagro." Finagro is a development bank affiliated with the Ministry of Agriculture and finances the production and marketing activities of the agricultural and livestock sector. These securities yield below-market interest rates. The amount of these mandatory investments are calculated as a percentage of short-term deposits. Additionally our financial subsidiaries still maintain mandatory investments in reduction bonds (*Títulos de Reducción de Deuda*) issued by the Republic of Colombia. Under government discretion, authorities may extend the scope of current regulations or require additional disbursements on current or new mandatory investments. See "Supervision and Regulation—Mandatory investments."

The Superintendency of Finance requires investments to be classified as "trading," "available for sale" or "held to maturity." Trading investments are investments acquired primarily to obtain profits from fluctuations in short-term prices and are recorded at fair value. The difference between current and previous fair value is added to, or subtracted from, the value of the investment and credited or charged to earnings. "Available for sale" investments are those investments that we intend, and are able, to hold for at least six months and are recorded on the balance sheet at fair value with changes to the values of these securities recorded in a separate equity account labeled as "unrealized gains and losses"; when a portion of the gains or losses is realized, such amount is transferred to the consolidated income statement. "Held to maturity" investments are investments acquired and that we intend, and are able, to hold until maturity, and are recorded at amortized cost.

The following table presents the book value of our investments in debt securities and equity securities, net of allowance for investment securities losses, at the dates indicated.

	At December 31,		
	2013	2012	2011
		(in Ps billions)	
Debt securities			
Peso-denominated			
Securities issued or secured by the Republic of Colombia	7,769.0	6,842.9	5,404.2
Securities issued or secured by the Colombian Central Bank	0.0	0.0	0.0
Securities issued or secured by other Colombian government entities	1,400.2	1,333.2	1,304.5
Securities issued or secured by other financial entities (1)	357.2	265.4	427.5
Other securities (2)	113.0	184.6	204.4
Total peso-denominated	**9,639.5**	**8,626.1**	**7,340.6**
Foreign currency-denominated			
Securities issued or secured by the Republic of Colombia	26.9	32.7	27.3
Securities issued or secured by other Colombian government entities	228.1	189.4	146.1
Securities issued by foreign governments	1,257.0	1,030.9	911.9
Securities issued or secured by other financial entities (1)	2,489.7	2,126.7	851.4
Other securities (2)	1,051.8	1,228.0	102.3
Total foreign currency-denominated	**5,053.5**	**4,607.7**	**2,039.0**

	At December 31,		
	2013	2012	2011
	(in Ps billions)		
Total debt securities, net	**14,693.0**	**13,233.7**	**9,379.6**
Equity securities, net	**3,652.0**	**3,666.1**	**2,773.1**
Total investment securities, net	**18,345.1**	**16,899.8**	**12,152.7**

(1) Reflects investments made in debt securities issued by private financial entities.

(2) Reflects investments made in debt securities issued by multilateral institutions and non-financial companies.

At December 31, 2013, 2012 and 2011, we held securities issued by foreign governments and in the principal amounts, as follows.

At December 31,	Issuer	Investment amount – book value	Investment amount – book value
		(in Ps billions)	(in U.S.$ thousands)
2013			
	Brazil	6.3	3.3
	Costa Rica	434.5	225.5
	Mexico	5.9	3.1
	Panama	141.0	73.2
	United States of America	40.9	21.2
	El Salvador	115.4	59.9
	Guatemala	291.8	151.4
	Nicaragua	1.9	1.0
	Barbados	4.3	2.2
	Peru	—	—
	Honduras	214.9	111.6
	Total 2013	**1,257.0**	**652.4**
2012			
	Brazil	3.7	2.1
	Costa Rica	554.3	313.5
	Mexico	4.8	2.7
	Panama	204.4	115.6
	United States of America	14.7	8.3
	El Salvador	47.8	27.0
	Guatemala	61.7	34.9
	Barbados	—	—
	Nicaragua	1.8	1.0
	Chile	9.6	5.4
	Peru	—	—
	Honduras	127.9	72.3
	Total 2012	**1,030.9**	**583.0**
2011			
	Brazil	4.4	2.3
	Costa Rica	336.0	173.0
	Mexico	5.6	2.9
	Panama	65.1	33.5
	United States of America	16.1	8.3
	El Salvador	23.2	11.9
	Chile	3.1	1.6
	Guatemala	150.3	77.4
	Nicaragua	31.9	16.4
	Honduras	276.2	142.1
	Total 2011	**911.9**	**469.4**

Loan portfolio

The following table presents our loan portfolio classified into commercial, consumer, microcredit, financial leases and mortgage loans for the periods indicated.

