

# Banco de Bogotá



## Investor Presentation

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**J.P. Morgan**

**8th Annual Global Emerging Markets Corporate Conference**

**February 27<sup>th</sup> – March 1<sup>st</sup> , 2017**



The Issuers Recognition IR granted by the Colombian Stock Exchange is not a certification about the quality of the securities listed at the BVC nor the solvency of the issuer.



Banco de Bogotá is an issuer of securities in Colombia. As a financial institution, the Bank, as well as its financial subsidiaries, is subject to inspection and surveillance from the Superintendency of Finance of Colombia.

As an issuer of securities in Colombia, Banco de Bogotá is required to comply with periodic reporting requirements and corporate governance practices.

In 2009 the Colombian Congress enacted Law 1314 establishing the implementation of IFRS in Colombia. As a result, since January 1, 2015, financial entities and Colombian issuers of publicly traded securities, such as Banco de Bogotá, must prepare financial statements under IFRS, with some exceptions established by applicable regulation.

IFRS as applicable under Colombian regulations differs in certain aspects from IFRS as currently issued by the IASB.

This report was prepared with unaudited unconsolidated financial information, which is in accordance with IFRS as currently issued by the IASB. Data for 3Q2016 is unaudited, consolidated financial information.

At June 30th 2016, Banco de Bogotá deconsolidated Corficolombiana (ceded control of CFC to Grupo Aval). The Bank now holds its 38.3% stake in Corficolombiana as an equity investment.

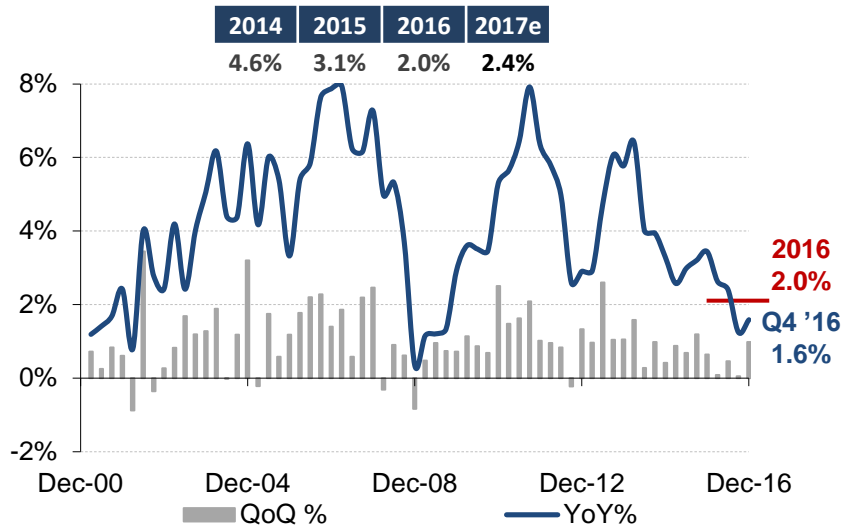
This report may include forward-looking statements and actual results may vary from those stated herein as a consequence of changes in general, economic and business conditions, changes in interest and currency rates and other risks factors. Recipients of this document are responsible for the assessment and use of the information provided herein. Banco de Bogotá will not have any obligation to update the information herein and shall not be responsible for any decision taken by investors in connection with this document. The content of this document is not intended to provide full disclosure on Banco de Bogotá or its subsidiaries.

In this document we refer to trillions as millions of millions and to billions as thousands of millions.

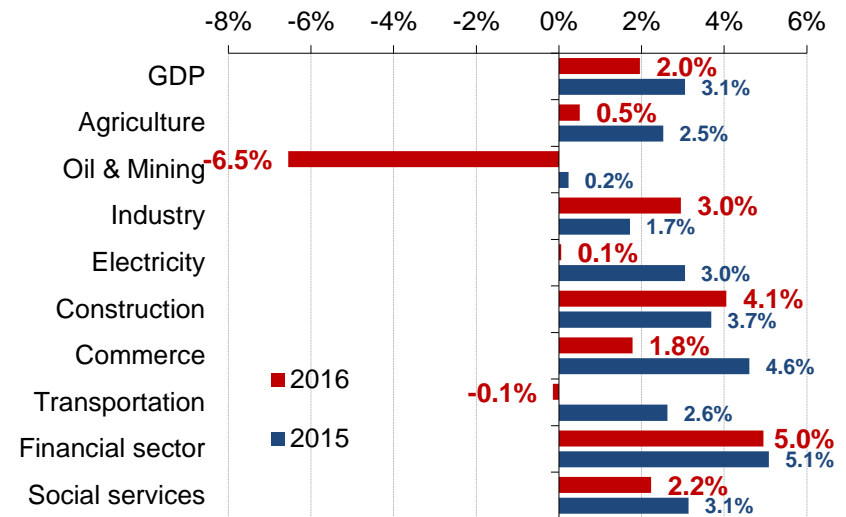
Details of the calculations of Non GAAP measures such as NIM, Fee Income Ratio, among others, are explained when required in this report.

# Colombia: Economic activity decelerated in 2016, but should pickup in 2017

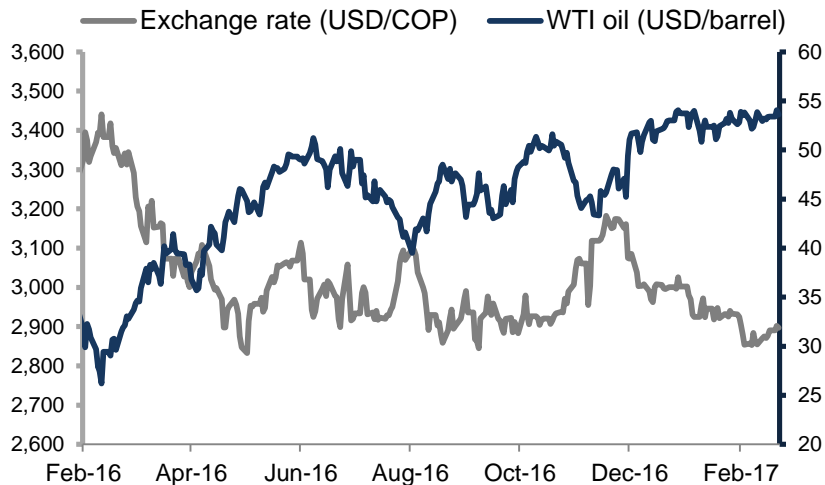
## Quarterly GDP (YoY %)



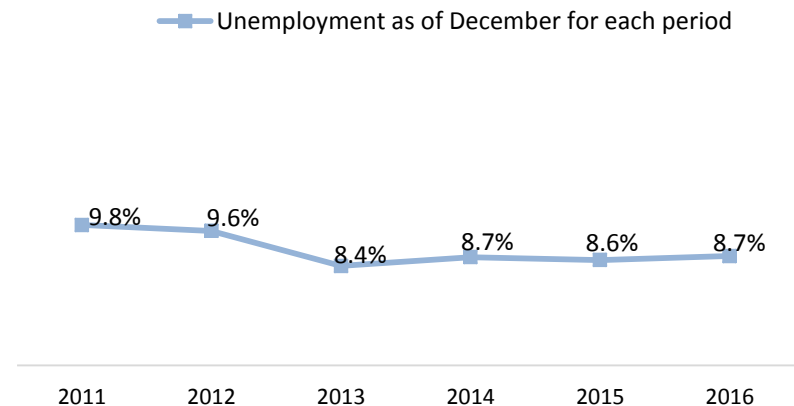
## Annual GDP growth by sector (YoY %)



## Colombian Peso vs. WTI (US\$/COP, US\$/barrel)

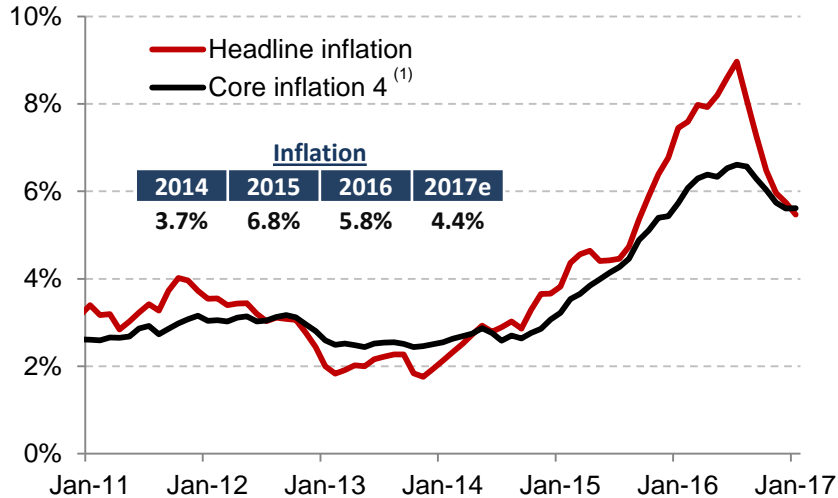


## Unemployment (1)



# Colombia: Inflation continues to moderate, Central Bank will likely reduce interest rate gradually during 2017

## Core and total inflation (YoY %)



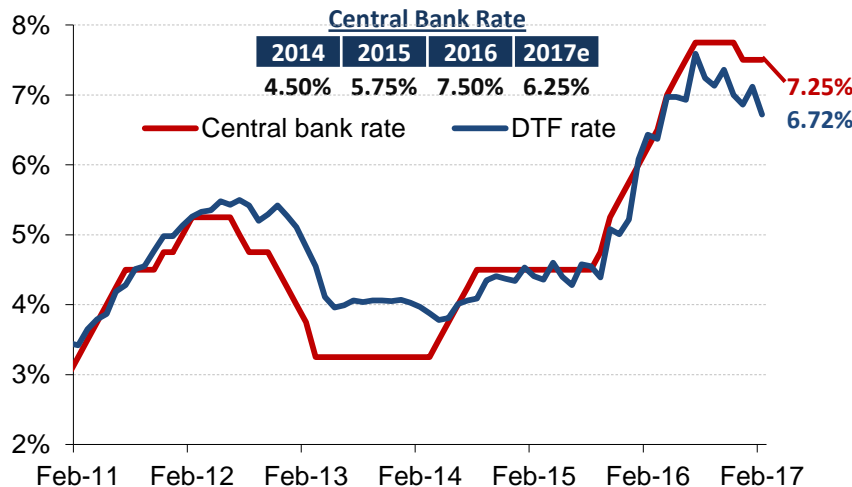
## Exchange Rate (USD/COP)

	4Q15	3Q16	4Q16
Average	3,061.74	2,948.97	3,009.53
End of period	3,149.47	2,880.08	3,000.71

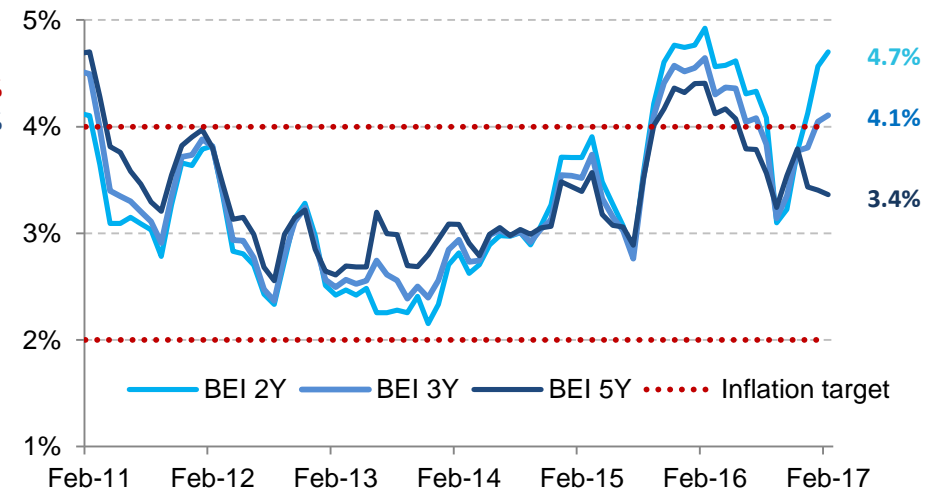
	4Q16 vs. 4Q15	4Q16 vs. 3Q16
Average	1.7%	-2.1%
End of period	4.7%	-4.2%

