## NOTE 1 – Reporting entity

Banco de Bogotá S.A. (parent company) is a private institution headquartered in the city of Bogotá D.C. at Calle 36 No. 7-47. It was incorporated through 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 Financial Superintendence of Colombia renewed the Bank's 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 Bank 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.

The Bank and its subsidiaries were operating at December 31, 2015 with thirty eight thousand fifty-seven (38,057) employees on contract, seven hundred and 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 also has one thousand five hundred thirty-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 office in Panama City that is licensed to operate as a local bank.

These consolidated financial statements include the financial statements of the Bank and the following subsidiaries (hereinafter the Group):

| Name of Subsidiary | Main Activity | Place of Business | Total % voting rights of group (1) | Total % indirect rights of group (1) |
|---|---|---|---|---|
| **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 merchandise 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. | Megalínea is a technical and administrative services company whose corporate purpose is management and pre-legal, legal or out-of-court collection on loans. | Bogotá, Colombia | 94,90% | |

(Continued)

BANCO DE BOGOTÁ S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

| Name of Subsidiary | Main Activity | Place of Business | Total % voting rights of group (1) | Total % indirect rights of group (1) |
|---|---|---|---|---|
| **National Subsidiaries** | | | | |
| 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. By law, these constitute private equity separate from the equity of the fund manager. | Bogotá, Colombia | 36,51% | 10,40% |
| Corficolombiana S.A. and subsidiary | Corficolombiana provides specialized services for private banking, investment banking, and cash and equity investments. Its corporate purpose is to develop all business and contracts authorized for this type of lender under the General Regulations on the Financial System or any other special provisions or regulations that might replace, amend or add to those regulations.<br><br>Corficolombiana also has an interest in entities in a number of sectors such as finance, energy and gas, construction and infrastructure, agriculture and hotels, among others. | Bogotá, Colombia | 38,19% | |
| 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 consultancy 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 Panamá 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 City, Republic of Panama | 100,00% | |
| Banco de Bogotá Panamá 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, City, Republic of Panama | 100,00% | |
| Bogotá Finance Corporation. | This is a financial corporation and its corporate purpose is the issue 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 and is in the business of collecting on loans and managing assets received for sale. | Panama City, Republic of Panama | 49,78% | 49,78% |

(1). In percentage terms, 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.
(3). Indirect interest through Fiduciaria Bogotá
(4). Indirect interest through Corficolombiana
(5). Indirect interest through Corficolombiana

The Group is controlled by Grupo Aval Acciones y Valores S.A.

(Continued)

**NOTE 2 – Restatement of previous financial statements**

Until June 30, 2015, the group registered a deferred tax liability of $ 665.055 with respect to the adjustment for conversion of the financial statements of foreign subsidiaries. This amount included $211,037 recognized as other comprehensive income for the first half of 2015 and $454,017 in income from previous years. The way this liability was entered on the books coincides with the accounting treatment of investments in foreign subsidiaries described in the accounting policy in Note 4iv, since the investment was expected to be realized in the medium term, as per the requirements outlined in IAS 12 - Income Tax.

After releasing its financial statements at June 30, 2015 the Group analyzed new technical positions concerning the recognition of deferred tax liabilities on the adjustment for conversion of the financial statements of foreign subsidiaries, specifically with respect to implementing the exception provided for in paragraph 39 of IAS 12 on non-recognition of deferred tax liabilities for temporary differences associated with investments in subsidiaries when the following two conditions occur jointly: (a) the controller, investor, participant in a joint venture or joint operator is able to control the timing of the reversal of the temporary difference; and (b) the temporary difference is not likely to be reversed in the foreseeable future.

Given that it is not considered highly likely these investments will be realized in the foreseeable future in a period of one year, the Group decided to reverse the aforementioned deferred tax liability of $ 665,055, crediting it to the respective accounts in which it was recognized previously; namely, other comprehensive income and retained earnings.

After preparing its 2014 income tax return, the Group recorded a current tax credit of $ 90,393, since it expected to take certain deductions for expenses in its 2014 tax return. However, in light of subsequent analysis on the recovery of that tax credit, the Group decided, under the current circumstances, to reverse the $ 90,393 entered under accounts receivable and charge it to retained earnings.

Consequently, the Group proceeded to restate its financial statements at June 30 and January 1, 2015. It did so retroactively and in accordance with the provisions outlined in paragraph 42 of IAS 8. Therefore, the financial statements on those dates differ from the ones published previously, as explained in the following paragraph.