	At December 31,		
	2013	2012	2011
	(in Ps billions)		
Domestic			
Commercial			
General purpose loans [1]	20,576.1	17,318.6	14,692.8
Loans funded by development banks	950.7	839.6	939.3
Working capital loans	5,846.3	5,964.8	5,794.8
Credit cards	240.4	188.9	135.2
Overdrafts	84.9	115.9	98.4
Total commercial	**27,698.4**	**24,427.9**	**21,660.5**
Consumer			
Credit cards	1,701.7	1,356.6	984.7
Personal loans	4,464.7	4,100.2	3,373.6
Automobile and vehicle loans	610.4	624.5	625.5
Overdrafts	32.2	39.8	40.1
Loans funded by development banks	—	—	—
General purpose loans	—	—	—
Working capital loans	—	1.4	—
Total consumer	**6,809.0**	**6,122.6**	**5,023.9**
Microcredit	316.3	257.0	240.7
Mortgages	751.9	173.7	60.8
Financial leases	1,992.1	1,903.4	1,387.3
Total domestic	**37,567.6**	**32,884.6**	**28,373.2**
Foreign			
Commercial			
General purpose loans [1]	4,090.0	2,285.6	2,168.9
Loans funded by development banks	—	—	0.0
Working capital loans	4,227.5	1,959.3	1,549.4
Credit cards	—	—	—
Overdrafts	194.8	49.1	55.5
Total commercial	**8,512.3**	**4,294.0**	**3,773.8**
Consumer			
Credit cards	3,814.6	3,066.8	2,714.5
Personal loans	2,165.9	757.3	675.0
Automobile and vehicle loans	1,123.9	892.8	856.9
Overdrafts	26.4	22.4	11.7
Loans funded by development banks	—	—	—
General purpose loans	—	—	—
Working capital loans	—	—	—
Total consumer	**7,130.8**	**4,739.4**	**4,258.2**
Microcredit	—	—	—
Mortgages	4,640.2	3,275.0	3,383.8
Financial leases	370.8	271.8	246.0
Total foreign	**20,654.2**	**12,580.2**	**11,661.8**

	At December 31,		
	2013	2012	2011
	(in Ps billions)		
Total portfolio	**58,221.8**	**45,464.8**	**40,035.0**
Allowance for loan portfolio	(1,638.4)	(1,252.9)	(1,099.4)
Total portfolio, net	**56,583.4**	**44,211.9**	**38,935.7**

(1) General purpose commercial loans primarily include short-term loans *(créditos de tesorería*), trade finance loans, project finance loans and loans for capital expenditures.

Loan portfolio by economic activity

The following table summarizes our loan portfolio, at the dates indicated, by the principal activity of the borrower using the International Standard Industrial Classification of All Economic Activities. Where we have not assigned a code to a borrower, classification of the relevant loan has been made based on the purpose of the loan as described by the borrower.

	At December 31,					
	2013	%	2012	%	2011	%
	(in Ps billions, except percentages)					
Agricultural	1,776.8	3.1%	1,248.7	2.7%	1,142.4	2.9%
Mining products and oil	1,330.2	2.3%	1,064.5	2.3%	2,115.2	5.3%
Food, beverage and tobacco	3,174.7	5.5%	1,899.9	4.2%	1,628.5	4.1%
Chemical production	2,680.1	4.6%	2,467.3	5.4%	788.9	2.0%
Other industrial and manufacturing products	2,298.5	3.9%	2,141.6	4.7%	2,625.3	6.6%
Government	926.6	1.6%	948.8	2.1%	829.0	2.1%
Construction	3,704.1	6.4%	3,094.3	6.8%	2,336.4	5.8%
Trade and tourism	528.3	0.9%	320.1	0.7%	284.1	0.7%
Transportation and communications	3,491.7	6.0%	3,151.5	6.9%	2,283.2	5.7%
Public services	2,184.6	3.8%	2,018.3	4.4%	2,010.6	5.0%
Consumer services[(1)]	21,350.3	36.7%	14,775.2	32.5%	11,856.8	29.6%
Commercial services[(2)]	14,152.2	24.3%	11,639.2	25.6%	11,305.7	28.2%
Other(3)	623.5	1.1%	695.5	1.5%	829.1	2.1%
Total loan portfolio	**58,221.8**	**100%**	**45,464.8**	**100%**	**40,035.0**	**100%**

(1) Consumer services include loans to individuals, such as consumer loans (credit cards, vehicle, personal and others) and mortgage loans.

(2) Commercial services include wholesale trade and retail, consulting and business support services, health and social services, moneylending and other activities.

Credit categories

The following table presents our loan portfolio, for the purpose of credit risk evaluation, categorized in accordance with the regulations of the Superintendency of Finance, in effect at the relevant dates.

	Loan portfolio by type of loan		
	At December 31,		
	2013	2012	2011
	(in Ps billions)		
Domestic			
Commercial loans	27,698.4	24,427.9	21,660.5
Consumer loans	6,809.0	6,122.6	5,023.9
Microcredit loans	316.3	257.0	240.7
Mortgages	751.9	173.7	60.8
Financial leases	1,992.1	1,903.4	1,387.3
Total domestic loan portfolio	37,567.6	32,884.6	**28,373.2**

	Loan portfolio by type of loan		
	At December 31,		
	2013	2012	2011
	(in Ps billions)		
Allowance for loans and financial lease losses	**(1,218.4)**	(1,040.2)	(885.9)
Total domestic loan portfolio, net	**36,349.2**	**31,844.3**	**27,487.3**
Foreign			
Commercial loans	8,512.3	4,294.0	3,773.8
Consumer loans	7,130.8	4,739.4	4,258.2
Microcredit loans	0.0	0.0	0.0
Mortgages	4,640.2	3,275.0	3,383.8
Financial leases	370.8	271.8	246.0
Total foreign loan portfolio	**20,654.2**	**12,580.2**	**11,661.8**
Allowance for loans and financial lease losses	(420.1)	(212.7)	(213.5)
Total foreign loan portfolio, net	**20,234.1**	**12,367.5**	**11,448.3**
Total loan portfolio, net	**56,583.3**	**44,211.8**	**38,935.7**

Risk categories

The following tables use the Superintendency of Finance minimum risk classifications for loans and financial leases as they were in force on or prior to December 31, 2013. Management at each of our bank subsidiaries assigns loans and financial leases to these classifications on the basis of models developed by management and reviewed by the Superintendency of Finance. These models incorporate both subjective and objective criteria. See note 2(i) to our audited consolidated financial statements.