Positive change = COP appreciation  
Negative change = COP devaluation

## Central Bank interest rate vs. DTF rate\* (%)



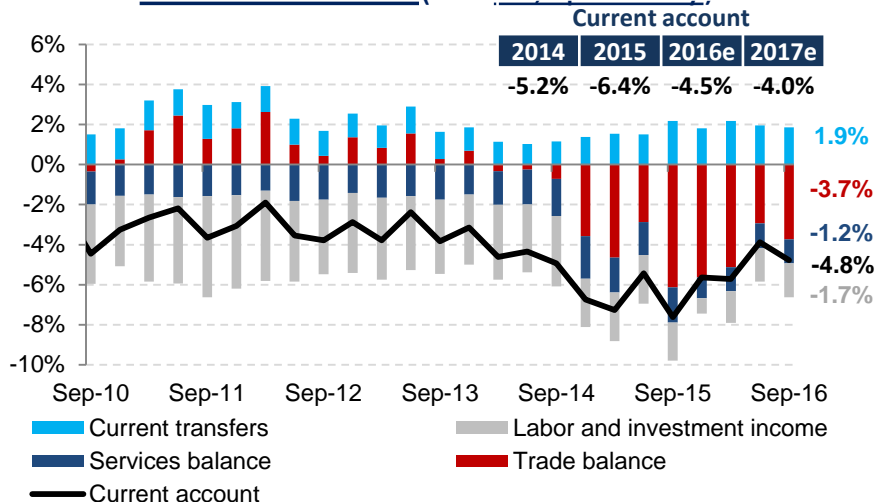
## Market-based inflation expectations – BEI\*\* (%)



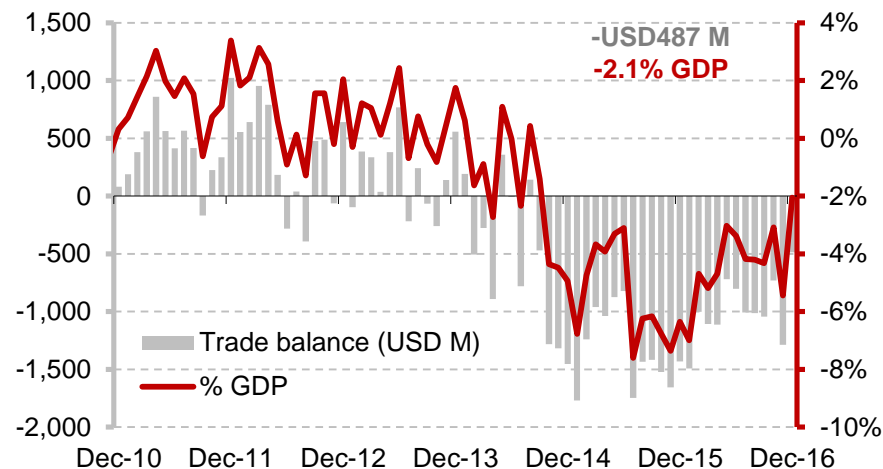
Source: DANE, Banco de la República (BR). Estimates: Economic Research, Banco de Bogotá.

(1) Average of four measures preferred by BR: 1) without foodstuff; 2) without foodstuff and regulated; 3) without foodstuff, public services and gasoline; and 4) core 20. \* Monthly average except last data point which is Feb-16-17. \*\* Monthly average with information up to Feb-21-17.

## Current Account (% GDP, quarterly)

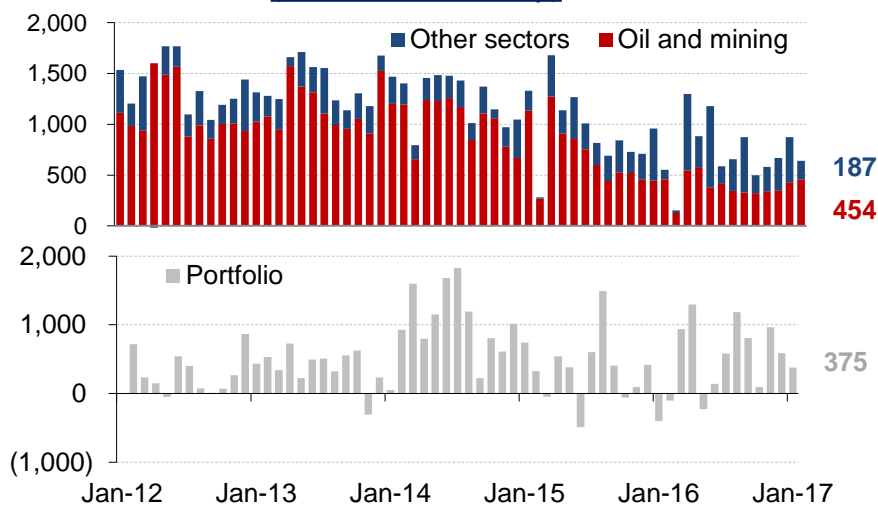


## Trade balance (USD M, % GDP, monthly)

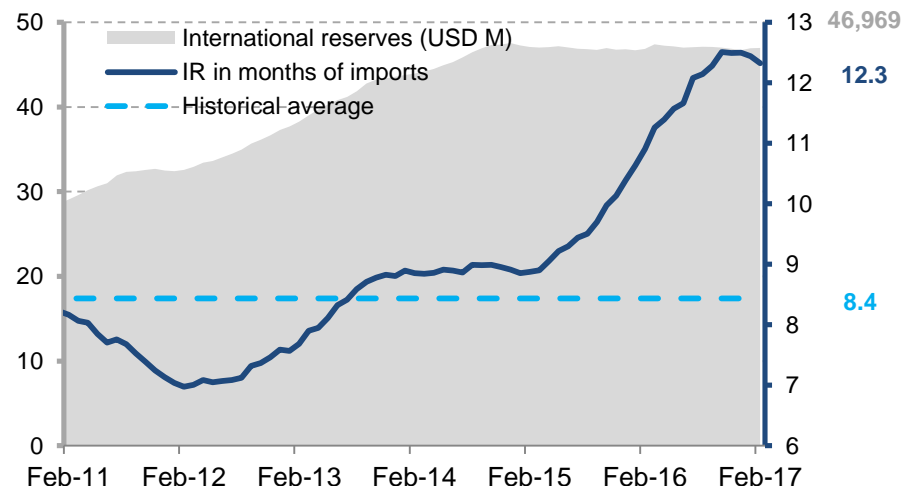


## Foreign investment: direct and portfolio\*

(USD M, monthly)



## International reserves (USD M, months of imports)



Source: DANE, Banco de la República. Estimates: Economic Research, Banco de Bogotá.

\* With information from Balanza Cambiaria up to Jan-31-17.

## VAT increase

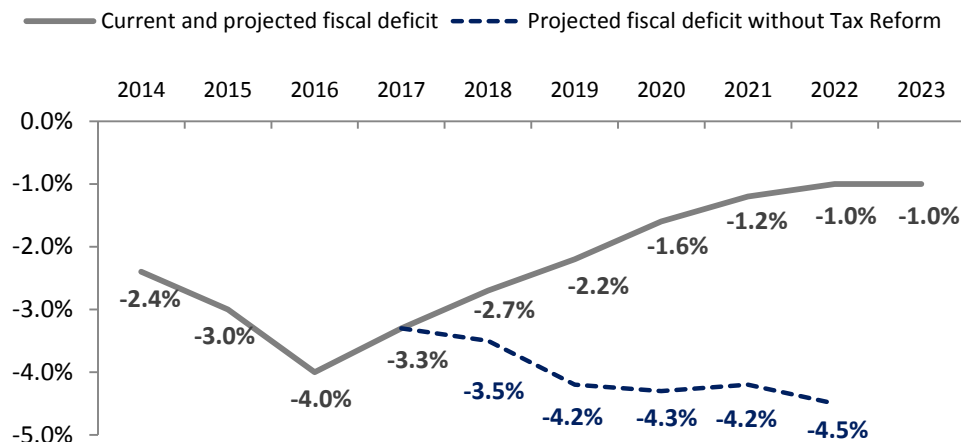
- VAT Rate: 300 bps increase, from 16% to 19%.
- VAT is expected to contribute an additional COP 6 trillion per year.
- VAT Increase should not have too significant of an impact on inflation because most basic goods are exempted.

## Other tax adjustments

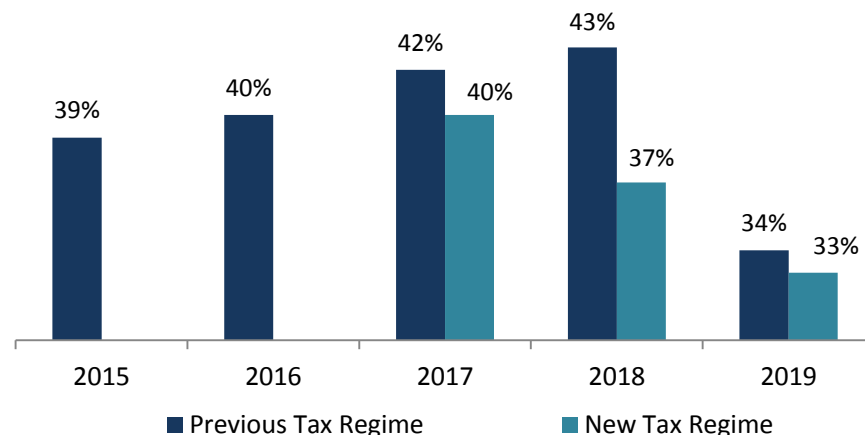
- Additional taxes like CREE, CREE Surcharge and Wealth Tax will cease in 2019.
- Minimum income tax rate increases from 3% to 3.5%.
- Financial Transaction Tax (4x1000) will continue given that it is a steady source of income (COP 6.9 trillion per year) and it is easy to collect.
- The reform includes a Green Tax on fossil fuel; these will generate COP 0.7 trillion per year.
- Increased VAT and consumption tax for cigarettes and alcoholic beverages.
- The Tax Reform empowers the Tax Administration to punish (in some cases through incarceration) actions such as: improper use of Non-profit entities, false declaration of assets or false expense statements that seek to reduce income tax.

## Projected Fiscal Deficit with & without Tax Reform

(% of GDP)



## Comparison of Corporate Income Tax Rates



## Income Tax

- The Reform lowered the income tax threshold from COP\$3.6MM to COP\$2.5MM, which will result in a widening of the base by more than 400,000 individuals. However, the significant majority of the population (80%+) will continue to be exempt as they fall below this level.
- Effective income tax rate increased 200-300 bps for the higher-income brackets.