The following shows the accounts that were affected by retroactive restatement of the financial statements at June 30 and January 1, 2015:

| | | June 30, 2015 | | |
|---|---|---|---|---|
| | | **Balances presented previously** | **Adjustment made** | **Restated balances** |
| **Statement of financial position** | | | | |
| **Assets** | | | | |
| Accounts receivable | $ | 4,904,250 | (90,393) | 4,813,857 |
| **Total balances restated in assets** | | **4,904,250** | **(90,393)** | **4,813,857** |
| **Liabilities** | | | | |
| Deferred income tax liability | | 2,697,807 | (665,055) | 2,032,752 |
| **Total balances restated in liabilities** | | **2,697,807** | **(665,055)** | **2,032,752** |
| **Equity** | | | | |
| Other comprehensive income | | (21,641) | 665,055 | 643,414 |
| Income from previous periods | | 333,922 | (90,393) | 243,529 |
| **Total balances stated in equity** | $ | **312,281** | **574,662** | **886,943** |

(Continued)

| | | January 1, 2015 | | |
|---|---|---|---|---|
| | | **Balances presented previously** | **Adjustment made** | **Restated balances** |
| **Statement of financial position** | | | | |
| **Assets** | | | | |
| Accounts receivable | $ | 4,465,033 | 62,415 | 4,527,448 |
| **Total balances stated in assets** | | **4,465,033** | **62,415** | **4,527,448** |
| **Liabilities** | | | | |
| Current tax liability | | 2,346,672 | (301,210) | 2,045,462 |
| **Total balances restated in liabilities** | | **2,346,672** | **(301,210)** | **2,045,462** |
| **Equity** | | | | |
| Other comprehensive income | | (21,751) | 454,017 | 432,266 |
| Income from previous periods | | 1,092,716 | (90,393) | 1,002,323 |
| **Total balances restated in equity** | $ | **1,070,965** | **363,624** | **1,434,589** |

## NOTE 3 – Basis for presentation of the consolidated financial statements and summary of significant accounting policies

### i. Statement of Compliance

The Group's consolidated financial statements attached hereto were prepared in accordance with accounting and financial reporting standards accepted in Colombia. These include the International Financial Reporting Standards (IFRS) in effect at January 1, 2013, as outlined in the attachment to Decree 2420/2015 issued by the Colombian government. There are, however, two exceptions: i) recognition of the difference between measurement of the loan portfolio allowance according to Chapter II in the Basic Accounting and Financial Circular issued by the Financial Superintendence of Colombia and the measurement of loan portfolio impairment according to IFRS in the individual or separate financial statements under other comprehensive income in equity, without affecting income for the accounting period; and ii) the wealth tax accrued annually and the option of its recognition charged to equity reserves, as provided for in Law 1739 / December 2014.

The application of International Financial Reporting Standards for entities of public interest was made mandatory in Decree 2420 issued by the Colombian government in December 2015. All previous standards or rulings issued by the government in the IFRS adoption process for Colombia were compiled in that decree. IFRS application is obligatory as of January 1, 2015 for accounting management and for preparation of the financial statements of entities of public interest, among other entities, with a transition period for preparation of the opening statement of financial position at January 1, 2014 for purposes of comparison.

However, accounting treatment of the wealth tax was defined subsequent to Law 1739 / 2014, and the Financial Superintendence of Colombia ordered the resulting adjustment in the loan portfolio allowance to be entered under other comprehensive income, as indicated in the preceding paragraph.

### ii. Basis for Presentation of the Financial Statements

Under Colombian law and pursuant to the requirements set by the Financial Superintendence of Colombia, the Group must prepare consolidated and separate financial statements. Separate financial statements are those that constitute the basis for distribution of dividends and other appropriations on the part of the shareholders. For Group management purposes, the consolidated financial statements are presented at the Meeting of Shareholders.

(Continued)

A summary of significant accounting policies is included herein. These policies have been applied consistently to all the periods presented and in preparation of the opening statement of financial position for the purpose of transition to the IFRS, except as indicated in Note 2.

**a. Presentation of the Financial Statements**

The accompanying financial statements are presented in light of the following aspects.

**i. Statement of Financial Position**

The statement of financial position shows the various asset and liability accounts, noting their liquidity in the event of sale or their enforceability, as the case may be, since this type of presentation provides more relevant and reliable information. Therefore, the amount expected to be recovered or paid within twelve months, and after twelve months, is included in each of the notes on financial assets and liabilities, pursuant to IAS 1 - Presentation of Financial Statements.

**ii. Statement of Income for the Period and Other Comprehensive Income**

These two statements are presented separately, as permitted under IAS 1 - Presentation of Financial Statements. Likewise, the statement of income is presented based on the nature of expenses, which is the model most commonly used by financial institutions, as it provides more appropriate and relevant information.

**iii. Cash Flow Statement**

The cash flow statement is presented using the indirect method. In this case, the net cash flow from operating activities is determined by adjusting earnings before income tax for the effects of items that generate no cash flow, net of changes in assets and liabilities arising from operating activities, and any other items with monetary effects that are regarded as cash flows from investment or financing. Interest income and expenses received and paid are part of operating activities. Paid dividends may be classified as cash flows from financial activities or alternately as components of cash flows from operating activities, so as to help users determine the entity's capacity to cover dividends with cash flows from its operating activities.

**a. Consolidation with Controlled Entities**

**i. Entities in which the Group Exercises Control**

According to IFRS 10, the Group is required to prepare consolidated financial statements with the entities it controls. The Group has control over another entity if, and only if, it meets all the following conditions:

- Power over the investee that gives the Group current capacity to guide the relevant activities of the investee in a way that affects its performance significantly.