Category A — "*Normal risk*": Loans and financial leases in this category are appropriately serviced. The debtor's financial statements or its projected cash flows, as well as all other credit information available to us, reflect adequate paying capacity.

Category B — "*Acceptable risk, above normal*": Loans and financial leases in this category are acceptably serviced and guaranty-protected, but there are weaknesses which may potentially affect, on a transitory or permanent basis, the debtor's paying capacity or its projected cash flows, to the extent that, if not timely corrected, 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 insufficient cash flow, which may compromise the normal collection of the obligations.

Category D — "*Significant risk*": Loans and financial leases in this category have the same deficiencies as loans in category C, but to a larger extent; consequently, the probability of collection is highly doubtful.

Category E — "*Risk of non-recoverability*": Loans and financial leases in this category are deemed uncollectible.

The following tables present the breakdown of our loan portfolio by risk classification in effect at December 31 of each year.

	At December 31,					
	2013	%	2012	%	2011	%
	(in Ps billions, except percentages)					
Domestic						
"A" Normal risk	35,292.7	60.6%	30,851.8	67.9%	26,715.8	66.7%
"B" Acceptable risk, above normal	986.9	1.7%	1,043.7	2.3%	911.5	2.3%
"C" Appreciable risk	649.9	1.1%	487.0	1.1%	339.8	0.8%
"D" Significant risk	414.4	0.7%	305.4	0.7%	238.3	0.6%

	At December 31,					
	2013	%	2012	%	2011	%
	(in Ps billions, except percentages)					
"E" Risk of non-recoverability	223.6	0.4%	196.6	0.4%	167.9	0.4%
Total domestic loan portfolio	**37,567.6**	**64.5%**	**32,884.6**	**72.3%**	**28,373.2**	**70.9%**
Loan domestic portfolio classified as "C," "D" and "E" as a percentage of total loan portfolio		3.4%		3.0%		2.6%

	At December 31,					
	2013	%	2012	%	2011	%
	(in Ps billions, except percentages)					
Foreign						
"A" Normal risk	18,963.7	32.6%	11,753.7	25.9%	11,051.4	27.6%
"B" Acceptable risk, above normal	733.4	1.3%	272.4	0.6%	222.1	0.6%
"C" Appreciable risk	712.6	1.2%	430.6	0.9%	219.5	0.5%
"D" Significant risk	125.1	0.2%	75.5	0.2%	83.4	0.2%
"E" Risk of non-recoverability	119.3	0.2%	47.9	0.1%	85.4	0.2%
Total foreign loan portfolio	**20,654.2**	**35.5%**	**12,580.2**	**27.7%**	**11,661.8**	**29.1%**
Loan foreign portfolio classified as "C," "D" and "E" as a percentage of total loan portfolio	4.6%		4.4%		3.3%	
Total loan portfolio	**58,221.8**	**100.0**	**45,464.8**	**100.0%**	**40,035.0**	**100.0%**

Suspension of accruals

The Superintendency of Finance mandates that interest, UVRs, lease payments and other items of income cease to be accrued in our statement of income and begin to be recorded in memorandum accounts until any payment is collected, once a loan or financial lease is in arrears for more than 90 days for commercial loans or financial leases, 60 days for mortgage and consumer loans or financial leases and 30 days for microcredit loans.

Interest paid on non-accrued loans is recorded as "interest on loans" on our statement of income.

The following table presents the breakdown of our past due loans by type of loan in accordance with the criteria of the Superintendency of Finance in effect at December 31 of each year.

	At December 31,					
	2013	%	2012	%	2011	%
	(in Ps billions, except percentages)					
Domestic						
Performing past due loans: (1)						
Commercial loans past due from 31 to 90 days	64.5	8.2%	70.0	10.8%	37.3	8.3%
Consumer loans past due from 31 to 60 days	90.7	11.5%	90.2	13.9%	38.5	8.6%
Microcredit loans past due up to 30 days	—	0.0%	—	0.0%	0.0	0.0%
Mortgage loans past due from 31 to 60 days	1.7	0.2%	0.8	0.1%	0.4	0.1%
Financial leases past due from 31 to 60/90 days (2)	5.6	0.7%	8.3	1.3%	10.7	2.4%
Total domestic performing past due loan portfolio	**162.5**	**20.6%**	**169.4**	**26.2%**	**86.8**	**19.3%**
Non-performing past due loans:						
Commercial loans past due more than 90 days	309.2	39.2%	245.5	38.0%	201.2	44.8%
Consumer loans past due more than 60 days	262.9	33.3%	187.5	29.0%	137.0	30.5%
Microcredit loans past due more than 30 days	30.1	3.8%	29.7	4.6%	10.5	2.3%