## Dividend Tax

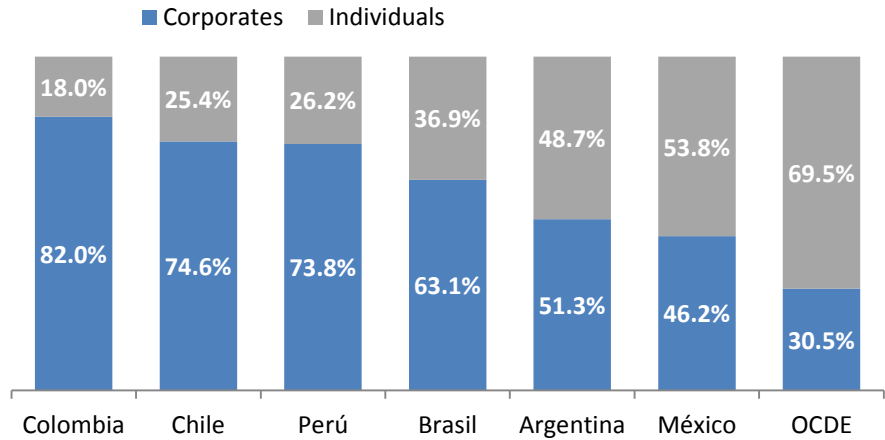
- The reform includes a new tax on Dividends received by individuals; for Colombian residents this tax will only apply to individuals, while for foreign residents the tax will be applied to companies and individuals:

<i>Dividend</i>	<i>Tax rate</i>
Between 19.1 MCOP and 31.9 MCOP	5%
Higher than 31.9 MCOP	10%

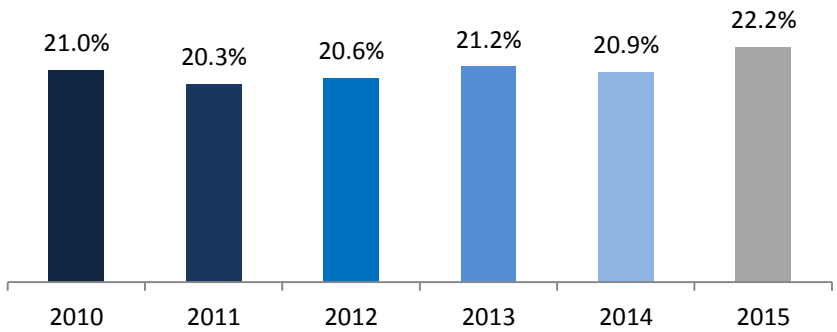
## Payment Capacity

- **Lower inflation** in 2017 and a higher minimum wage (above 2016 average inflation) will help individuals cope with slightly higher/new taxes.
- Additionally, a **stable FX Rate** should help reduce the effect of the VAT increase, as imported goods become relatively less expensive (25% of goods consumed are imported).

## Income Tax Breakdown: Corporates & Individuals

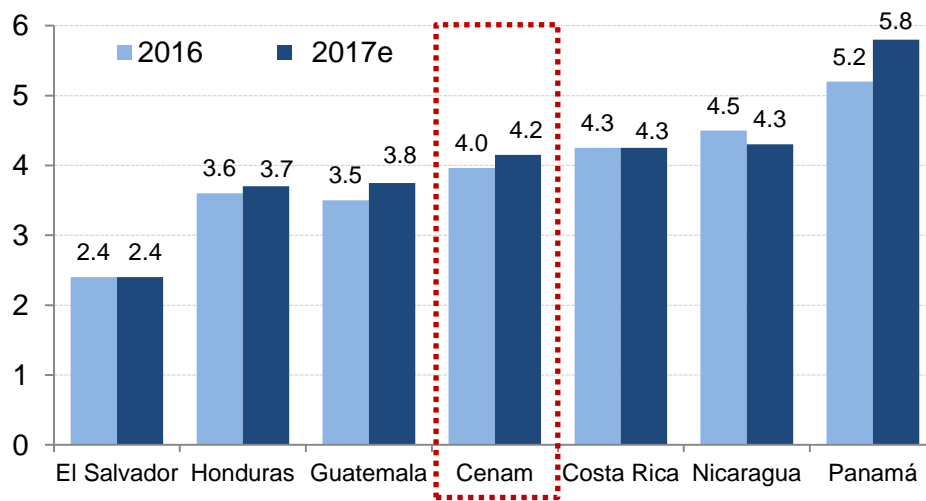


## Financial payments\* as % of Family's Total Income

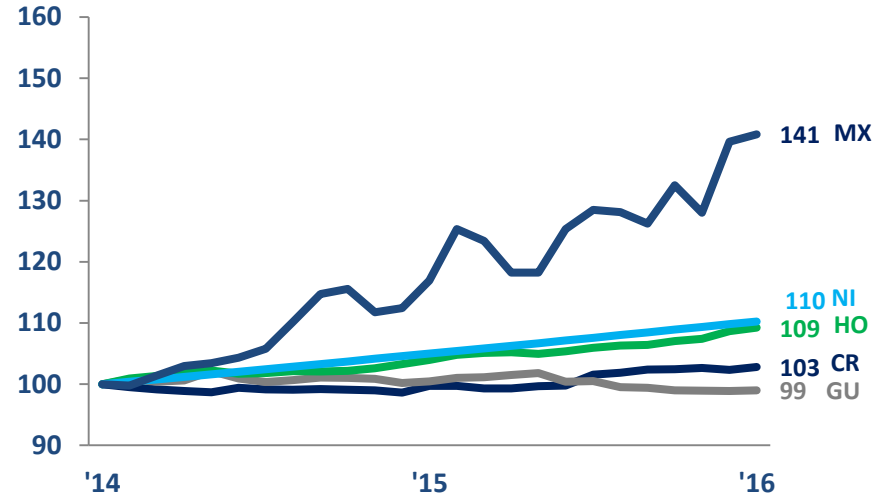


\* Includes consumer and mortgage payments

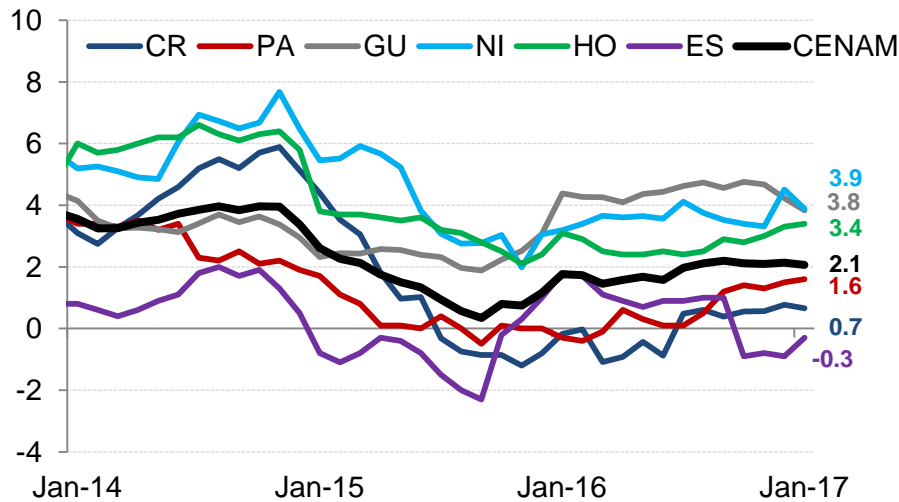
### GDP (YoY %)



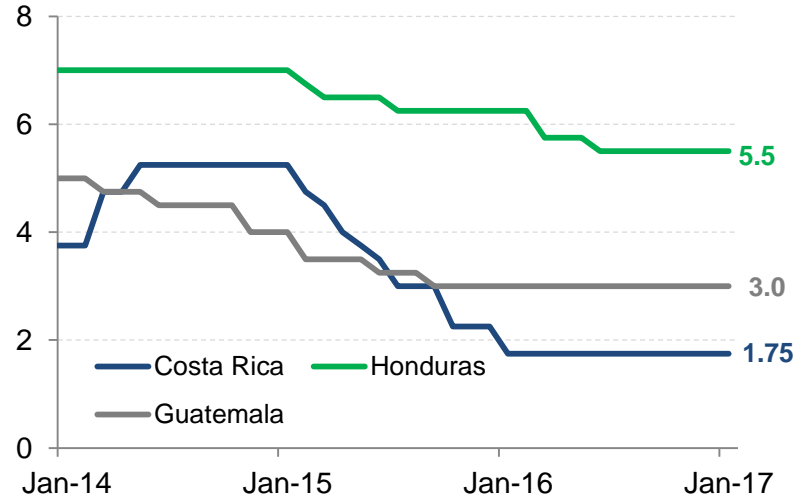
### Exchange Rates (Index= 2014)



### Inflation (YoY %)



### Central Bank interest rate (%)

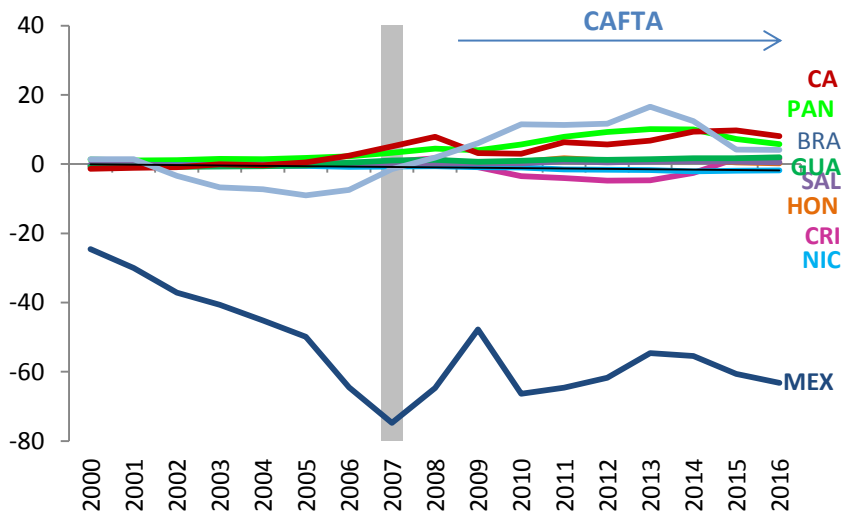


Source: SECMCA, International Monetary Fund (IMF). Estimates: Economic Research, Banco de Bogotá. ES: El Salvador, HO: Honduras, CR: Costa Rica, GU: Guatemala, NI: Nicaragua, PA: Panamá, MX: Mexico.

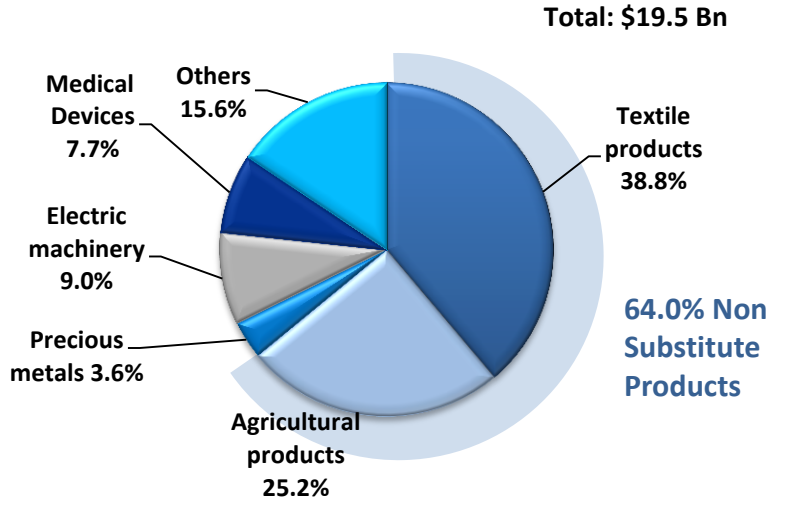


# Trump: Uncertain effect, Mexico possibly most impacted. Central America, possibly less so.

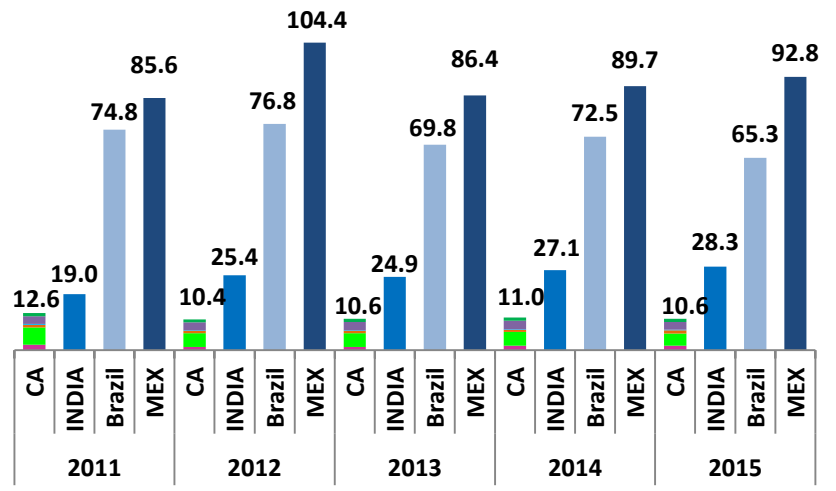
US Trade Balance (\$Bn)