- Exposure or entitlement to variable returns from its involvement in the investee.

- Capacity to use its power over the investee to influence the amount of returns for the investor.

In the process of consolidation, the Group combines the assets, liabilities and income of the entities in which control is determined to exist, before equating their accounting policies and converting the financial statements of its foreign subsidiaries into Colombian pesos. As part of this process, any reciprocal

transactions and unrealized earnings that exist between them are eliminated. The share of non-controlling interest in controlled entities is presented in equity, separate from the shareholder equity of the Group's controlling company.

With respect to the financial statements of controlled companies abroad and for the process of consolidation, their assets and liabilities are converted into Colombian pesos at the closing exchange rate, the statement of income is converted at the average exchange rate each month, and equity is converted at the historic exchange rate. The resulting net adjustment is included in equity, as an "adjustment for conversion of the financial statements," and is entered in the account for "other comprehensive income".

The accompanying financial statements include the assets, liabilities, equity and income of the parent company and the companies it controls. The following is the breakdown of the ownership interest in each of them at December 31 and June 30, 2015.

| | | December 31, 2015 | | | |
|---|---|---|---|---|---|
| **Company** | **% Ownership interest** | **Assets** | **Liabilities** | **Equity** | **Income for the period** |
| Banco de Bogotá (parent company) | | $ 77,185,232 | 61,074,260 | 16,170,329 | 1,103,695 |
| Almacenes Generales de Depósito Almaviva S.A. & Subsidiaries | 94.92% | 118,582 | 53,453 | 65,129 | 5 |
| Fiduciaria Bogotá S.A. | 94.99% | 350,844 | 79,991 | 270,852 | 33,209 |
| Corporación Financiera Colombiana S.A. & Subsidiaries | 38.19% | 19,924,987 | 15,309,966 | 4,623,603 | 203,650 |
| Sociedad Administradora de Pensiones y Cesantías Porvenir S.A. & Subsidiaries | 36.51% | 2,230,971 | 954,040 | 1,276,932 | 92,776 |
| Banco de Bogotá S.A. - Panamá & Subordinate | 100.00% | 5,498,737 | 5,272,562 | 226,175 | (1,268) |
| Bogotá Finance Corporation | 100.00% | 269 | 0 | 269 | 1 |
| Leasing Bogotá S.A. – Panamá & Subsidiaries | 100.00% | 64,229,369 | 54,192,862 | 10,036,507 | 471,484 |
| Corporación Financiera Centroamericana S.A Ficentro | 49.78% | 0 | 1 | (1) | 0 |
| Megalinea S.A. | 94.90% | 14,955 | 11,717 | 3,238 | 218 |
| Casa de Bolsa S.A. | 22.80% | 69,229 | 41,682 | 27,547 | (796) |
| | | 169,623,175 | 136,990,534 | 32,700,580 | 1,902,974 |
| Eliminations | | (16,272,711) | (1,413,004) | (14,927,646) | (833,724) |
| Consolidated | | $ 153,350,464 | 135,577,530 | 17,772,934 | 1,069,250 |

| | | June 30, 2015 | | | |
|---|---|---|---|---|---|
| **Company** | **% Ownership interest** | **Assets** | **Liabilities** | **Equity** | **Income for the period** |
| Banco de Bogotá (Parent company) | | $ 72,595,265 | 57,864,574 | 14,730,693 | 1,206,393 |
| Almacenes Generales de Depósito Almaviva S.A. & Subsidiaries | 94.92% | 109,051 | 48,426 | 60,625 | 4,277 |
| Fiduciaria Bogotá S.A. | 94.99% | 276,719 | 68,506 | 208,213 | 32,797 |
| Corporación Financiera Colombiana S.A. & Subsidiaries | 38.19% | 17,769,943 | 13,492,819 | 4,277,124 | 260,835 |
| Sociedad Administradora de Pensiones y Cesantías Porvenir S.A. & Subsidiaries | 36.51% | 2,166,594 | 913,953 | 1,252,641 | 146,029 |
| Banco de Bogotá S.A. - Panamá & Subordinate | 100.00% | 3,964,375 | 3,776,807 | 187,569 | 11,254 |
| Bogotá Finance Corporation | 100.00% | 221 | 0 | 221 | 1 |
| Leasing Bogotá S.A. – Panamá & Subsidiaries | 100.00% | 50,703,519 | 42,789,056 | 7,914,462 | 393,340 |
| Corporación Financiera Centroamericana S.A Ficentro | 49.78% | 0 | 1 | (1) | 0 |
| Megalinea S.A. | 94.90% | 12,249 | 9,220 | 3,028 | 650 |
| Casa de Bolsa S.A. | 22.80% | 62,523 | 34,135 | 28,387 | 529 |
| | | 147,660,459 | 118,997,497 | 28,662,962 | 2,056,105 |
| Eliminations | | (13,308,697) | (724,492) | (12,584,205) | (1,049,669) |
| Consolidated | | $ 134,351,762 | 118,273,005 | 16,078,757 | 1,006,436 |

(Continued)

### ii. Standardizing Accounting Policies

The Group standardizes in order to apply uniform accounting policies for transactions and other events that, being similar, have taken place under comparable circumstances.