	At December 31,					
	2013	%	2012	%	2011	%
	(in Ps billions, except percentages)					
Mortgage loans past due more than 60 days	2.2	0.3%	1.5	0.2%	1.6	0.4%
Financial leases past due more than 60/90 days	21.7	2.8%	13.1	2.0%	11.5	2.6%
Total domestic non-performing past due loan portfolio	**626.2**	79.4%	**477.3**	**73.8%**	**361.8**	**80.7%**
Total domestic past due loan portfolio	**788.7**	100.%	**646.7**	**100.0%**	**448.6**	**100.0%**
Total non-performing past due loan portfolio	626.2	—	477.3	—	361.8	—
Foreclosed assets	87.2	—	90.0	—	87.5	—
Other accounts receivable more than 180 days past due	23.6	—	18.7	—	17.5	—
Total domestic non-performing assets	736.9	—	586.1	—	466.8	—
Allowance for loan and financial lease losses	1,218.4	—	1,040.2	—	885.9	—
Allowance for estimated losses on foreclosed assets	64.1	—	61.5	—	61.0	—
Allowance for accounts receivable and accrued interest losses	46.0	—	40.1	—	31.0	—
Loans and financial leases at least 31 days past due as a percentage of total loans	2.10%	—	2.00%	—	1.6%	—
Allowance for loan and financial lease losses as a percentage of loans at least 31 days past due	154.50%	—	160.80%	—	197.5%	—
Allowance for loan and financial lease losses as a percentage of loans classified as "C," "D" and "E"	94.60%	—	105.20%	—	118.8%	—
Percentage of performing loans and financial leases to total loans and financial leases	97.90%	—	98.00%	—	98.7%	—
Foreign						
Performing past due loans: [1]						
Commercial loans past due from 31 days to 90 days	47.9	8.9%	22.6	7.5%	14.4	4.3%
Consumer loans past due loans from 31 days to 60 days	102.8	19.0%	51.4	17.1%	46.5	14.0%
Microcredit loans past due up to 30 days	—	0.0%	—	0.0%	0.0	0.0%
Mortgage loans past due from 31 days to 60 days	—	0.0%	—	0.0%	0.0	0.0%
Financial leases past due from 31 days to 60/90 days [2]	1.4	0.3%	0.8	0.3%	1.5	0.5%
Total foreign performing past due loan portfolio	**152.1**	**28.1%**	**74.9**	**24.9%**	**62.4**	**18.8%**
Non-performing past due loans:						
Commercial loans past due more than 90 days	44.0	8.2%	51.3	17.1%	80.0	24.1%
Consumer loans past due more than 60 days	174.8	32.4%	93.9	31.2%	86.9	26.2%
Microcredit loans past due more than 30 days	—	0.0%	—	0.0%	0.0	0.0%
Mortgage loans past due more than 60 days	168.6	31.2%	80.2	26.6%	100.1	30.2%
Financial leases past due more than 60/90 days	0.8	0.1%	0.6	0.2%	2.3	0.7%
Total foreign non-performing past due loan portfolio	388.2	71.9%	225.9	75.1%	**269.4**	**81.2%**

	At December 31,					
	2013	%	2012	%	2011	%
	(in Ps billions, except percentages)					
Total foreign past due loan portfolio	**540.3**	**100.0%**	**300.8**	**100.0%**	**331.8**	**100.0**
Total non-performing past due loan portfolio	388.2	—	225.9	—	269.4	—
Foreclosed assets	88.1	—	43.2	—	61.8	—
Other accounts receivable more than 180 days past due	—	—	—	—	0.0	—
Total foreign non-performing assets	**476.3**	—	**269.1**	—	**331.2**	—
Allowance for loan and financial lease losses	420.1	—	212.7	—	213.5	—
Allowance for estimated losses on foreclosed assets	40.5	—	21.2	—	29.5	—
Allowance for accounts receivable and accrued interest losses	—	—	—	—	0.0	—
Loans and financial leases at least 31 days past due as a percentage of total loans	2.6%	—	2.4%	—	2.8%	—
Allowance for loan and financial lease losses as a percentage of loans at least 31 days past due	77.8%	—	70.7%	—	64.3%	—
Allowance for loan and financial lease losses as a percentage of loans classified as "C," "D" and "E"	43.9%	—	38.4%	—	55.0%	—
Percentage of performing loans and financial leases to total loans and financial leases	98.1%	—	98.2%	—	97.7%	—

(1) Performing past due loans are loans upon which interest has not been received for the periods indicated; however, we continue to recognize income. Once interest is unpaid on accrual loans for greater than the number of days specified in the respective line item above, the loan is classified as non-performing.

(2) Includes commercial and consumer financial leases.

The following table presents the breakdown of our non-performing past due loans by type of loan in accordance with the criteria of the Superintendency of Finance for domestic and foreign loans at the periods indicated.

	At December 31,		
	2013	2012	2011
	(in Ps billions)		
Domestic			
Non-performing past due loans:			
Commercial loans past due more than 90 days	309.2	245.5	201.20
Consumer loans past due more than 60 days	262.9	187.5	137.00
Microcredit loans past due more than 30 days	30.1	29.7	10.50
Mortgage loans past due more than 60 days	2.2	1.5	1.60
Financial leases past due more than 60 days	21.7	13.1	11.50
Total domestic non-performing past due loan portfolio	**626.2**	**477.3**	**361.8**
Foreign			
Non-performing past due loans:			
Commercial loans past due more than 90 days	44.0	51.3	80.0
Consumer loans past due more than 60 days	174.8	93.9	86.9
Microcredit loans past due more than 30 days	—	—	—
Mortgage loans past due more than 60 days	168.6	80.2	100.1
Financial leases past due more than 60/90 days	0.8	0.6	2.3
Total foreign non-performing past due loan portfolio	**388.2**	**225.9**	**269.4**
Total domestic and foreign non-performing past due loan portfolio	**1,014.4**	**703.2**	**631.2**

The following table presents our past due loan portfolio by type of loan.