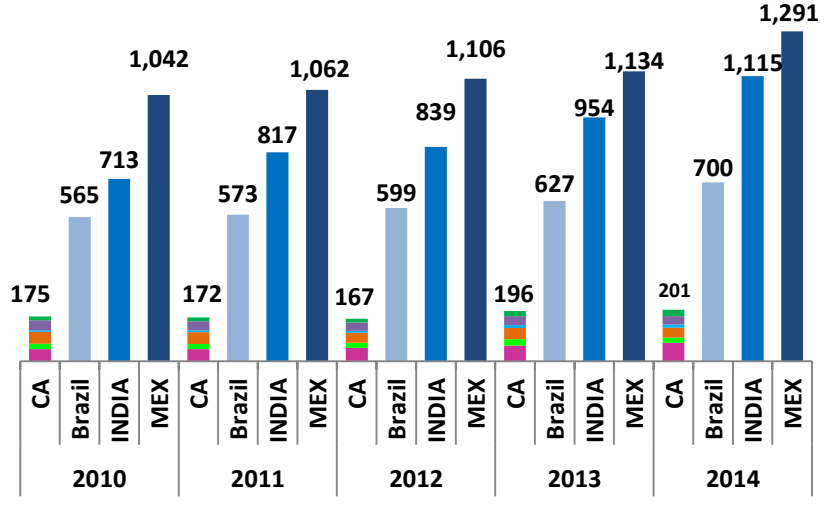
Imports to US from Central America by product 2015



Foreign Direct investments of US (\$Bn)



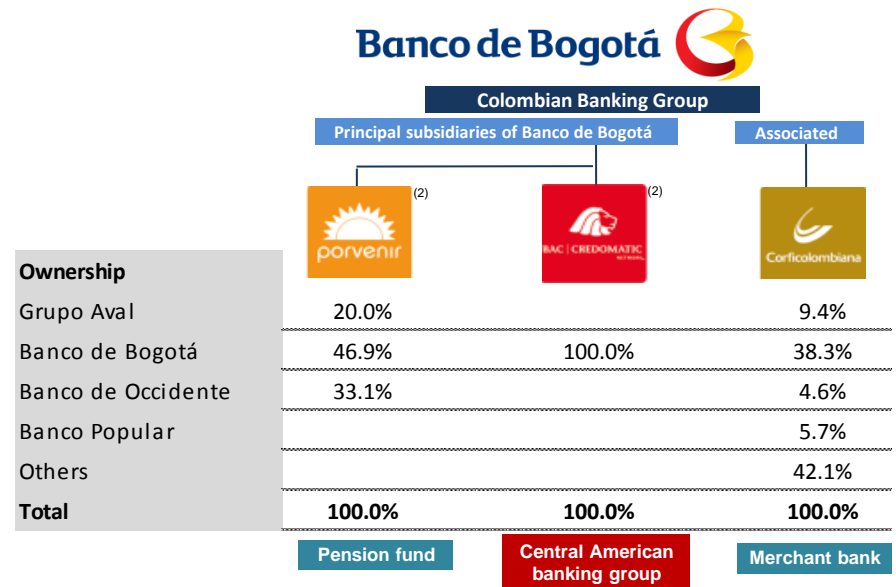
Employees hired by American Companies (Thousands)



## Overview

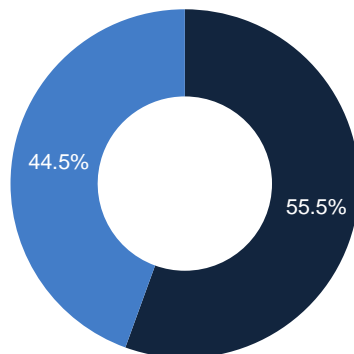
- Founded in 1870, Banco de Bogotá is Colombia's oldest financial institution and the principal subsidiary of Grupo Aval, the leading financial group in Colombia.
- Current shareholding structure: Grupo Aval, 68.7%; Other companies owned by Mr. Sarmiento Angulo, 8.3%; Paz Bautista Group, 13.3%; and Public Float, 9.6%.
- Leading presence in Colombia and Central America. Second largest bank in Colombia in terms of assets and deposits, and largest bank in Central America through BAC Credomatic.
- Universal bank with a strong foothold in the commercial lending and credit card segments in Colombia and Central America, respectively.
- Listed on the Colombian Stock Exchange (BVC), Banco de Bogotá currently has a market cap of US\$ 6.5bn.

## Banco de Bogotá's Structure



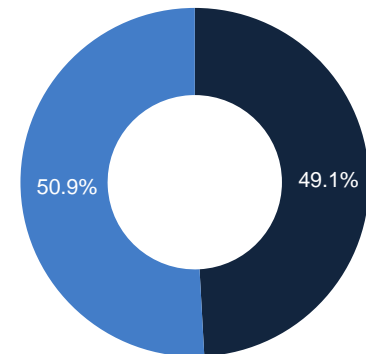
## Consolidated Assets Breakdown

- Colombia Operations
- Central America Operations



## Consolidated Net Income Breakdown

- Colombia Operations
- Central America Operations

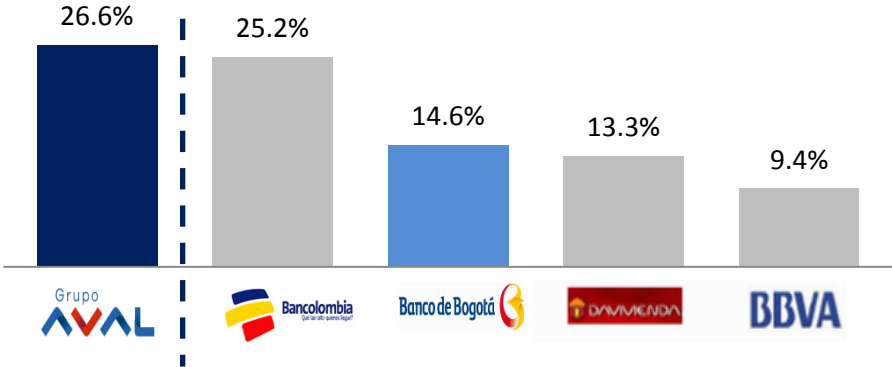


**Consolidated Ratios:**  
**ROAA: 1.8%**  
**ROAE: 14.2%**

(1) Assets and Net income breakdown is calculated at September 2016, Net income Breakdown excludes the non recurrent income of COP\$2.2 billion of Loss of control of CFC  
 (2) Porvenir and BAC Credomatic are the principal subsidiaries consolidated by Banco de Bogotá. Banco de Bogotá controls Porvenir through a shareholders' agreement with Grupo Aval, Banco de Occidente and Banco Popular.

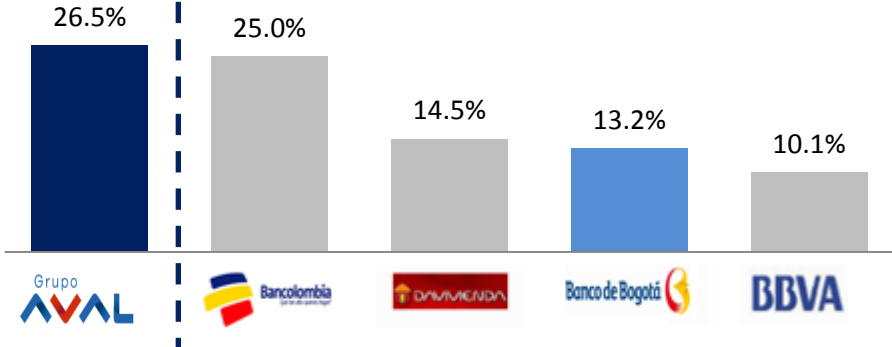
### Total Assets

System: US\$ 182.7 bn



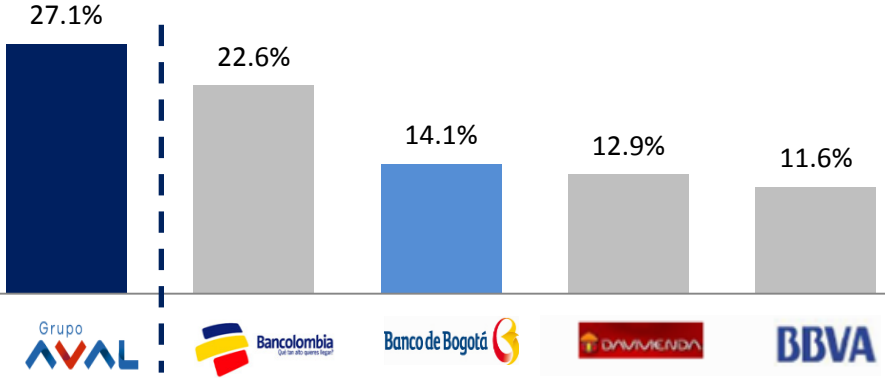
### Net Loans

System: US\$ 125.1 bn



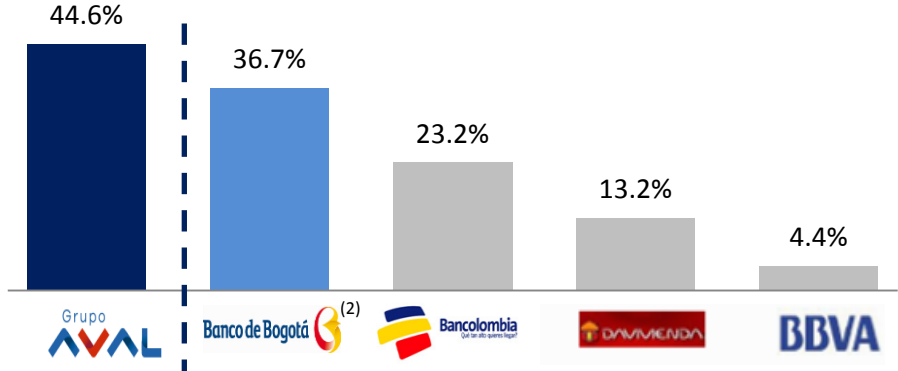
### Deposits <sup>1/</sup>

System: US\$ 116.3bn



### Net Income 2016

System: US\$ 3.8bn

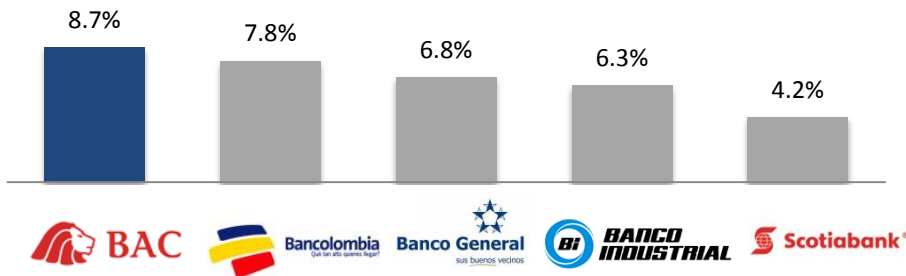


Source: Unconsolidated information under IFRS filed with the Colombian Superintendency of Finance and published monthly; as of December 31, 2016. System: Sum of banks. Grupo Aval is the sum of Banco de Bogotá, Banco de Occidente, Banco Popular and Banco AV Villas.  
Exchange rate: 3.000,71 COP/USD

<sup>1/</sup> Figures excluding interbank & overnight funds for comparative purposes. Deposits are calculated as checking accounts, saving accounts and time deposits.  
<sup>2/</sup> Excluding the USD 728 Million due to the loss of control of Corficolombiana on June 30 of 2016 Banco de Bogota had a market share on Net Income of 21.9%