The following standardizations were done to prepare the consolidated financial statements:

**Leasing Bogotá S.A. Panamá**

| | December 31, 2015 | | | |
|---|---|---|---|---|
| | Assets | Liabilities | Equity | Income for the period |
| Balances based on IFRS, reported by the subsidiary | $ 64,262,869 | 54,268,557 | 9,994,313 | 467,392 |
| Standardization adjustments: | | | | |
| Purchase accounting reversal based on standards applied by the subsidiaries (Purchase Price Allocation) | 363,180 | (74,223) | 437,402 | 21,857 |
| Other standardization adjustments (1) | (396,680) | (1,472) | (395,208) | (17,766) |
| Balances based on the technical regulatory framework applicable to the Bank for the preparation of consolidated financial statements | $ 64,229,369 | 54,192,862 | 10,036,507 | 471,483 |

| | June 30, 2015 | | | |
|---|---|---|---|---|
| | Assets | Liabilities | Equity | Income for the period |
| Balances based on IFRS, reported by the subsidiary | $ 50,763,048 | 42,864,982 | 7,898,065 | 358,458 |
| Standardization adjustments: | | | | |
| Purchase accounting reversal based on standards applied by the subsidiaries (Purchase Price Allocation) | 272,358 | (71,926) | 344,284 | 12,853 |
| Other standardization adjustments (1) | (331,887) | (4,000) | (327,887) | 22,029 |
| Balances based on the technical regulatory framework applicable to the Bank for the preparation of consolidated financial statements | $ 50,703,519 | 42,789,056 | 7,914,462 | 393,340 |

(1) Pertains to adjustments for goodwill, investments and loan portfolio allowances.

**Banco de Bogotá S.A. Panamá**

| | December 31, 2015 | | | |
|---|---|---|---|---|
| | Assets | Liabilities | Equity | Income for the period |
| Balances based on IFRS, reported by the subsidiary | $ 5,498,283 | 5,272,562 | 225,721 | 13,811 |
| Standardization adjustments (1) | 454 | 0 | 454 | (15,079) |
| Balances based on the regulatory technical framework applicable to the Bank for the preparation of consolidated financial statements | $ 5,498,737 | 5,272,562 | 226,175 | (1,268) |

| | June 30, 2015 | | | |
|---|---|---|---|---|
| | Assets | Liabilities | Equity | Income for the period |
| Balances based on IFRS, reported by the subsidiary | $ 3,964,376 | 3,776,808 | 187,568 | 9,774 |
| Standardization adjustments (1) | 0 | 0 | 0 | 1,480 |
| Balances based on the regulatory technical framework applicable to the Bank for the preparation of consolidated financial statements | $ 3,964,376 | 3,776,808 | 187,568 | 11,254 |

(1) Pertains to adjustments for investments and loan portfolio allowances.

(Continued)

**a. Measurement Basis**

The consolidated financial statements were prepared according to the historical cost basis of accounting, except for the following items, which were measured using an alternative base on each balance sheet date:

| Item | Measurement Basis |
|---|---|
| Financial derivatives | Fair value through profit or loss |
| Financial instruments classified at fair value | Fair value through profit or loss and for equity instruments designated, in initial recognition, at fair value with changes in other comprehensive income |
| Certain components of the loan portfolio classified at fair value | Fair value through profit or loss |
| Non-current assets held for sale | Fair value less sales cost |
| Biological assets | Fair value less sales cost |
| Financial assets in concession arrangements | Fair value through profit or loss |
| Inventories | Lesser value between cost and net realizable value |
| Investment properties | Fair value through profit or loss |

**b. Investments in Associates**

Investments in associates are investments in entities over which there is significant influence, but no control. It is understood the Group has significant influence over another entity when it directly or indirectly holds 20% or more of the voting rights in the investee, unless it can be clearly demonstrated that such influence does not exist. These investments are recorded by the equity method and are adjusted periodically to reflect changes in the investor's share of the net assets of the investee. The investor's income for the period includes its share of the investee's income for the period, and the investor's other comprehensive income in equity incudes its share of the investee's other comprehensive income.

**c. Joint Agreements**

A joint agreement is one whereby two or more parties maintain joint control of the agreement; in other words, only when decisions on relevant activities require the unanimous consent of the parties that share control.

IFRS 11 classifies joint agreements as joint operations and joint ventures, depending on the contractual rights and obligations of each investor.

In joint operations, the parties with joint control of the agreement are entitled to the assets and liabilities related to the agreement. In joint ventures, the parties with control of the agreement are entitled to the net assets of the agreement.

Joint operations are included in the Group's consolidated financial statements based on its proportional and contractual share of each of the assets, liabilities, earnings and expenses, pursuant to the terms of the agreement.

The Group's joint operations are recorded by the equity method.