	At December 31,					
	2013	%	2012	%	2011	%
	(in Ps billions, except percentages)					
Commercial						
General purpose loans	295.1	22.2%	262.4	27.7%	229.9	29.5%
Loans funded by development banks	33.2	2.5%	31.6	3.3%	19.7	2.5%
Working capital loans	107.2	8.1%	41.0	4.3%	30.2	3.9%
Credit cards	16.7	1.3%	10.3	1.1%	7.9	1.0%
Overdrafts	13.4	1.0%	44.2	4.7%	45.2	5.8%
Total commercial	**465.6**	**35.0%**	**389.5**	**41.1%**	**332.9**	**42.7%**
Consumer						
Credit cards	296.0	22.3%	190.8	20.1%	160.4	20.6%
Personal loans	285.0	21.4%	181.7	19.2%	113.9	14.6%
Automobile and vehicle loans	45.4	3.4%	39.8	4.2%	27.1	3.5%
Overdrafts	4.9	0.4%	10.8	1.1%	7.5	1.0%
Loans funded by development banks	—	0.0%	—	0.0%	—	0.0%
General purpose loans	—	0.0%	—	0.0%	—	0.0%
Working capital loans	—	0.0%	—	0.00%	—	0.0%
Total consumer	**631.2**	**47.5%**	**423.0**	**44.6%**	**308.9**	**39.6%**
Microcredit	**30.1**	**2.3%**	**29.7**	**3.1%**	**10.5**	**1.3%**
Mortgages	**29.6**	**2.2%**	**22.8**	**2.4%**	**26.0**	**3.3%**
Financial leases	**172.5**	**13.0%**	**82.5**	**8.7%**	**102.1**	**13.1%**
Total past due loan portfolio	**1,329.0**	**100.0**	**947.5**	**100.0**	**780.4**	**100.0**

The following table presents information with respect to our secured and unsecured loan portfolios at least 31 days past due.

	At December 31,					
	2013	%	2012	%	2011	%
	(in Ps billions, except percentages)					
Secured						
Past due 31 to 360 days						
Commercial	136.6	0.2%	126.2	0.3%	82.3	0.2%
Consumer	54.0	0.1%	41.7	0.1%	26.4	0.1%
Microcredit	20.7	0.0%	20.6	0.0%	7.0	0.0%
Mortgages	136.8	0.2%	69.9	0.2%	82.0	0.2%
Financial leases	20.5	0.0%	15.6	0.0%	17.3	0.0%
Total 31 to 360 days	368.6	0.7%	273.9	0.6%	214.9	0.6%
Total past due more than 360 days	103.3	0.2%	65.3	0.1%	85.9	0.2%
Total current	18,289.0	32.3%	14,788.6	26.1%	12,387.8	31.8%
Total secured loan portfolio	**18,760.9**	**33.2%**	**15,127.8**	26.7%	**12,688.6**	**32.6%**
Unsecured(1)						
Past due 31 to 360 days						
Commercial	163.7	0.3%	119.5	0.3%	110.7	0.3%
Consumer	554.6	1.0%	363.4	0.8%	255.5	0.7%
Microcredit	7.7	0.0%	8.3	0.0%	2.9	0.0%
Mortgages	—	0.0%	—	0.0%	—	0.0%
Financial leases	—	0.0%	—	0.0%	—	0.0%
Total 31 to 360 days	726.0	1.3%	491.1	1.1%	369.1	0.9%
Total past due more than 360 days	131.1	0.2%	117.1	0.3%	110.5	0.3%
Total current	38,603.8	68.2%	29,728.7	52.5%	26,866.8	69.0%
Total unsecured loan portfolio	**39,460.9**	**69.7%**	**30,336.9**	53.6%	**27,346.5**	**70.2%**
Total loan portfolio, gross	**58,221.8**	**102.9%**	**45,464.8**	80.4%	**40,035.0**	**102.8%**
Allowances	(1,638.4)	(2.9%)	(1,252.9)	(2.2%)	(1,099.4)	(2.8%)
Total loan portfolio, net	**56,583.3**	**100.00%**	**44,211.8**	100.0%	**38,935.7**	**100.00%**

(1) Includes loans with personal guarantees.

Non-accrual, non-performing loans, performing loans, and performing troubled debt restructured loans

Performing troubled debt restructured loans

The following table presents a summary of our troubled debt restructured loan portfolio, classified into domestic and foreign loans, accounted for on a performing basis in accordance with the criteria of the Superintendency of Finance in effect at the end of each period.

	At December 31,		
	2013	**2012**	**2011**
		(in Ps billions)	
Domestic	348.6	407.7	272.1
Foreign	243.3	134.4	122.0
Total performing troubled debt restructured loan portfolio[(1)]	**591.9**	**542.2**	**394.1**

(1) Restructured loans are loans that have been modified due to an impairment of the conditions of the beneficiary.