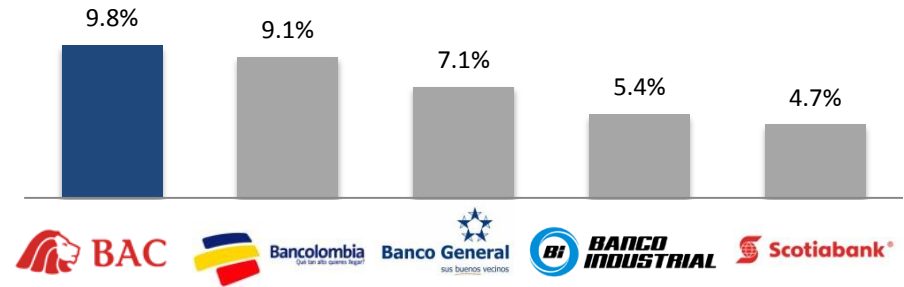
## Total Assets <sup>1/</sup>

System: US\$228.8 bn



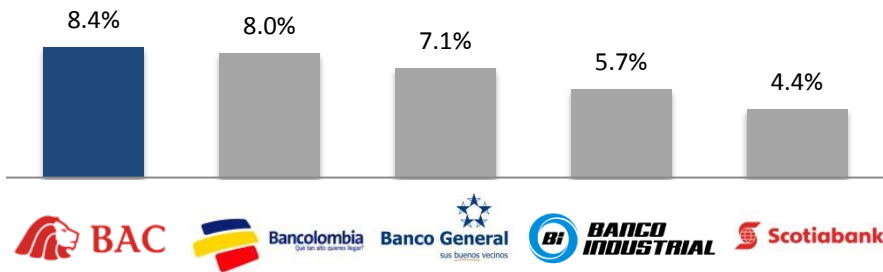
## Net Loans <sup>1/</sup>

System: US\$142.6 bn



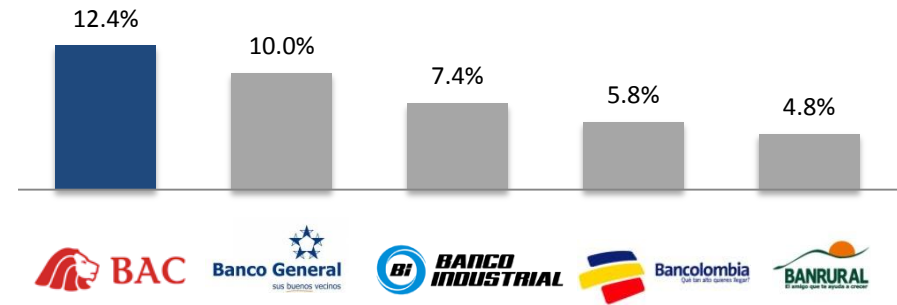
## Deposits <sup>1/</sup>

System: US\$156.8 bn



## Net Income (11 months) <sup>1/</sup>

System: US\$2.5 bn



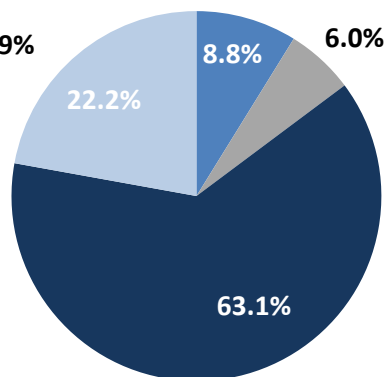
Source: Company filings. Calculated based on publicly disclosed data aggregated from the local superintendencies of Costa Rica, Honduras, El Salvador, Guatemala, Nicaragua and Panama  
<sup>1/</sup> Market share is determined based on the sum of each bank's operations in the aforementioned countries. Bancolombia includes Banistmo (Panama), Bancolombia (Panama), Grupo Agromercantil (Guatemala) and Banco Agrícola (Salvador)

Figures in USD. Billions

## Banco de Bogotá Unconsolidated

**Assets: \$26.8**

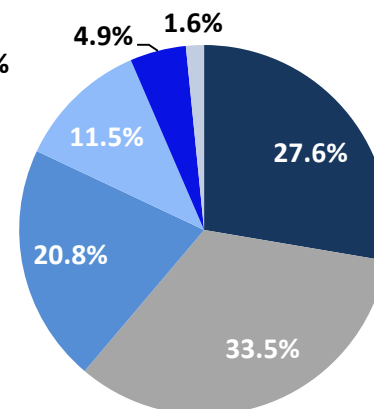
**Growth  
Dec16/Dec15: 7.9%**



- Cash
- Investments
- Loans, net
- Other assets

**Funding : \$20.5**

**Growth  
Dec16/Dec15: 6.7%**

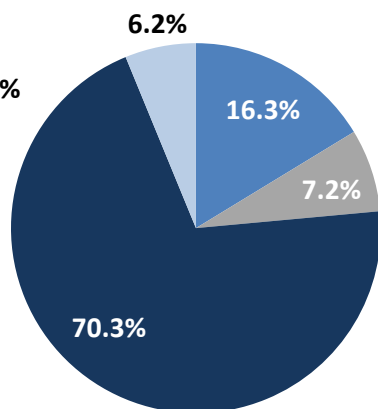


- Checking Accounts
- Savings Accounts
- Time Deposits
- Bonds
- Borrowings
- Interbank Funds & Overnight

## BAC

**Assets : \$19.9**

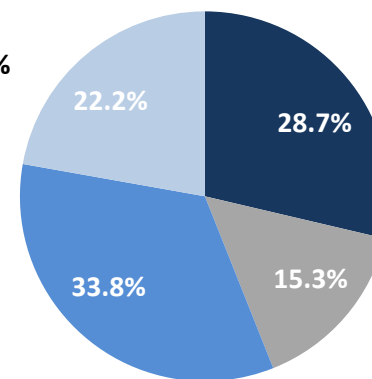
**Growth  
Dec16/Dec15: 7.1%**



- Cash
- Investments
- Loans, net
- Other assets

**Funding : \$16.9**

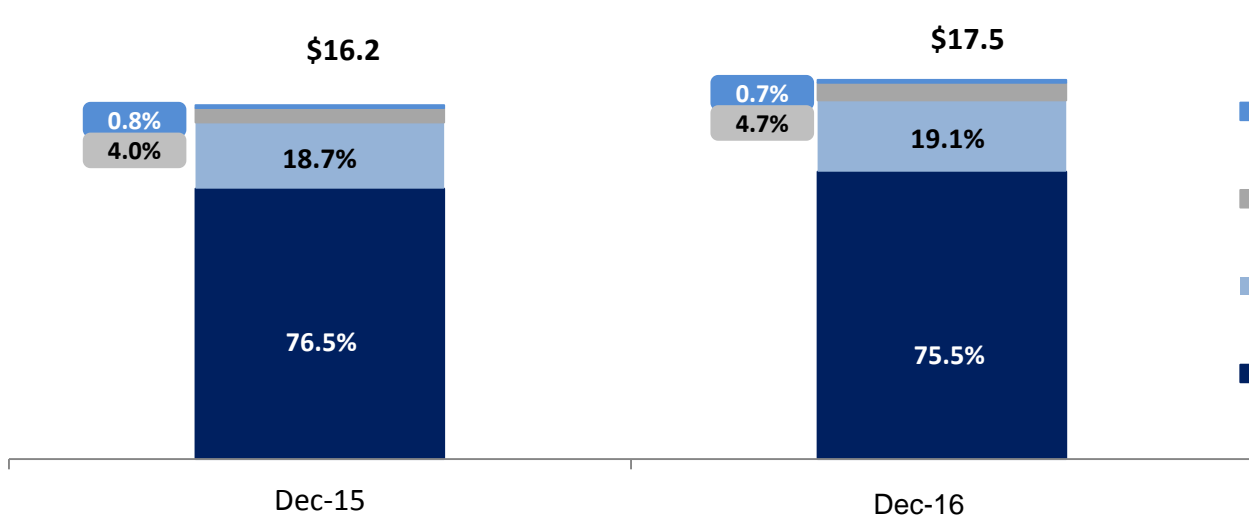
**Growth  
Dec16/Dec15: 6.9%**



- Checking Accounts
- Savings Accounts
- Time Deposits
- Borrowings

Figures in USD. Billions

## Loan Portfolio, Banco de Bogotá Unconsolidated

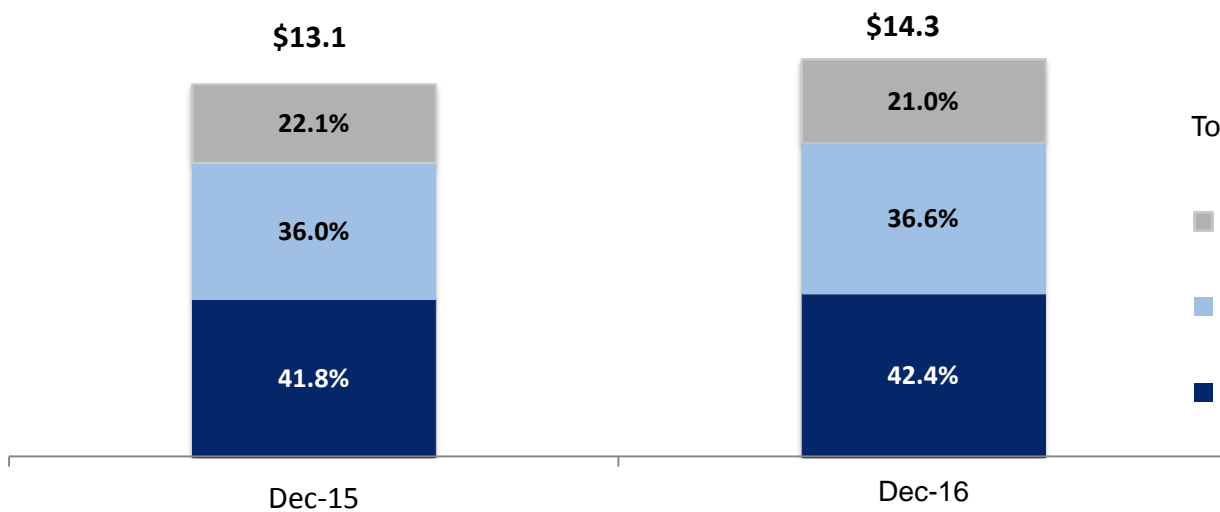


- Total Loans
- Microcredit
- Mortgage
- Consumer
- Commercial

**Growth (%)**  
Dec 16 / Dec 15

Total Loans	7.9%
Microcredit	1.1%
Mortgage	24.7%
Consumer	10.0%
Commercial	6.6%

## Loan Portfolio, BAC



- Total Loans
- Mortgage
- Consumer
- Commercial

**Growth (%)**  
Dec 16/Dec 15

Total Loans	9.3%
Mortgage	8.5%
Consumer	13.3%
Commercial	6.1%

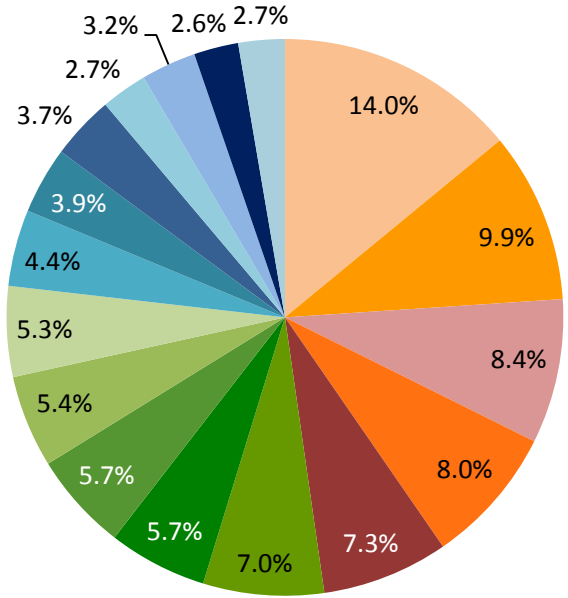
Exchange rate: 3.000,71 COP/USD

# Diversified, high-quality commercial loan portfolio as of December 2016

Figures in USD. Billions

## Banco de Bogotá Unconsolidated

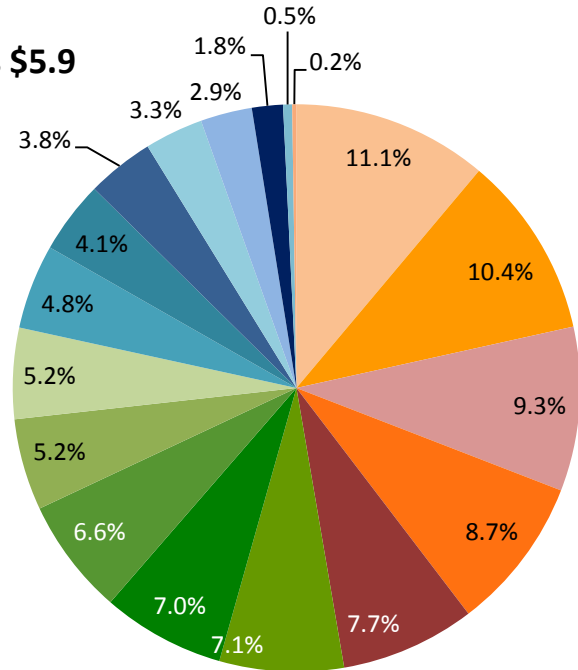
### Commercial Loans \$13.2



- Investment Groups
- Food, beverage and tobacco
- Mailing Activities
- Business Support
- Construction
- Agricultural
- Mining products
- Textile
- Chemical Production
- Others
- Coal Gas and Oil
- Civil Works
- Public Services
- Comercial Services
- Health
- Government
- Transportation

