Let's **Grow**

Chapter 3

Our Financial Results

145 years growing

We grow in a sustainable way, generating economic and social value to our stakeholders.

3. Our Financial Results

Non-consolidated results (Separate)

The accompanying Separate Financial Statements have been prepared in accordance with the accounting and financial standards accepted in Colombia (NCIF, for the Spanish original), which include: the International Financial Reporting Standards (IFRS), compiled in Decree 2420 / 2014 issued by the Colombian Government, except in the treatment of the classification and valuation of investments in IAS 39 and IFRS 9, the loan portfolio and its impairment, and recognition of impairment of foreclosed or repossessed assets, regardless of their accounting classification, for which the accounting provisions issued by the Financial Superintendence of Colombia included in the Basic Accounting and Financial Circular apply, and the option of incurred wealth tax on an annual basis, charged to equity reserves, in accordance with Law 1739 / December 2014. The partial implementation of the International Financial Reporting Standards for entities of public interest, such as banks, was required in Decree 2784 issued by the Colombian Government in December 2012 and it is mandatory for accounting management and preparation of financial statements of entities of public interest as of January 1, 2015.

In the second half of 2015, the Banco de Bogotá's Colombian operations accounted for a net income of COP 1,009 billion, totaling COP 2,291 billion in 2015 as a whole. At the close of December 2015, the total assets amounted to COP 76,511 billion; the total liabilities, COP 60,796 billion; and the total equity, COP 15,715 billion.

Banco de Bogotá Non-consolidated – Balance Sheet

Partial IFRS Figures (Billions of COP)	Jun-14	Dec-14	Jun-15	Dec-15
Assets	**62,042**	**66,845**	**72,164**	**76,511**
Loans and Leases, Net (1)	39,415	41,372	45,498	47,006
Net Investments in Debt Securities	5,656	5,668	5,733	4,847
Net Investments in Equity Securities	9,362	11,447	12,558	14,739
Liabilities	**50,702**	**52,956**	**57,588**	**60,796**
Deposits (2)	41,243	40,985	44,959	44,806
Equity	**11,340**	**13,889**	**14,576**	**15,715**

In the second half of 2015, a retrospective restatement of the Financial Statements as at January 1 and June 30, 2015 was made, as per the provisions of Paragraph 42 of IAS 8; therefore, the Financial Statements for those dates differ from those published previously.

(1) Net Loans include accounts receivable associated with the loan portfolio and accounts receivable from customers.

(2) Deposits do not include collection services, affiliated establishments and canceled accounts.

Assets

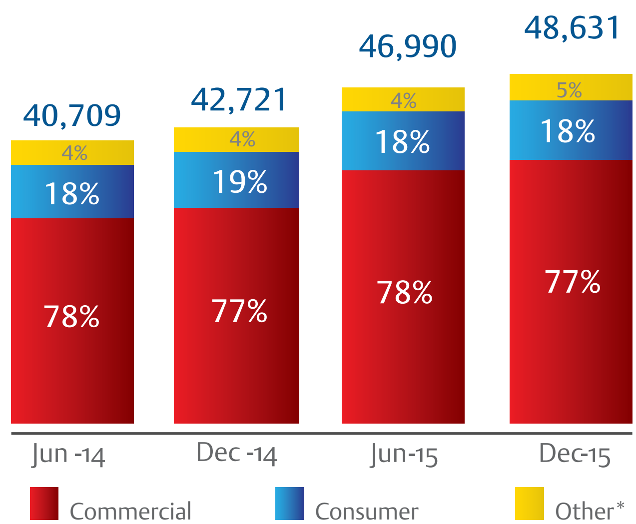
The **Assets** of Banco de Bogotá rose by 14.5% from December 2014, 61% of which was comprised of net loans and leases, 26% of net investments, and 13% of other assets. **Gross Loans and Leases** increased to COP 48,631 billion, COP 5,910 billion more than December 2014, influenced by the commercial loan and lease portfolio, which accounted for 75% or COP 4,442 billion of the growth. The structure of gross loans and leases consists of 77% in commercial loans and leases; 18% in consumer loans and leases; and 5% in mortgage loans and leases and microcredits.