Movements in allowances for credit losses

Allowance for loan and financial lease losses

The following table presents the changes in the allowance for loan and financial lease losses during the periods indicated.

	Year ended December 31,		
	2013	**2012**	**2011**
		(in Ps billions)	
Domestic			
Balance at beginning of period	1,040.2	885.9	824.4
Increase in allowance through business combinations	(0.0)	11.6	1.7
Allowance for financial leasing reclassification	—	—	0.1
Provisions for loan losses	1,146.5	892.4	762.3
Charge-offs	(342.3)	(228.5)	(212.5)
Effect of difference in exchange rate	1.7	(1.1)	(0.8)
Reclassification – securitization	—	—	—
Reversals of provisions	**(627.8)**	**(520.0)**	**(489.3)**
Balance at end of year (domestic)	**1,218.4**	**1,040.2**	**885.9**
Foreign			
Balance at beginning of period	212.7	213.5	206.3
Increase in allowance through business combinations[(1)]	120.1	—	—
Allowance for financial leasing reclassification	—	—	—
Provisions for loan losses	255.3	170.7	170.5
Charge-offs	(175.1)	(126.7)	(165.1)
Effect of difference in exchange rate	22.7	(20.6)	10.8
Reclassification – securitization	—	—	—
Reversals of provisions	**(15.6)**	**(24.1)**	(9.1)
Balance at end of year (foreign)	**420.1**	**212.7**	**213.5**
Balance at end of year total (2)	**1,638.4**	**1,252.9**	**1,099.4**

(1) In 2013 it reflects the Central American acquisitions and in 2010 it reflects the acquisition of BAC Credomatic.

(2) The allowance balance for accrued interest receivable, which is not included in this item, amounted to Ps 46.0 billion, Ps 40.1 billion, and Ps 31.0 billion for the years ended December 31, 2013, 2012 and 2011, respectively.

The following table presents the allocation of our allowance for loan losses by category of loan and financial lease losses.

	At December 31, 2013	2012	2011
	(in Ps billions)		
Domestic			
Commercial	703.0	633.9	583
Consumer	420.2	333.5	254.5
Microcredit	22.6	20	8.8
Mortgages	8.5	2.4	1.3
Financial leases	53.4	46.4	35.5
General (1)	10.6	4	2.7
Total domestic	1,218.4	1,040.2	885.9
Foreign			
Commercial	136.9	64.4	63.8
Consumer	248.8	133.7	122.3
Microcredit	0	—	—
Mortgages	31.9	12.9	24.7
Financial leases	2.5	1.8	2.7
General (1)	0	—	—
Total foreign	420.1	212.7	213.5
Total allowance for loan and financial lease losses	1,638.4	1,252.9	1,099.4

(1) We adopted the Commercial Reference Model (July 2007) and the Consumer Reference Model (July 2008) issued by the Superintendency of Finance. Notwithstanding the elimination of the general allowance for loan losses dictated by these models, this did not result in a decrease in the total amount of allowances, as allowances for individual loans increased.

The following table presents the allocation of our allowance for loans and financial lease losses by type of loan.

	At December 31, 2013	%	2012	%	2011	%
	(in Ps billions, except percentages)					
Domestic						
Commercial						
General purpose loans	516.0	31.5%	471.0	37.6%	436.3	39.70%
Loans funded by development banks	36.9	2.3%	30.8	2.5%	32.8	3.00%
Working capital loans	125.9	7.7%	113.6	9.1%	99.3	9.00%
Credit cards	17.2	1.1%	11.6	0.9%	9.1	0.80%
Overdrafts	7.0	0.4%	7.0	0.6%	5.6	0.50%
Total commercial	703.0	42.9%	633.9	50.6%	583	53.00%
Consumer						
Credit cards	111.8	6.8%	81.3	6.5%	62	5.60%
Personal loans	278.9	17.0%	224.4	17.9%	168.8	15.40%
Automobile and vehicle loans	25.4	1.6%	23.5	1.9%	19	1.70%
Overdrafts	4.0	0.2%	4.2	0.3%	4.7	0.40%
Loans funded by development banks	—	0.0%	—	0.0%	—	0.00%
General purpose loans	—	0.0%	—	0.0%	—	0.00%
Working capital loans	—	0.0%	0.1	0.0%	—	0.00%
Total consumer	420.2	25.6%	333.5	26.6%	254.5	23.20%
Microcredit	22.6	1.4%	20.0	1.6%	8.8	0.80%
Mortgages	8.5	0.5%	2.4	0.2%	1.3	0.10%
Financial leases	53.4	3.3%	46.4	3.7%	35.5	3.20%
General	10.6	0.6%	4.0	0.3%	2.7	0.20%
Total domestic	1,218.4	74.4%	1,040.2	83.0%	885.9	80.60%