## Central America

### Commercial Loans \$5.9



- Food Products
- Agricultural
- Retail Trade
- Construction
- Chemical production
- Public services
- Trade and tourism
- Industrial/manufacturing products
- Mining products
- Commercial services
- Accommodation
- Communications
- Other
- Transportation
- Investment Groups
- Beverage and tobacco
- Business Support
- Government

Exchange rate: 3.000,71 COP/USD

	<u>Banco de Bogotá</u> <u>Unconsolidated</u>		<u>BAC</u>	
	<u>Dec-2015</u>	<u>Dec-2016</u>	<u>Dec-2015</u>	<u>Dec-2016</u>
<b>Delinquency Ratio</b>				
30 day PDLs / Gross Loans	2.7%	3.0%	2.2%	2.3%
90 day PDLs / Gross Loans	1.9%	2.2%	1.0%	1.2%
<b>Cost of Risk <sup>(1)</sup></b>				
Provision expense, net of recoveries of charge-off	1.5%	1.9%	1.5%	1.9%
<i>Excluding Extraordinary <sup>(2)</sup></i>		1.6%		
Provision expense	1.7%	2.2%	1.5%	1.9%
<i>Excluding Extraordinary <sup>(2)</sup></i>		1.8%		
<b>Charge-Off Ratio <sup>(1)</sup></b>				
Charge offs / 90 days PDLs	0.61x	0.88x	1.45x	1.48x
<i>Excluding Pacific</i>		0.72x		
Charge offs / Avg Loans	1.1%	1.8%	1.5%	1.6%
<b>Coverage</b>				
Allowance / 30 days PDLs	1.20x	1.12x	0.59x	0.61x
Allowances / 90 days PDLs	1.69x	1.51x	1.23x	1.22x
Allowances / Gross Loans	3.2%	3.3%	1.3%	1.4%

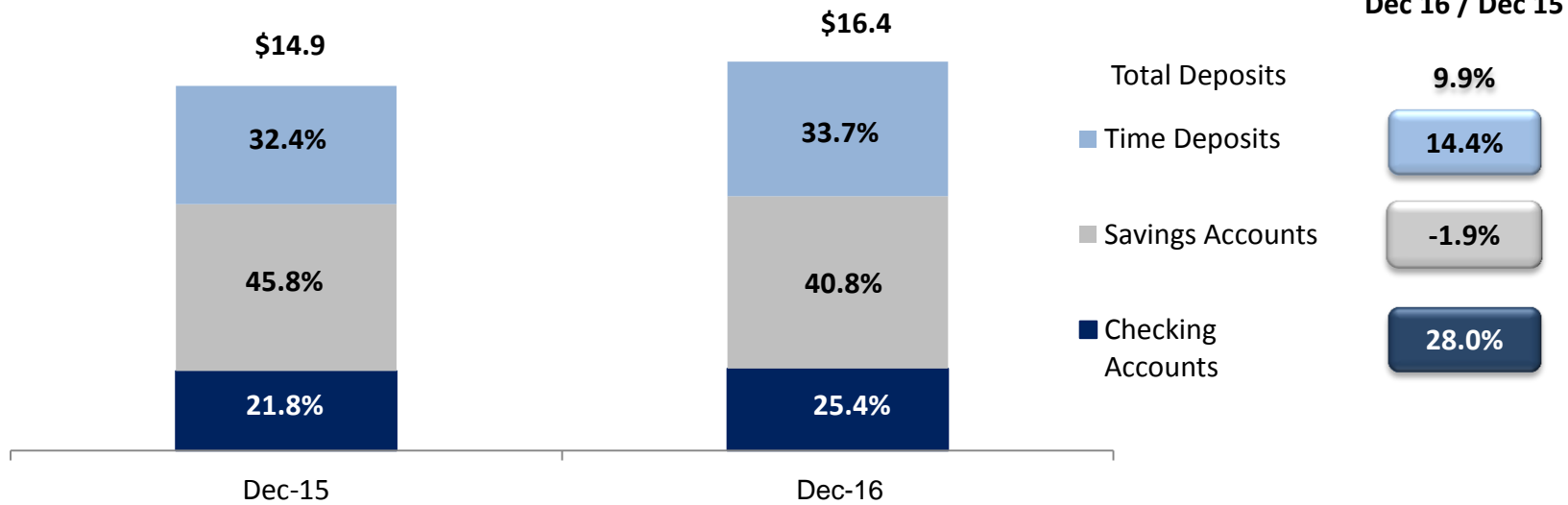
(1) Accumulated full year

(2) Extraordinary includes Pacific Rubiales and PIA (Provisión individual Adicional)

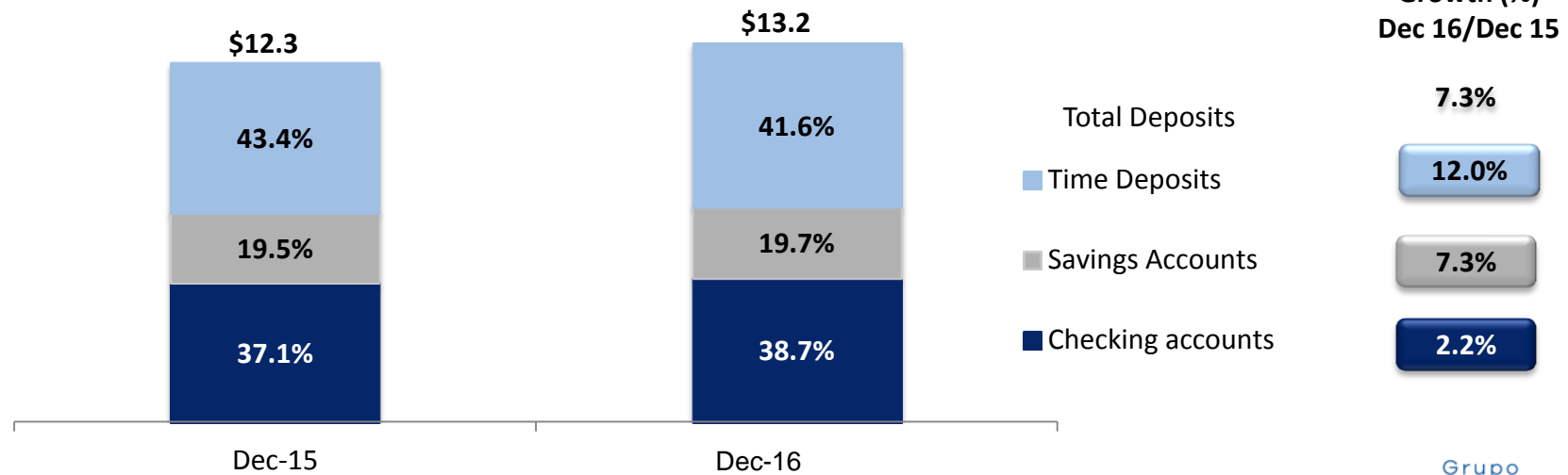


Figures in USD. Billions

## Deposits, Banco de Bogotá Unconsolidated



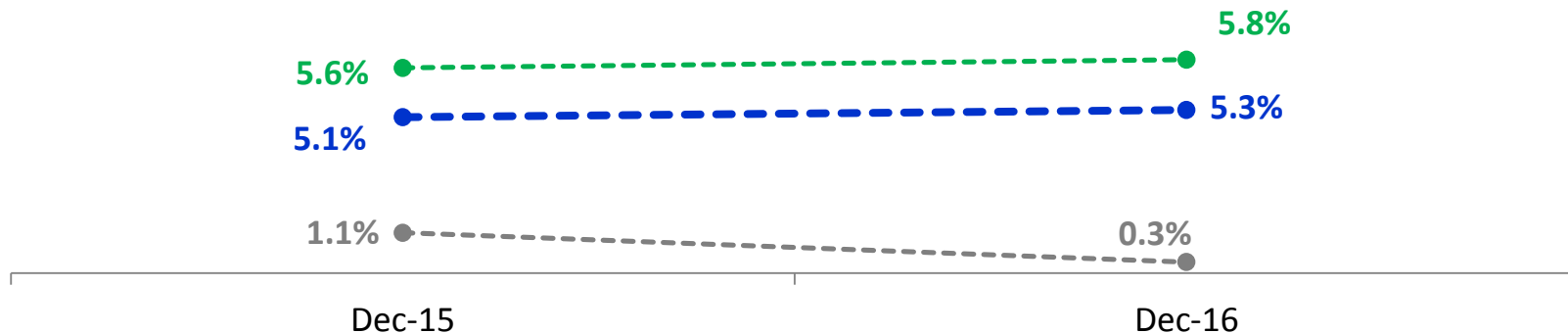
## Deposits, BAC



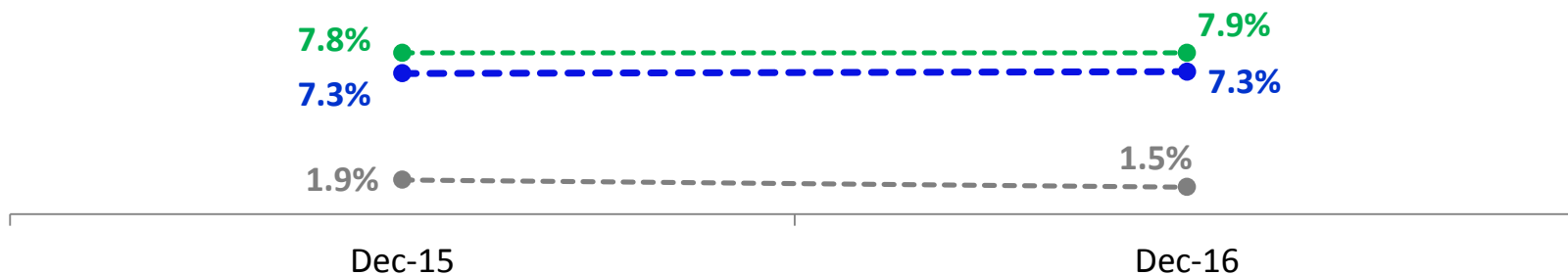
Exchange rate: 3.000,71 COP/USD

## Banco de Bogotá Unconsolidated

- Net Interest Margin on Investments (1)
- Net Interest Margin on Loans (2)
- Net Interest Margin (3)

