



Vivamos,
disfrutemos
y sonriamos
siempre juntos.

Banco de Bogotá AVAL

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Chapter 8

Relevant **information**

Let's comply

Banco de Bogotá 

8. Relevant information

Disclosure and Control of Financial Information

Pursuant to Article 47 of Law 964 / 2005, during the second semester of 2016, the Registered Agents of Banco de Bogotá exercised the responsibility of establishing and maintaining appropriate systems for the disclosure, follow-up and control of financial information. To do so, they effectively relied on control and monitoring systems, as well as on specialized risk departments that ensure that the financial information provided to different institutions is adequate. Additionally, Registered Agents assess before the Audit Committee, the Statutory Auditor and the Board of Directors, the operation and internal controls that allow the Bank to properly record, process, summarize and submit financial information. Likewise, they analyze cases that may affect the quality of the financial information, as well as methodological changes in the evaluation thereof.

Registered Agents, aware of their responsibility to manage the various risks of the banking business, are fully cognizant of how they are intertwined with the Bank's general strategy, and they are familiar with the processes, business structure and nature of its activities. As per the content of Note 6 to the Separate Financial Statements, the Registered Agents provide ongoing support and follow-up to the Banking businesses; issue guidelines for granting loans; establish policies and the intervention level according to each type of market, product or business unit; define the institution's risk profile; adopt the necessary measures to face the new financial risks; establish the required organizational structure; and assess risk management methodologies using modern technological infrastructure and clear, accurate and timely information tools that allow them to exercise permanent control on Credit Risks, Market Risk, Liquidity Risk, Operational Risk, Legal Risk, and Money Laundering and Terrorism Financing Risk. Moreover, the Registered Agents constantly verify that all Bank activities, transactions and operations are carried out within the parameters permitted by current regulations and authorized by the Bank's Board of Directors and the Senior Management.

Relevant Information

Sale of Credomatic of Mexico Portfolio

With the goal of concentrating and strengthening its presence in the banking and credit card business in Panama, Costa Rica, El Salvador, Nicaragua, Honduras and Guatemala, BAC International Bank signed an agreement with Banco Invex S.A. on December 16, 2016, establishing that it will transfer its credit card portfolio in Mexico to the latter. Subject to obtaining the pertinent regulatory authorizations, it is expected that the transaction will close in the first half of 2017.

Credomatic of Mexico, a credit card issuer entity (without any banking license), began operations in Mexico in 2004, and has a net allowances loan portfolio totaling approximately USD 49.2 million, which represents 0.4% of Grupo BAC Credomatic's total loans.

Deconsolidation (Loss of Control) of Casa de Bolsa

With the purpose of focusing the Bank's efforts on activities inherent to the banking business, on December 21, 2016, Banco de Bogotá signed a shareholder's agreement between Corficolombiana Banco de Occidente and Banco Popular. As a result, Corficolombiana became the direct controlling company of Casa de Bolsa. Signing the agreement did not change Banco de Bogotá's stock (22.8%).

In view thereof, the Bank lost control of Casa de Bolsa and began to recognize its investment in this entity as an associate in its Separate Financial Statements, using the equity method.

Relevant Subsequent Events

Pursuant to the information in Note 34 of the Financial Statements, and in compliance with the provisions of Paragraph 1, Article 47 of Law 222 / 1995 and IAS 10, the Bank stated that Concesionaria Ruta del Sol S.A.S. (the "Concessionaire") is the company awarded Concession Contract number 001 of January 14, 2010, whose goal consists of the construction, operation



and maintenance of Sector 2 of the Ruta del Sol Highway Project, located between Puerto Salgar and San Roque (the “Contract”). In relation to this Contract, the Bank granted loans to the Concessionaire, whose balances as of December 31 and June 30, 2016 totaled COP 721,145 million and COP 690,367 million, respectively. This represents a 0.90% and a 0.90% of the total assets at each cut-off date. Similarly, Estudios y Proyectos del Sol S.A.S. (“Episol”), a company 100% owned by Corporación Financiera Colombiana S.A. (Corficolombiana), associated to the Bank, holds 33% of the Concessionaire’s share capital.

As a result of investigations and processes undertaken by criminal, legal and administrative authorities due to acts of corruption in twelve countries, including Colombia, which were confessed to legal authorities in the United States by Brazilian firm Odebrecht S.A., which was the controlling company of the Concessionaire (62.01%) through its affiliates Constructora Norberto Odebrecht S.A., and Odebrecht Latinvest S.A.S., said Contract has been subjected to recent measures and statements issued by Colombian superintendencies and judges.

In view of this, with the purpose of allowing prompt continuity of the Ruta del Sol sector 2 project, and in compliance with orders issued on this matter, the Concessionaire and the National Infrastructure Agency (ANI, for the Spanish original) signed an agreement on February 22, 2017, which set forth the Contract’s early termination, as well as the formula to liquidate it (the “Agreement”). Based on the formula to liquidate the Agreement and preliminary values thereof, the Bank estimates that: a) it will recover the totality of capital owed by the Concessionaire, as well as interests accrued to the date of the reversal of the concession to the ANI. The Agreement stipulates that these resources shall be given to the banks, adjusted for the inflation index, between 2017 and 2021, to be charged against future terms, and b) the Contract’s liquidation bases will allow Episol to partially recover its investment in the concessionaire; for that reason, financial statements for the second half of 2016 (closed as of December 31) for Episol, and therefore for Corficolombiana, will include allowances for COP 102,274 million related to said investment. The aforementioned affects the Bank’s profits by COP 39,219 million.



Foreseeable Evolution for the Entity

With respect to Paragraph 2, Article 47 of Law 222 / 1995, next year, Banco de Bogotá will continue to consolidate the objectives and goals defined in its strategic planning which will allow it to continue committing itself to the banking process, in regards to corporate social responsibility and the country's growth, as a solid, efficient and leading entity in the financial system.

The Bank will strengthen and capitalize on its relationship with its clients by improving the value offer made available to them and expanding its presence and coverage nationwide through optimum channels, specialized models, skilled personnel, its different affiliates, its technological and physical infrastructure and its proactive inorganic growth strategy.

The Bank will also advance its regional consolidation process, taking advantage of synergies with affiliates in order to position itself as a strategic ally in the development and internationalization of companies.

Operations with Partners and Administrators

With respect to the provisions of Paragraph 3, Article 47 of Law 222 / 1995, Banco de Bogotá states that the operations carried out by the Bank with its partners and admini-

nistrators are in line with the general policies of the institution, and are regulated and described in Note 31 to the Financial Statements.

Intellectual Property and Copyrights

Pursuant to the provisions of Article 47 of Law 222 / 1995, and as per Paragraph 4 thereof, Banco de Bogotá states that for some time now, it established enforcement policies regarding intellectual property and copyright regulations concerning the different services and products necessary or owned for the performance of its work, whenever they are required. The Systems (IT), Marketing and Comptroller departments conduct audits throughout the entire country to monitor compliance with such policies and legal provisions. Furthermore, Banco de Bogotá, where applicable, keeps records of its name, brands, products, services and publications up-to-date.

Free Circulation of Invoices

Pursuant to the requirements of Article 87 of Law 1676 / 2013, which promotes access to credit and sets forth regulations regarding property insurance, Banco de Bogotá has established enforcement policies regarding the free circulation of invoices issued by sellers or suppliers with which the Bank has business relationships, thereby avoiding anti-competitive practices.