	At December 31,					
	2013	%	2012	%	2011	%
	(in Ps billions, except percentages)					
Foreign						
Commercial						
General purpose loans	75.8	4.6%	47.9	3.8%	50.1	4.60%
Loans funded by development banks	—	0.0%	—	0.0%	—	0.00%
Working capital loans	56.4	3.4%	14.4	1.1%	12.7	1.20%
Credit cards	—	0.0%	—	0.0%	—	0.00%
Overdrafts	4.7	0.3%	2.0	0.2%	1	0.10%
Total commercial	136.9	8.4%	64.4	5.1%	63.8	5.80%
Consumer						
Credit cards	166.0	10.1%	117.9	9.4%	107.4	9.80%
Personal loans	72.0	4.4%	8.0	0.6%	7.4	0.70%
Automobile and vehicle loans	7.5	0.5%	3.8	0.3%	5.4	0.50%
Overdrafts	3.4	0.2%	4.0	0.3%	2.1	0.20%
Loans funded by development banks	—	0.0%	—	0.0%	—	0.00%
General purpose loans	—	0.0%	—	0.0%	—	0.00%
Working capital loans	—	0.0%	—	0.0%	—	0.00%
Total consumer	248.8	15.2%	133.7	10.7%	122.3	11.10%
Microcredit	—	0.0%	—	0.0%	0	0.00%
Mortgages	31.9	1.9%	12.9	1.0%	24.7	2.20%
Financial leases	2.5	0.2%	1.8	0.1%	2.7	0.20%
General	—	0.0%	—	0.0%	—	0.00%
Total foreign	420.1	25.6%	212.7	17.0%	213.5	19.40%
Total allowance for loan and financial lease losses	1,638.4	100	1,252.9	100%	1,099.40	100.00%

Charge-offs

The following table presents the allocation of our charge-offs by type of loan for the years indicated.

	Year ended December 31,		
	2013	2012	2011
	(in Ps billions)		
Domestic			
Commercial and consumer			
General purpose loans	31.4	28.4	54.5
Loans funded by development banks	4.3	2.9	3.8
Working capital loans	6.9	1.5	20.2
Credit cards	85.7	57.5	37.4
Personal loans	177.8	111.6	74.6
Automobile and vehicle loans	11.1	7.3	6.3
Overdrafts	5.7	6.2	5.6
Total commercial and consumer	**322.9**	**215.5**	**202.4**
Microcredit	17.5	10.7	10.0
Mortgages and other	—	—	0.0
Financial leases	1.9	2.3	0.1
Total domestic	**342.3**	**228.5**	**212.5**
Foreign			
Commercial and consumer			
General purpose loans	0.8	6.3	17.6
Loans funded by development banks	—	—	—
Working capital loans	0.5	2.5	6.2
Credit cards	146.6	97.9	117.4
Personal loans	12.7	6.2	7.4
Automobile and vehicle loans	2.4	1.9	2.8
Overdrafts	7.6	5.0	5.0
Total commercial and consumer	**170.7**	**119.9**	**156.5**

	Year ended December 31,		
	2013	2012	2011
	(in Ps billions)		
Microcredit	—	—	—
Mortgages and other	4.5	5.5	8.1
Financial leases	(0.1)	1.3	0.5
Total foreign	**175.1**	**126.7**	**165.1**
Total charge-offs	**517.40**	**355.26**	**377.5**

The ratio of charge-offs to average outstanding loans for the periods indicated was as follows.

	Year ended December 31,		
	2013	2012	2011
	(in percentages)		
Ratio of charge-offs to average outstanding loans	1.04%	0.84%	1.04%

Cross-border outstanding loans and investments

The following table presents information with respect to our cross-border outstanding loans and investments at December 31, 2013, 2012 and 2011.

	At December 31,		
	2013	2012	2011
	(in Ps billions)		
Loans			
Commercial			
Costa Rica	1,411.7	1,081.2	954.1
El Salvador	2,284.1	540.7	520.4
Guatemala	1,152.5	455.5	328.4
Honduras	723.3	907.4	931.4
Nicaragua	956.8	778.3	704.2
Panama	1,977.7	530.9	331.3
Ecuador	—	—	0.1
United States	—	—	4.0
Consumer			
Costa Rica	569.6	457.9	421.8
El Salvador	261.5	210.8	174.8
Guatemala	211.5	99.6	70.1
Honduras	285.9	134.1	155.3
Nicaragua	320.2	172.3	138.0
Panama	1,660.6	597.9	583.7
México	—	—	—
Financial Leases			
Costa Rica	288.9	222.3	194.0
El Salvador	6.4	13.7	16.4
Guatemala	1.2	0.1	0.3
Honduras	13.3	0.7	0.8
Nicaragua	4.6	2.4	3.8
Panama	56.4	32.7	30.8