(Continued)

### i. Functional and Reporting Currency

Management considers the Colombian peso to be the currency that best represents the economic effects of the Group's underlying transactions, events and conditions. For that reason, the accompanying financial statements and disclosures are presented in millions of Colombian pesos, as the Group's reporting currency.

The figures reported in the separate financial statements of the Group's controlled companies are expressed in the currency of the primary economic environment (reporting currency) where each entity operates and are converted to Colombian pesos for the purpose of consolidation. All effects of conversion are recorded as other comprehensive income in equity, according to IAS 21 - Effects of Variations in Foreign Currency Exchange Rates.

### ii. Transactions in Foreign Currency

Transactions in foreign currency are converted into Colombian pesos at the exchange rate in effect on the day of the transaction. Monetary assets and liabilities in foreign currency are converted into the reporting currency using the exchange rate in effect on the closing date of the statement of financial position, while non-monetary assets in foreign currency are measured at the historical exchange rate. Gains or losses resulting from the conversion process are included in the statement of income.

The rates at December 31, 2015 and December 31, 2014 were $3,149.47 (pesos) and $2,598.68 (pesos), respectively.

### iii. Cash and Cash Equivalents

Cash and cash equivalents include cash, bank deposits and other short-term investments in active markets, with original maturities at three months or less, made as part of the normal surplus cash management. If a financial investment is to be classified as a cash equivalent, it must be held to meet short-term commitments, more than for investment or similar purposes. It also must be readily convertible into a determined amount of cash and subject to insignificant risk of changes in its value.

### iv. Financial Assets from Investment in Debt Securities, Loans and Equity Investments in Entities Where the Group Does Not have Control or Significant Influence

a) Classification

According to IFRS 9 - Financial Instruments, the Group's financial assets represented by investments in debt securities are classified into two groups: a) " at fair value with adjustment in income" or b ) "at amortized cost". This classification is based on the business model used to manage these assets and on the characteristics of the contractual cash flows they produce. In line with its liquidity strategy and appetite for risk, the Group classified most of its investments in debt securities at January 1, 2014 under "financial assets at fair value with adjustment to income". A lessor portion in debt securities was classified "at amortized cost".

Financial assets in the loan portfolio were classified "at amortized cost," considering the Group's main objective in this respect is to grant and collect loans pursuant to their contractual terms. In its assessment, the Group determined its loan portfolio complies with the contractual conditions that generate, on specific dates, cash flows that are solely payments of principal and interest on the outstanding balance.

(Continued)

The various types of authorized lending are recorded as loans and capital leases. The funds used to grant loans come from the Group's own resources, from the public (in the form of deposits) and from other sources of foreign and domestic funding.

These are financial assets with fixed or determinable payments that are not listed on an active market and usually originate when providing funds to a borrower in the form of a loan.

Loans are listed at the value of their outstanding principal, less unearned interest and commissions (if applicable) and impairment losses, except in the case of loans for which the fair value option has been selected.

Unearned interest and commissions are recorded as income during the life of the loan, using the effective interest method.

The following transactions are registered in the loan portfolio and under capital leasing:

- Customer loans
- Assets delivered under leasing arrangements that are classified as capital leases according to IAS 17
- Prepayments for the purchase of assets to be delivered under a capital lease
- Assets to be delivered under a capital lease
- Ongoing imports of assets to be delivered under a capital lease
- Interest receivable
- Employee loans
- Letters of credit for collateral
- Letters of credit for deferred payment
- Payment on behalf of customers

The Group measures the following types of loans at amortized cost, using the straight line method of amortization.

| Type of Loan | Repayment Period |
|---|---|
| Credit Card | • Deadline in the Bank<br>• Average period of the installments in which use is deferred.<br><br>• Considering the term of the card is never exceeded.<br>The cost begins to be amortized once the credit card is activated, regardless of whether or not it is used. |
| Revolving Credit | While the line of credit is in effect |
| Overdraft | While the line of credit is in effect |
| Loans in UVR, so the granting costs are in Colombian pesos | During the life of the loan |
| Loans in foreign currency, so the granting costs are in Colombian pesos | During the life of the loan |

The cost of granting loans is not calculated for lines of credit that mature in six months or less.

The loan portfolio is classified into four (4) categories:

**Commercial Loans**

Loans granted to individuals or legal entities for the development of organized business activities, other than the loans granted in the microcredit category.

**Consumer Loans**

Loans of any amount granted to individuals to finance the acquisition of consumer goods or the payment of services for non-commercial or business purposes, as opposed to those granted in the microcredit category.

**Home Mortgages**

Loans of any amount granted to individuals for the purchase of a new or existing home, or for the construction of an individual home.

**Microcredit**

These are the loans referred to in Article 39 of Law 590 / 2000, or in the regulations that amend, replace or add to that law, in addition to those granted to small businesses in which the main source of repayment comes from the income derived from their commercial activities.