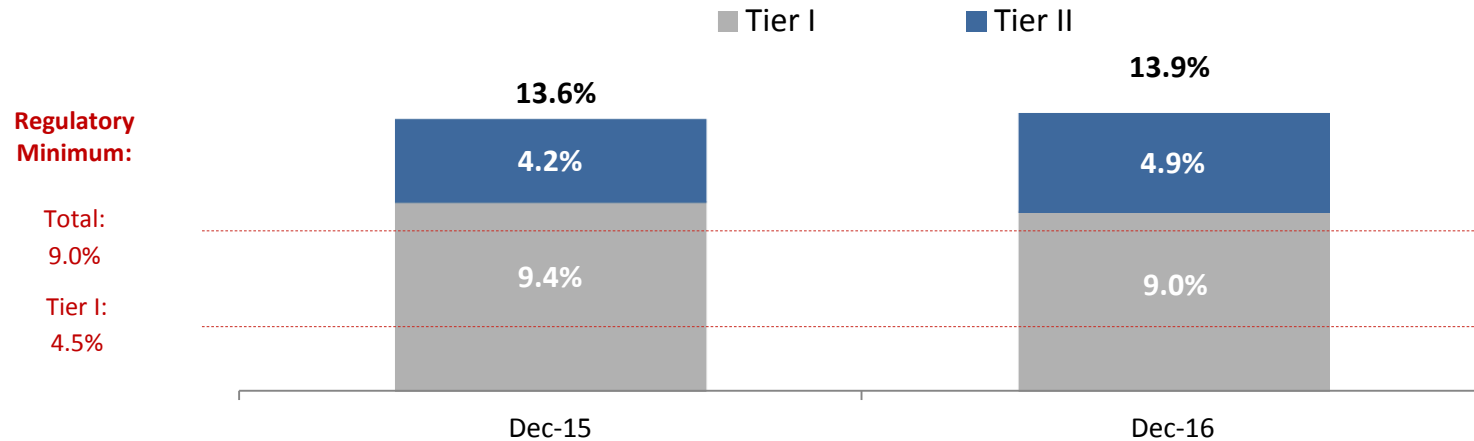


## BAC

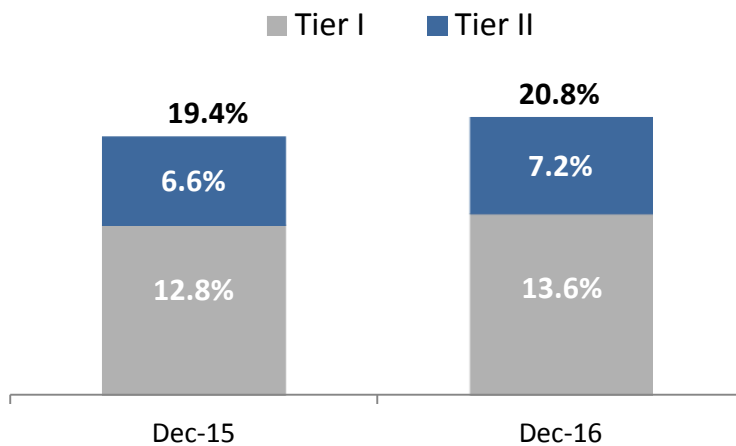


- (1) Investments Net Interest Margin : Net Interest income on fixed income securities + Net trading income from investment securities held for trading + income from interbank and overnight funds / Full year average securities + Interbank and overnight funds.
- (2) Loans Net Interest Margin: Net Interest Income on Loans / Full year average loans and financial leases.
- (3) Net Interest Income for the period/ Full year average interest earning assets.

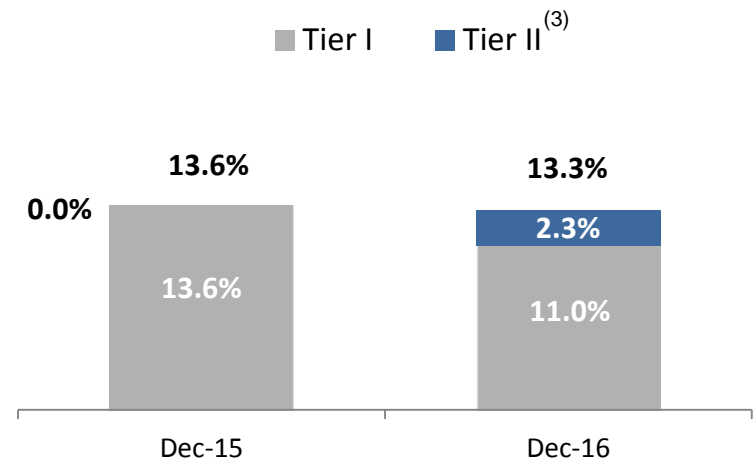
## Consolidated Capital Adequacy <sup>(1)</sup>



## Banco de Bogotá Unconsolidated <sup>(1)</sup>



## BAC <sup>(2)</sup>



(1) Capital Ratios are calculated under the methodology of the Colombian Superintendence of Finance.

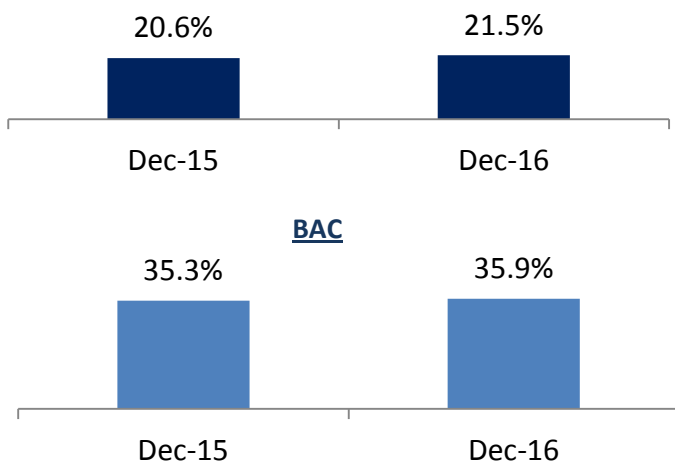
(2) Capital Ratio for BAC is calculated under the regulation of Bank's Superintendence of Panamá.

(3) According to Agreement 001 of 2015 and Agreement 003 of 2016 from Bank's Superintendence of Panamá, as of July 2016 the Dynamic Provision is excluded from Tier 1 Capital and included only as Total Capital.

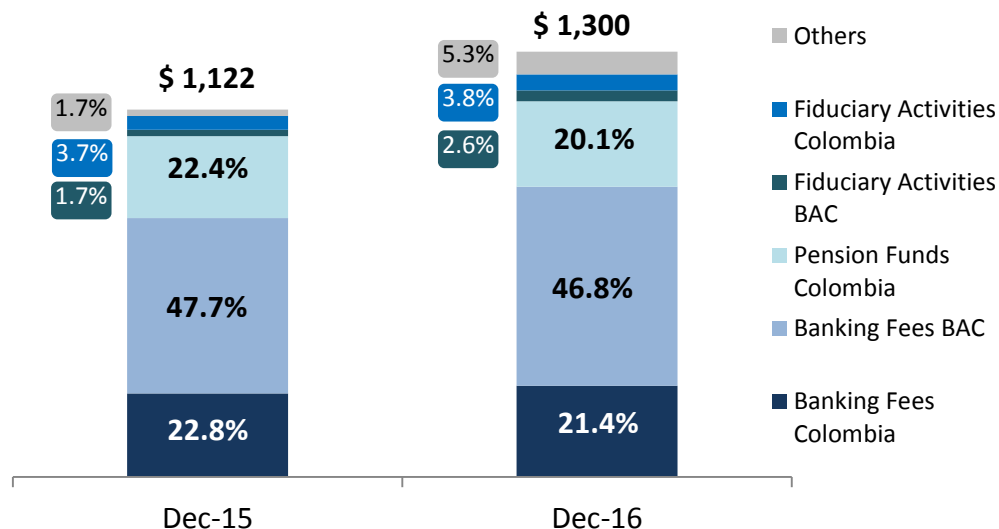
Figures in USD. Millions

## Fee Income Ratio (1)

### Banco de Bogotá Unconsolidated

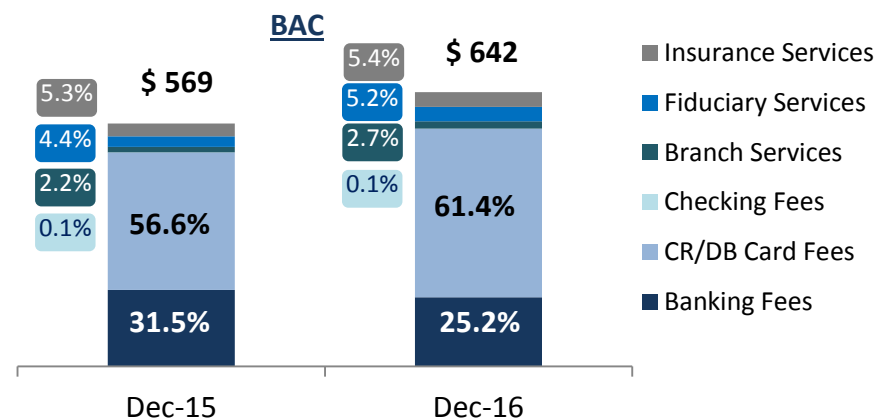
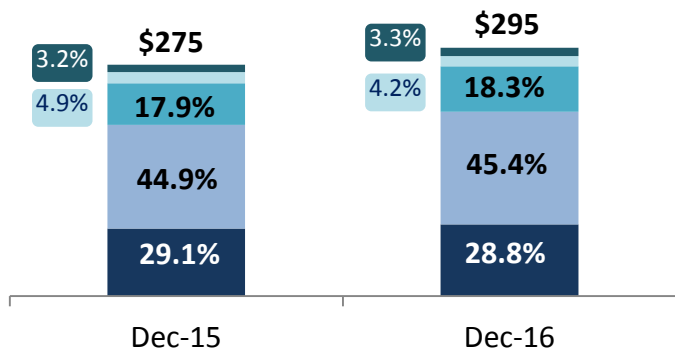


## Fee Income Break Down (2)



## Fee Income by Product

### Banco de Bogotá Unconsolidated

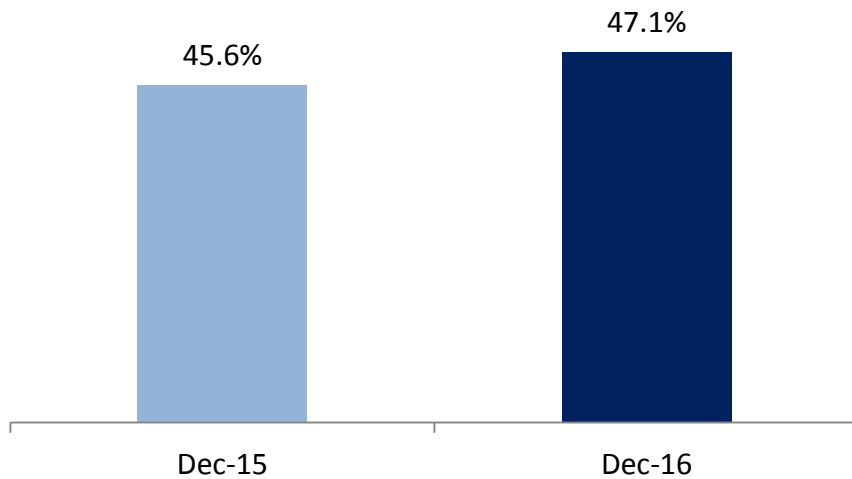


1. Fee Income ratio is calculated: Gross Fee income / Net interest income before provision + Gross fee income + Net trading income from investment securities held for trading + Other Income(excluding equity method Income, dividends and others).