	At December 31,		
	2013	2012	2011
	(in Ps billions)		
Mortgages			
Costa Rica	1,654.9	1,280.0	1,233.9
El Salvador	686.9	468.1	530.1
Guatemala	447.6	461.3	503.4
Honduras	510.4	436.6	470.9
Nicaragua	211.4	170.2	170.8
Panama	1,129.0	458.9	474.8
Credit Cards	-		
Costa Rica	1,305.0	990.3	825.9
El Salvador	608.3	427.0	417.7
Guatemala	495.3	440.7	397.8
Honduras	548.8	464.2	385.1
Nicaragua	190.0	208.1	201.2
Panama	545.5	418.9	375.6
México	119.2	117.7	111.1
Total per country			
Costa Rica	5,230.0	4,031.7	3,629.7
El Salvador	3,847.2	1,660.2	1,659.3
Guatemala	2,308.1	1,457.2	1,299.9
Honduras	2,081.7	1,943.0	1,943.6
Nicaragua	1,683.0	1,331.2	1,217.9
Panama	5,369.1	2,039.2	1,796.3
Ecuador	—	—	0.1
United States	—	—	4.0
México	119.4	117.7	111.1
Investments			
Australia	0.6	3.9	143.6
Bermuda	0.5	—	—
Brazil	758.4	309.4	29.3
British Virgin Islands	—	46.9	—
Barbados	4.3	—	—
Canada	2.8	—	0.7
Cayman Islands	37.7	373.4	48.8
Chile	292.3	320.3	22.6
Costa Rica	739.1	694.9	190.6
El Salvador	117.9	59.1	11.9
France	1.3	5.3	—
Germany	6.0	10.5	7.3
Guatemala	462.5	218.8	—
Honduras	261.9	374.8	16.8
Ireland	2.0	—	—
Luxembourg	1.2	61.5	—
Mexico	105.1	112.1	2.9
Netherlands	—	23.2	—
Nicaragua	4.8	11.3	2.8
Panama	238.7	300.1	41.5
Peru	437.7	258.3	20.0
Spain	6.8	5.3	—
United Kingdom	15.7	10.7	7.1
United States of America	720.1	447.7	227.2

	At December 31,		
	2013	2012	2011
	(in Ps billions)		
BAC San José Liquid Fund (*BAC San José Fondo Líquido – Riesgo País Mixto*)	27.4	5.0	—
Multilateral – Bank Information Center (*Centro de Información sobre la Banca*)	—	—	2.1
Inversiones Bursatiles Credom. Riesgo País Mixto	1.9	—	—
Multilateral – Bladex (*Foreign Trade Bank of Latin America*)	69.8	19.9	—
Multilateral – Andean Development Corporation (*Corporación Andina de Fomento*)	2.0	1.9	6.4
Multilateral – Central American Bank for Economic Integration	39.2	56.4	24.1
Total investments	**4,357.6**	**3,730.7**	**805.7**

Deposits

The principal components of our deposits are customer demand (checking and saving accounts) and time deposits. Our retail customers are the principal source of our demand and time deposits. The following table presents the composition of our deposits at December 31, 2013, 2012 and 2011.

	At December 31,		
	2013	2012	2011
	(in Ps billions)		
Domestic			
Interest-bearing deposits:			
Checking accounts	2,996.2	2,620.5	1,624.0
Time deposits	15,251.1	13,560.6	11,203.2
Savings deposits	18,258.2	16,225.2	12,335.2
Total	**36,505.5**	**32,406.4**	**25,162.5**
Non-interest-bearing deposits:			
Checking accounts	5,963.6	5,210.2	5,424.1
Other deposits (1)	426.5	337.1	419.3
Total	**6,390.1**	**5,547.2**	**5,843.4**
Total domestic deposits	**42,895.6**	**37,953.6**	**31,005.9**

	At December 31,		
	2013	2012	2011
	(in Ps billions)		
Foreign			
Interest-bearing deposits:			
Checking accounts	5,983.4	4,440.1	4,662.7
Time deposits	9,431.1	4,996.8	4,247.1
Savings deposits	3,943.4	2,569.5	2,470.2
Total	**19,357.8**	**12,006.4**	**11,380.0**
Non-interest-bearing deposits:			
Checking accounts	1,647.9	841.7	799.8
Other deposits (1)	192.5	220.0	180.8
Total	1,840.4	1,061.7	980.6
Total foreign deposits	**21,198.2**	**13,068.1**	**12,360.6**
Total deposits	**64,093.8**	**51,021.7**	**43,366.5**

(1) Consists of deposits from correspondent banks, cashier checks and collection services.

Return on equity and assets

The following table presents certain selected financial ratios for the periods indicated.

	At December 31,		
	2013	2012	2011
	(in percentages)		
ROAA: Return on average assets [(1)]	2.1%	2.3%	2.6%
ROAE: Return on average shareholders' equity [(2)]	15.8%	18.1%	21.3%
Average shareholders' equity as a percentage of average total assets	9.8%	9.8%	8.4%
Period-end shareholders' equity and non-controlling interest as a percentage of period-end total assets	13.3%	13.0%	13.5%
Dividend payout ratio [(3)]	**47.3%**	**40.5%**	40.6%

Source: Company calculations based on Grupo Aval data.

(1) For methodology used to calculate ROAA, see note (2) to the table under "Summary—Summary financial and operating data—Other financial and operating data."

(2) For methodology used to calculate ROAE, see note (3) to the table under "Summary—Summary financial and operating data—Other financial and operating data."

(3) Dividend payout ratio (dividends declared on both common and preferred shares, divided by net income).

Short-term borrowings

The following table presents our short-term borrowings, consisting of interbank and overnight funds, for the periods indicated.

	At December 31,					
	2013		2012		2011	
	Amount	Nominal weighted average rate	Amount	Nominal weighted average rate	Amount	Nominal weighted average rate
	(in Ps billions, except percentages)					
Short-term borrowings						
Interbank borrowings and overnight funds						
End of period	4,141	2.9%	1,366.5	9.1%	1,571.3	11.8%
Average during period	4,493	2.7%	1,645.1	7.6%	4,148.3	4.5%
Maximum amount of borrowing at any month-end	5,957	2.0%	3,526.1	3.5%	5,516.3	3.4%
Interest paid during the period	121.8		124.6		185.7	

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