The **Debt Securities** portfolio rose to COP 4,847 billion, accounting for 6.3% of the Bank's assets, and fell by 14.5%, mainly due to the decrease in the bank's investments at fair value through profit or loss (negotiable) and in investments at fair value through OCI - Other Comprehensive Income (available for sale) in legal tender. In terms of the classification of these investments, 66.5% of this portfolio was classified at fair value through OCI (available for sale), 23.3% was at amortized cost (through to maturity), and the remaining 10.3% was classified at fair value through profit or loss (negotiable). Additionally, COP 4,413 billion (91.0%) are represented by securities of operations in Colombia, COP 230 billion (4.7%) correspond to the New York agency, COP 142 billion (2.9%) to the Miami agency, and COP 63 billion (1.3%) to the Panama branch.

On the other hand, the **Equity Security Investment** portfolio is valued at COP 14,739 billion with annual growth of 28.8%, mainly due to the Bank's investment in Leasing Bogotá Panamá, which increased from COP 6,918 billion to COP 9,967 billion in December 2015, as a result of this investment being restated in U.S. dollars and the equity activity recorded through the equity method. Investments in subsidiaries, the main component of this portfolio, reached COP 14,708 billion, with Leasing Bogotá Panamá and Corficolombiana the most representative investments at 67.8% and 23.1%, respectively.

Evolution of Gross Loans and Leases

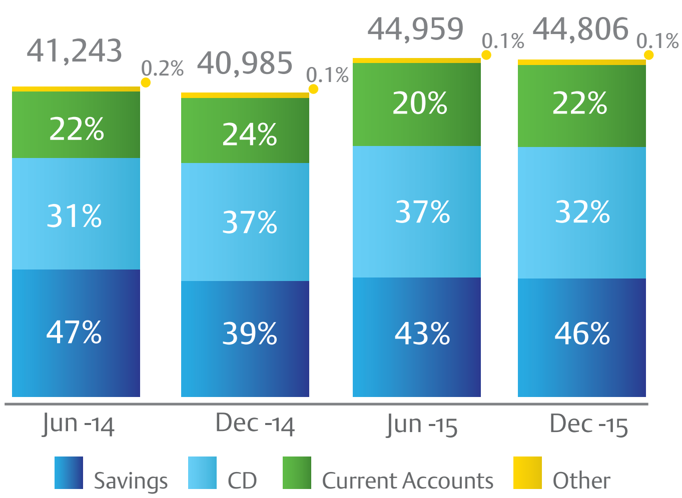
Billions of COP and % share



* Other includes Housing Loans and Leasing and Microcredit Loans.

Evolution of Deposits

Billions of COP and % share



Liabilities

By December 2015, the Bank's **Liabilities** amounted to COP 60,796 billion, growing 14.8% from December 2014. **Deposits**, which were COP 44,806 billion, 74% corresponding to Liabilities, which grew by COP 3,822 billion (9.3%) as a result of the COP 4,508 billion increase in savings deposits, with a reduction of COP 598 billion in CDs and COP 88 billion in current accounts and other deposits.

The remaining liabilities are primarily made up of **Financial Obligations** which amount to COP 12,923 billion, 21.3% of total liabilities, and which contain COP 7,139 billion in long-term debt with other banking institutions and in rediscounting, primarily COP 3,761 billion in bonds, and COP 2,022 billion in short-term interbank funds and simultaneous operations. The main annual variation occurred in the long-term debt, as a result of the generation of the Subordinated Note at a value of USD 500 million (COP 1,578 billion) in December 2015.

Equity

The Bank's **Equity**, COP 15,715 billion, increased by COP 1,826 billion from December 2014, primarily due to profit generation in 2015. Moreover, the items of Other Comprehensive Income (OCI) and Income from previous periods contributed a total of COP 1,009 billion.