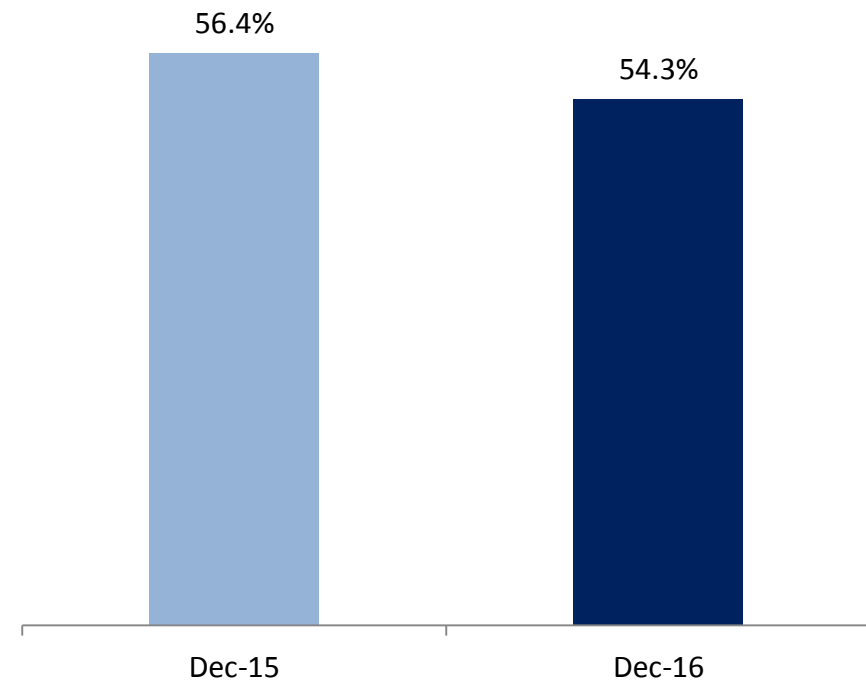
2. Fee Income Breakdown is the sum of Fees incomes of Banco de Bogotá Stand alone, BAC, Porvenir and FiduBogotá

Exchange rate: 3.000,71 COP/USD

## Banco de Bogotá Unconsolidated <sup>(1)</sup>



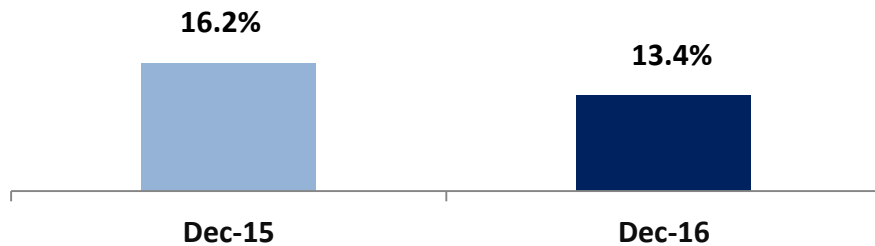
## BAC



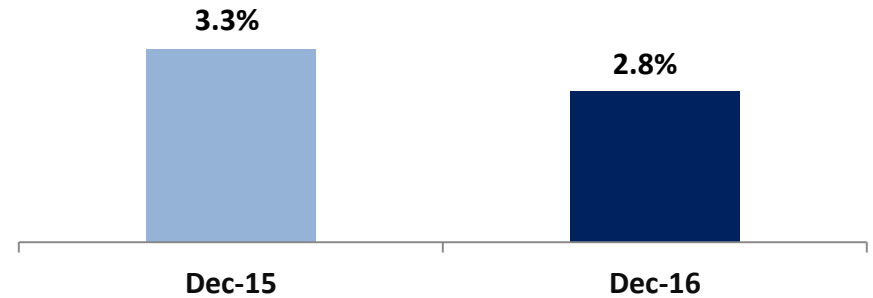
(1) Calculated as Personnel plus administrative expenses divided by net interest income plus net trading income, other income and fees and other services income, net (excluding equity method Income, dividends and others).

## Banco de Bogotá Unconsolidated

### ROAE (1)

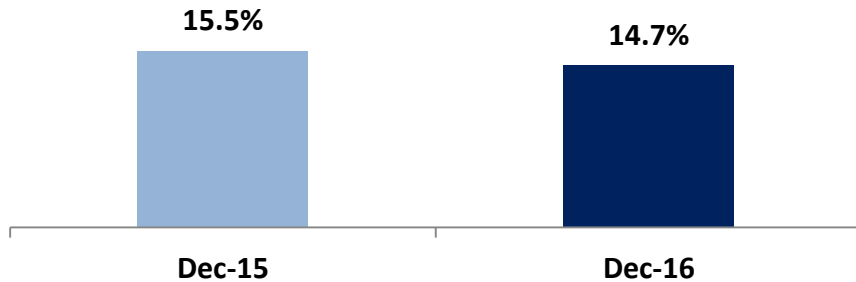


### ROAA (2)

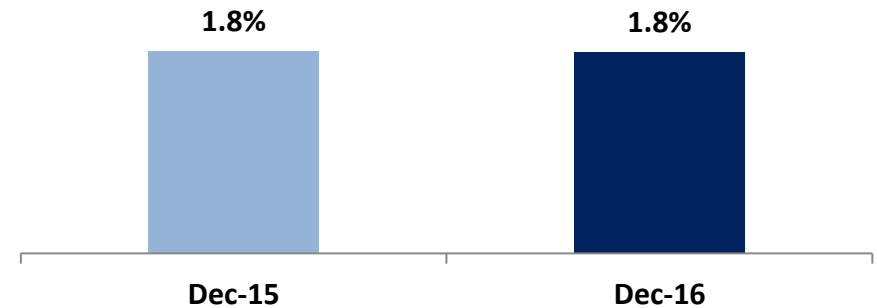


## BAC

### ROAE (1)



### ROAA (2)



NOTE: Ratios for Banco de Bogotá Unconsolidated are calculated excluding the extraordinary gain from the loss of control of CFC (USD \$728 Million), but including the full capitalization of this value in shareholder equity. Without incorporating the impact of the capitalization (as well as the extraordinary gain), ROAE for 2016 would have been 14.7%.

(1) ROAE for each period is calculated as Net Income attributable to shareholders divided by average attributable shareholders' equity.

(2) ROAA for each period is calculated as Net Income divided by average of total assets.

# Banco de Bogotá



## Investor Presentation

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### Update on Concesionaria Ruta del Sol (CRDS)



The Issuers Recognition IR granted by the Colombian Stock Exchange is not a certification about the quality of the securities listed at the BVC nor the solvency of the issuer.



Banco de Bogotá is an issuer of securities in Colombia. As a financial institution, the Bank, as well as its financial subsidiaries, is subject to inspection and surveillance from the Superintendency of Finance of Colombia.

As an issuer of securities in Colombia, Banco de Bogotá is required to comply with periodic reporting requirements and corporate governance practices.

The information provided in this document includes forward-looking statements by the Bank which are based on facts and circumstances as currently known. Actual results may vary from those stated in this document as a consequence of developments in the investigations and the decisions of any governmental, judicial or arbitral authority involved in this matter and the final liquidation value reached with respect to the Proyecto Ruta del Sol Tramo 2, among others.

Banco de Bogotá shall not be responsible for any decision taken by investors in connection with this document.

Banco de Bogotá expressly disclaims any obligation to review, update or correct the information provided in this document. The document is not intended to provide full disclosure on the subject discussed.



## Banco de Bogotá 's exposure to CRDS

- Grupo Aval owns directly 10% of Corficolombiana and indirectly, through three of the banks that Aval controls, an additional 48%, for a total combined 58% stake in this affiliate. Banco de Bogotá owns 38.35% of Corficolombiana.
- Corficolombiana's investments in non-financial companies are concentrated in four industries: energy, infrastructure, hotels and agroindustry.
- Corficolombiana is the country's largest toll road builder and operator. Corficolombiana is the majority shareholder in all but one of the infrastructure projects in which it participates – Ruta del Sol 2.
- Corficolombiana sought partnerships with the then leading infrastructure companies in the world and after a thorough selection process decided to partner with Odebrecht S.A., Latin America's largest engineering and construction company.
- Odebrecht's main requirement was to be given operating control of Concesionaria Ruta del Sol 2, "CRDS".
- Corficolombiana participated in CRDS through a wholly-owned affiliate, EPISOL, with a 33% stake, Odebrecht with 62% and the Solarte group with 5%.
- Concesionaria Ruta del Sol 2 is the only partnership we have with Odebrecht.
- Episol's cash investment in CRDS amounts to approximately Ps\$86 billion, approximately US\$29 million. Through retained earnings, the investment of Episol in CRDS has grown to Ps\$0.35 trillion (approx. US\$117 million), which is equivalent to 1.7% of the total assets of Corficolombiana and to 0.3% of Banco de Bogotá's total consolidated assets.
- CRDS' net income for 2016 was PS\$95 billion, approximately US\$30 million, and given our stake in Corficolombiana, this figure accounted for approximately 2% of Banco de Bogotá's net income for the year.
- CRDS has not distributed cash dividends to Corficolombiana and was not expected to do so in the next decade as it first needed to finish the construction of the road and then it had to meet its obligations with the banks.
- The financial obligations of CRDS, the most relevant liability of the company, as of December 31, 2016 was PS\$2.4 trillion (approximately US\$800 million). 50% of such loans were granted by banks owned by Grupo Aval in both a revolving facility which funded working capital requirements and a long term facility which funded part of the construction. Banco de Bogotá's exposure to CRDS is close to US\$200 million.

## Facts of the Concession

- In 2009, CRDS was awarded a concession to build and operate Sector 2 of Ruta del Sol (approx. 1,100 km of road) after a public bidding process in which two other parties presented offers. One of the parties was disqualified after failing to present the required financial guarantees and the other after failing to meet the required qualifications.
- In 2014 an extension of the initial contract was agreed between the Government and CRDS. The extension implied the construction and maintenance of 81 additional kilometers of road.
- The project was to be paid for with a combination of direct payments from the Government and tolls.
- The direct payments (“vigencias futuras”) were to be paid between 2011 and 2023 and amounted to Ps. 3.54 trillion (in pesos of December 2008) or approximately US\$1.2 billion, which represents about Ps. 4.7 trillion or US\$1.6 billion in pesos of December 2016.
- Toll collections were guaranteed by the Government and were also a significant source of income, as they amply covered the cost of maintaining and operating the road.
- As of December 2016, approximately 55% of the construction had been completed (this has been certified by the Government).
- As of December 2016, CRDS had received approximately Ps 1.36 trillion (in pesos of December 2016) in direct Government payments.
- In addition, CRDS had received approximately Ps. 1.18 trillion (in pesos of December 2016) from tolls and other minor sources of income.
- As of December 2016, CRDS had incurred total expenses including construction, operation, maintenance, administrative, financial and tax of Ps. 5.65 trillion (in pesos of December 2016).
- The net result, between revenues and expenses, amounted to Ps. 3.1 trillion (in pesos of December 2016) or approximately US\$ 1.0 billion. This amount is the estimated value of liquidating the concession contract, as per the recent agreement (“The Agreement”) signed between the National Infrastructure Agency (“ANI”), and CRDS. This amount will be paid to CRDS by the Government with future direct payments (vigencias futuras) and Government Fixed Income Obligations.
- The liquidation amount (Ps. 3.1 trillion) will be used to pay the existing financial obligations of CRDS of approximately Ps. 2.4 trillion and the remainder will be returned to shareholders around the year 2021 after complying with contractual stipulations.

## Latest developments

- On February 22, 2016 ANI and CRDS reached The Agreement by which the concession contract would be terminated and liquidated.
- The Agreement includes a formula for liquidation of the contract by which the government will recognize the difference between the expenses incurred by CRDS associated with the obligations of the Concession contract and the income received (both, revenues and expenses subject to verification).
- The initial calculation of the liquidation formula confirms the payment of 100% of the financial obligations of the banks that had financed the construction.
- Finally, the initial calculation of the formula suggests a partial recovery of the investment of EPISOL in CRDS.
- As a consequence, a US\$ 33 million (approximately 30% of the investment) impairment charge was made on 2H2016 results of Episol and Corficolombiana. This amount represented 20 to 25% of the expected result of Corficolombiana for 2016.
- The impairment will affect FY2016 results of Banco de Bogotá in US\$10 million (2.0% of Net Income of the year).
- No material provisions are expected from our loans to CRDS as it is now more evident that 100% of the loans would be recovered.

## What comes next?

- A final approval of the agreement is expected to come from authorities in the next few weeks. After such approval is received, a “reversal period” of 120 days begins in which CRDS agrees to return the construction to the Government. At the end of that period a final figure of the liquidation value of the contract will be achieved.

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