The borrower's debt balance may not exceed one hundred and twenty (120) times the legal minimum monthly wage in effect when the loan is approved. The debt balance is understood as the amount of current borrowing for which the respective small business is responsible to the financial sector and to other sectors. It is found in the records of the database operators consulted by the respective creditor, excluding mortgages for home financing, and adding the value of the new loan.

A micro-business is understood as an economic production unit operated by a person or legal entity and dedicated to activities involving business, farming and livestock, industry, trade or services, be they rural or urban. The staff may not exceed ten (10) workers and total assets must be less than five hundred (500) times the legal minimum monthly wage in effect at the time.

**Interest Accrual**

Income from ordinary activities resulting from the third-party use of the entity's assets that produce interest, royalties or dividends is recorded on the condition that:

a) the entity is likely to receive the economic benefits associated with the transaction.
b) the amount of income from ordinary activities can be measured reliably.

Interest is recorded by the effective interest method, which is used to calculate the amortized cost of an asset and to allocate the interest cost or income during the relevant period. The effective interest rate is exactly equal to the estimated future payments or cash receipts during the expected life of the financial instrument or, if appropriate, during a shorter period, at the initial net book value of the asset. To calculate the effective interest rate, the cash flows are estimated by taking into account all the contractual terms of the financial instrument, without considering future credit losses, and taking into account the initial balance

of the transaction or loan, the transaction costs and the incentives granted, less commissions and discounts received, which are an integral part of the effective rate.

From a legal standpoint, interest on arrears is agreed contractually and, as such, it can be recognized as variable interest occasioned by default on the part of the debtor. In that sense, interest on arrears is incurred from the moment the contractual obligation to do so arises, regardless of future credit losses, as established in the definition of an effective interest rate.

Therefore, this balance is part of the client's total debt, which is evaluated to determine impairment using the procedures established for that purpose, either through individual or collective assessment.

In all instances, financial assets in the form of equity instruments are recorded in the Group "at fair value with an adjustment to income". However, in their initial recognition, subsequent changes in the fair value of a “not-held-for-trading investment can be registered as "other comprehensive income (OCI)" in equity. This is an irrevocable choice. Grupo Aval has decided to use this option and, therefore, some of its equity investments in instances where it does not have control or significant influence are recorded at fair value with adjustment to OCI.

a) Initial Recognition

Regular purchases and sales of financial assets for investment purposes are recognized on the date the Group agrees to purchase or sell the asset. Financial assets at fair value by income are recognized initially at their fair value, and the transaction costs are entered as an expense when incurred.

Financial assets that are classified at amortized cost are recorded at their transaction value when acquired or granted, in the case of investments, or at their face value in the case of loans. Unless there is evidence to the contrary, these amounts coincide with their fair value, plus the transaction costs directly attributable to their acquisition or granting, less commissions received.

b) Subsequent Recognition

After initial recognition, in the case of all financial assets classified and measured at fair value, net gains and losses resulting from changes in fair value are presented in the income statement under "net changes in the fair value of debt securities” or in the OCI account for changes in the fair value of equity instruments in cases where the option to record them in OCI is selected, as outlined in paragraph a) above.

In turn, financial assets classified at amortized cost after their initial registration, less any payments or credits received from debtors, are adjusted and credited to income, according to the effective interest method.

Dividend income from financial assets in the form of equity instruments is recognized under income in the “other net income in equity instruments” account when the right to receive payment of dividends is determined, regardless of the decision to record changes in fair value under income or OCI.

c) Estimating Fair Value

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 the foregoing, the fair value of financial assets is measured as follows:

- For highly liquid assets, the last traded price on the closing date of the financial statements is used when the last traded price falls within the price differential of supply and demand. In cases where the last traded price is not within the price differential of supply and demand, management determines the point within that difference that is most representative of fair value.

- The fair value of financial assets that are not listed on an active market is determined through the use of valuation techniques. The Group employs a variety of valuation methods and assumptions based on the market conditions that exist on each reporting date. These techniques include the use of recent comparable transactions on equal terms, reference to other substantially equal instruments, discounted cash flow analysis, options price models and other valuation techniques commonly employed by market players, with maximum use being made of market data.

- The fair value of biological assets is determined through evaluations 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 the agricultural products in question and the estimated productive life of the plants, net 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 market value of plant output is highly dependent on the current market price for each product.

d) Impairment

Pursuant to IAS 39 – Financial Instruments – Recognition and Measurement, the Group analyzes whether there is objective evidence of impairment in a financial asset or a group of financial assets measured at amortized cost. Indicators of impairment include significant financial difficulties on the part of the debtor, the likelihood the debtor will enter bankruptcy or financial restructuring, and default on payments. If there is impairment, an allowance is constituted and charged to income. The amount of the allowance is determined as follows.

The Group individually evaluates the financial assets it regards as significant, including investments and the loan portfolio, analyzing the debt profile of each borrower, the collateral provided and the information received from credit bureaus. Financial assets are considered impaired when it is unlikely the Group will recover all amounts due on the original contract, including agreed interest and commissions.