Banco de Bogotá Non-consolidated – Statement of Income

Partial IFRS Figures (Billions of COP)	Jan-Jun 14	Jul-Dec 14	2014	Jan-Jun 15	Jul-Dec 15	2015
Interest income	1,884	2,037	3,922	2,206	2,342	4,548
Loans and Financial Leases	1,721	1,869	3,591	2,036	2,221	4,257
Valuation of Debt Securities and Other	163	168	331	171	120	291
Interest Expenses	661	758	1,419	844	977	1,821
Deposits	532	618	1,150	670	770	1,440
Other Interest Expenses	129	140	269	175	207	381
Net Interest Income and Valuation	**1,223**	**1,279**	**2,503**	**1,362**	**1,365**	**2,727**
Financial Asset Allowance	315	345	660	409	407	816
Net Commissions and Other Services	304	336	640	340	354	694
Other Revenue	630	747	1,378	1,133	968	2,100
Equity Method	0	0	0	648	639	1,287
Dividends and Shares	460	518	978	217	0	217
Other	170	229	399	268	328	596
Operating Expenses	844	941	1,785	901	1,097	1,998
Profit Before Tax	**998**	**1,077**	**2,075**	**1,525**	**1,182**	**2,707**
Income Tax	295	-157	138	243	173	416
Accumulated Net Income	**704**	**1,234**	**1,937**	**1,282**	**1,009**	**2,291**

Net Income

In the second half of 2015, Banco de Bogotá independently accrued COP 1,009 billion in **Net Income**, contributing to a total of COP 2,291 billion in 2015. In 2015, **Interest and Valuation Income** totaled COP 4,548 billion, 94% of which was generated by the financial lease and loan portfolio, while **Interest Expenses** were COP 1,821 billion, 79% for the payment of **Net Interest and Valuation Income**, accounting for COP 2,727 billion. Meanwhile, in 2015 **Net Commissions** stood at COP 694 billion, with annual growth of 8.3%, while **Financial Asset Provisions** were COP 816 billion.

In addition, in 2015, the Bank began application of the **Equity Method**, which corresponds to the accrual of the Bank's share in the profits of its subsidiaries, which generated COP 1,287 billion. In turn, **Operating Expenses** increased by 11.9% reaching COP 1,998 billion, while **Income Tax** stood at COP 416 billion.

Banco de Bogotá Non-consolidated – Equity Method

Partial IFRS Figures (Billions of COP)	% Part.	Jan-Jun 15		Jul-Dec 15	
Subsidiary		Net Income	Equity Method	Net Income	Equity Method
Leasing Bogotá Panamá (BAC)	100.0	419	419	481	481
Banco de Bogotá Panamá	100.0	8	8	10	10
Corficolombiana	38.2	325	124	150	57
Porvenir	36.5	158	58	124	45
Fidubogotá[1]	95.0	33	31	47	45
Almaviva	94.9	9	9	1	0
Casa de Bolsa[2]	22.8	1	0	4	1
Megalínea	94.9	1	1	0	0
Aportes en Línea	2.0	6	0	6	0
Finance	100.0	0	0	0	0
Pizano	18.5	-10	-2	-6	-1
Total		**949**	**648**	**817**	**639**

(1) Equity Method in the second half 2015, includes indirect share through Porvenir

(2) Equity Method in the second half 2015, includes indirect share through Corficolombiana

Main Management Indicators

Banco de Bogotá Non-consolidated – Main Indicators		
	Jun-15	**Dec -15**
Profitability Ratios		
ROAA (1)	3.7%	2.7%
ROAE (2)	18.0%	13.3%
Administrative Efficiency(3)	**31.1%**	**40.2%**
Total Solvency Ratio(4)	**18.4%**	**19.4%**
Basic Solvency Ratio(5)	**13.6%**	**12.8%**
Portfolio Indicators		
Non-performing Loans/Gross Loan Portfolio (6)	1.8%	1.8%
Past Due Loans/Gross Loan Portfolio(7)	2.4%	2.3%
Loan Provision / Past Due Loans	129.4%	139.2%
Loan Provision / Gross Loans	3.1%	3.2%

(1) Accumulated Net Profit for the Period * 2 / Average of assets at the end of the current period and the end of the previous period.

(2) Accumulated Net Profit for the Period * 2 / Average of equity at the end of the current period and the end of the previous period.

(3) Personnel Expenses + Administrative Expenses / Total Operational Income.

(4) Technical Capital / Risk-weighted Assets.

(5) Basic Capital / Risk-weighted Assets.

(6) Non-performing Loan Portfolio: Microcredit overdue 31 days or more, mortgage and consumer loans overdue 61 days or more, Commercial Loans overdue 91 days or more.

(7) Past Due Loans: Loan portfolio overdue 31 days or more.

Loan portfolio indicators with figures included in CUIF 14 and 8.

The **Profitability Ratios** during both halves of 2015 were 3.7% and 2.7%, respectively, for ROAA, and 18.0% and 13.3% for ROAE, influenced by the above-mentioned income. The difference between income in each half-year is explained primarily by the receipt of extraordinary income in the first six months, corresponding to COP 217 billion in dividends declared in 2014 and received in the first half of 2015, and COP 78 billion in CREE and income tax recoveries. If this extraordinary income were not to be included, the profitability ratios for the first half of 2015 would be: 2.8% in ROAA, and 13.9% in ROAE.

The **Efficiency Indicator** stood at 31.1% and 40.2% for both halves of 2015, respectively, resulting in an accumulated efficiency ratio of 35.5%, allowing the bank to retain its status as one of the most efficient in the Banking System. The difference between both halves of the year owes primarily to the greater operating income in the first six months of 2015, given the receipt of dividends and the increase in administrative costs in the second six months, caused, among other factors, by greater spending on investment properties, and property, plant, and equipment, reassigned from goods held for sale due to the change in accounting policy in December 2015. The efficiency ratio in the first half of 2015 without factoring in dividends is 33.8%.

The Bank's **Total Solvency** Ratio in December 2015 was 19.4% while the **Basic Solvency** Ratio was 12.8%, above the minimum requirements of 9% and 4.5%, respectively. The Bank's technical reserves amounted to COP 13,897 billion in December 2015, composed primarily of legal reserve and surplus from additional paid-in capital (COP 10,266 billion),

and subordinated debenture (COP 3,337 billion). The risk-weighted assets totaled COP 71,623 billion, primarily composed of credit-risk-weighted assets (COP 68,197 billion), which in turn is primarily made up of the loan portfolio (net value of COP 44,855 billion) and market risk-weighted assets (COP 3,426 billion).

An increase of 26 bp from December 2014 was recorded in the Bank solvency ratio, primarily due to the increase in technical reserves (variation of COP 1,750 billion), driven primarily by the issuance of the subordinated note worth USD 500 million, and the generation and approval of the period's profit.

Loan portfolio management ratios as of December 2015 show that only 2.3% of gross loans correspond to past due loans, reflecting the high **Portfolio Quality**; however, this ratio is lower than that of the Banking System, which is 2.8%. In addition, the **Portfolio Coverage** ratio shows that past due loans are 139.2% covered by portfolio provisions established by the Bank.

Gases del Caribe, expanding its coverage

One of the most complex tasks that Gases del Caribe has had to undertake over the last 50 years was the interconnection of small gas fields in remote areas, such as El Difícil, Arjona and El Paso, among others. With a view of improving the quality of life of the inhabitants of these areas, the company drew on the financial support, reliability and efforts of Banco de Bogotá.

"To be able to expand the networks of Gases del Caribe to the public, Banco de Bogotá offered the company financial support".

Bolstering the reliability of the gas system in the Caribbean has been neither an easy nor cost-effective task for the firm headed by Ramón Dávila Martínez. To this end, USD 100 million were allotted in the last three years. The budget included construction and start-up, as well as certain projects, such as the gas distribution pipeline that interconnects smaller fields and enables a supply to rural areas in Magdalena and Cesar.

“To be able to expand the networks of Gases del Caribe to the public, Banco de Bogotá offered the company financial support, which allowed the required infrastructure works to be carried out. It provided its services to enable the company’s collections along the Caribbean coast through its branches, ATM networks and other available means of payment, in which excellent human resources were utilized,” said Dávila.

After almost five decades of uninterrupted work – which the management described as “titanic” – and improvements to the quality of life of local residents, the firm has provided fuel to 850,000 users across three departments: Atlántico, Magdalena and Cesar. “All this effort has been very fulfilling because of the importance to households of having access to the natural gas supply.”

In 2016, the company plans to invest USD 60 million in improving the supply by exploiting other smaller fields and reaching 35 new communities. “The Bank continues to support us in this complex task, with which we will benefit 34,000 households in the region,” the CEO pointed out.

At present, one of the Company’s priorities is to continue with its commitment to the environment, and to improving the quality of life and health of users.

145 Years Changing Entrepreneurial Histories Portafolio journal.

Ramón Dávila Martínez
General Manager - Gases del Caribe