This assessment is based on current information and past events. When a financial asset has been identified as impaired, the amount of the loss is measured as the difference between the book value and the present value of future expected cash flows, in accordance with the conditions of the debtor, discounted at the original contractual rate agreed on or the present value of the collateral supporting the loan, less estimated selling costs when the collateral is determined to be the fundamental source of recovery on the loan.

Individually significant loans are defined, for the purpose of determining loss through loan impairment, as customers with balances equal to or above $2,000 at the consolidated level of all the entities in the Group and for all the aspects of credit risk to which the customer is exposed.

Loans are regarded as impaired when, based on current information and past events, an analysis of the debt profile of each borrower, the collateral provided, the financial information and the data from credit

bureaus, it appears likely the Bank and / or its subsidiaries might not recover all the amounts due in the original contract, including the amount of interest and commissions agreed on.

- For loans that are not considered significant individually, or for the portfolio of individually significant loans that were not considered impaired in the individual analysis described above, the Group will assess impairment collectively, by grouping the portfolios of financial assets with similar characteristics into segments. This is done with statistical techniques that are based on an analysis of historical losses to determine an estimated percentage of losses that have been incurred on these assets by the balance sheet date, but have not been identified individually.

- As instructed by the Financial Superintendence of Colombia, the difference between the allowances constituted in the separate financial statements of each entity, calculated according to the standards issued by that authority, and the impairment allowances established as indicated above are recorded with an offsetting entry in the “other comprehensive income” account in equity and not in the statement of income, as required according to IAS 39.

**Write-offs and Accounts Receivable**

A loan or receivable may be written-off and charged to impairment in the loan portfolio or accounts receivable, as appropriate, when all possible means of collection have been exhausted and the loan is considered unrecoverable. The Board of Directors sets periodic dates for authorizing write-offs.

Recoveries of financial assets that were written-off previously are recorded in the income statement.

Once a financial asset or a group of similar financial assets has been provisioned as a result of an impairment loss, interest income continues to be recognized using the same original contractual interest rate applied to the book value of the loan, after the allowance is entered on the books.

Financial assets are removed from the balance sheet when they are considered unrecoverable. Recoveries of previously written-off financial assets are recorded as income from recovery.

a) Restructured Financial Assets with Collection Issues

Restructured financial assets with collection issues are ones where the Group grants a concession to the borrower that would not have been considered in any other situation. These concessions generally involve interest-rate reductions, an extension of payment deadlines or reductions in the balance due. Restructured financial assets are recorded as new loans at the present value of expected future cash flows, discounted at the original rate of the asset prior to restructuring

b) Transfers and Derecognition of Financial Assets

The way transfers of financial assets are treated, from an accounting standpoint, is conditioned by the way the risks and benefits associated with the assets being transferred are passed on to third parties. Accordingly, financial assets are derecognized in the consolidated balance sheet 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 derecognized in the consolidated balance sheet, while simultaneously recognizing any right or obligation retained or created as a result of the transfer.

It is understood that the Group substantially transfers risks and benefits when the transferred risks and benefits represent the bulk of all the risks and benefits inherent in the transferred assets. If the risks and/or benefits associated with the transferred financial asset are substantially retained:

- The transferred financial asset is not derecognized in the consolidated balance sheet and will continue to be valued using the same criteria applied prior to the transfer.

- An associated financial liability is recorded in an amount equal to the compensation received, and subsequently valued at its amortized cost.

- Both the revenue associated with the transferred financial asset (that has not been derecognized) and the expenses associated with the new financial liability will continue to be recorded.

c) Offsetting Financial Instruments on the Balance Sheet

Financial assets and liabilities are offset and their net amount is recorded in the statement of financial position when there is a legal right to offset the recognized amounts and management intends to settle them on a net basis or to realize the asset and settle the liability simultaneously.

**v. Operations with Financial Derivatives and Hedge Accounting**

A derivative, according to IAS 9 - Financial Instruments, is a financial instrument the value of which changes over time in response to changes in a denominated underlying variable (a specific interest rate, the price of a financial instrument or a listed raw material, a foreign currency exchange rate, etc.). It does not require an initial net investment or it requires a smaller investment than would be required for another type of contract in relation to the underlying asset, and it will be settled at a future date.

In the development of its operations, the Group trades on financial markets with forward contracts, futures contracts, swaps and options that meet the definition of a derivative.

Derivative operations are registered at fair value at the time of the initial transaction. Subsequent changes in fair value are adjusted with credit or debit to income, as appropriate, unless the derivative is designated as a hedge. If so, this will depend on the nature of the hedged item.

a) With fair value hedging on recognized assets and liabilities or firm commitments, changes in the fair value of the derivative are entered on the statement of income, as with any other change in the fair value of an asset, liability or firm commitment attributable to the hedged risk.

b) With cash flow hedging on a particular risk associated with a recognized asset or liability or a highly probable projected transaction, the effective portion of the 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 pertain to the hedged risk is recognized immediately in the statement of income.

   Amounts accumulated in the “other comprehensive income” account are transferred to earnings during the same period in which the hedged item is recognized as income.

c) A hedge on a net investment in foreign currency is recorded the same way as hedges on cash flows: the part of the gain or loss on the hedge that determines effective hedging is recorded in “other comprehensive income,” while the ineffective part is recorded in the statement of income.

The gains or losses on a hedge that are accumulated in equity are recorded in the statement of income when the net investment in a foreign associate is disposed of entirely or proportionally when it is sold in part.

At the start of the 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. It 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 the 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.

**vi. Non-current Assets Held for Sale**

Assets the Group intends to sell, since it expects them to be recovered mainly through sale rather than through continuous use and their sale is considered highly probable within a period not exceeding one year, are recorded as "non-current assets held for sale". These assets are entered at their book value at the time of transfer to this account or at their fair value, less the estimated cost of their disposal, whichever is lower. The difference between the two is recognized in income.

If these assets are not sold prior to the deadline, they are reclassified in their original categories (investment properties, property, plant and equipment, other assets, etc).

**vii. Financial Guarantees**

A financial guarantee is regarded an agreement that requires 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 structure. A financial guarantee cam tale various forms, including bonds and sureties.

In its initial recognition, a financial guarantee is recorded as a liability at fair value, which is generally the current value of commissions and returns to be earned over the life of the agreement. The balancing entry in assets is the amount of the commissions and assimilated returns charged at the start-up of operations and the accounts receivable for the current value of the future cash flows pending receipt.

Financial guarantees, regardless of the guarantor, instrumentation or other circumstances, are analyzed regularly to determine the credit risk to which they are exposed and, if applicable, to estimate the need to constitute an allowance for them, which is determined by applying criteria similar to those established to quantify impairment losses on financial assets.

The allowances constituted for financial guarantees that are considered impaired are reported under liabilities as "Allowances - Allowances for contingent risks and commitments" and charged to income for the period.

The income obtained from guarantees is reported in income for the period, specifically in the “income from commissions” account.

### viii. Property, Plant and Equipment

Property, plant and equipment includes own assets or those leased by the Group for current or future use that are expected to be used for more than one period.

These assets are recorded on the balance sheet at their acquisition cost, less respective accumulated depreciation and, if applicable, the estimated losses that result when comparing the net accounting value of each entry 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 erected has an indefinite useful life; therefore, it is not subject to depreciation.

Depreciation is charged to income and calculated according to useful life.

| **Category** | **Useful life** |
|---|---|
| Buildings: | |
| Foundations - structure and cover | 50 to 70 years |
| Walls and divisions | 20 to 30 years |
| Finishing | 10 to 20 years |
| Machinery and equipment | 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 headquarters | 5 to 10 years |
| Computer equipment | |
| PC / Laptops / Mobile Devices | 3 to 7 years |
| Servers | 3 to 5 years |
| Communications equipment | 5 to 8 years |
| Specific amplifying equipment | 5 to 7 years |
| ATMs | 5 to 10 years |
| Leasehold improvements | 3 to 5 years |
| Gas pipelines, networks and lines | 75 years |
| Compressors | 8 to 35 years |

The useful life and the residual value of these assets are based on independent evaluations, mainly for buildings, or on concepts from other specialized personnel, and are reviewed at least at the close of each period.

Upkeep and maintenance of property and equipment are recognized as an expense in the year when they are incurred. They are recorded under "other expenses".

Property, plant and equipment are measured initially at cost, which includes the following.

a) The purchase price, including import costs and non-deductible taxes, after deducting commercial discounts.

b) Any cost directly attributable to bringing the asset to the location and the necessary conditions for its proper and adequate operation.

c) Dismantling costs, which include an initial estimate of the cost of dismantling and removing the asset, plus the cost of refurbishing the site where the asset was situated.

d) Borrowing costs. The costs related to a qualifying apt asset, which is one that necessarily takes a substantial amount of time before being ready for the purpose for which it is intended or for sale, are capitalized and, in other cases, they are recognized in income for the period, in accordance with the cost of financing.

The Group decided to separate buildings by components, as follows.

| Type of building | COMPONENTS / PROPORTION | | |
|---|---|---|---|
| | # 1 | # 2 | # 3 |
| | Foundation – Structure and Roof | Walls and divisions | Finishing |
| Commercial buildings<br>Business premises<br>Office buildings<br>Hotels | 30% | 18% | 52% |
| Warehouses<br>Factory premises | 44% | 23% | 33% |

**Derecognition**

The book value of an element of property, plant and equipment is derecognized when it is expected to yield no associated future economic benefits. Derecognition gains or losses are recorded in income for the period.

**Impairment of Elements of Property, Plant and Equipment**

At the end of each period, the Group analyzes whether there is any internal or external evidence that an asset is impaired. If there is an indication of impairment, it determines if the impairment effectively exists by comparing the recorded net value of the asset to its recoverable amount (the recoverable amount is defined as the higher of the fair value, less costs to sell, and the value in use). When the carrying value exceeds the recoverable amount, the carrying value is adjusted to the recoverable amount by modifying future depreciation charges to bring them in line with the remaining useful life of the asset.

Likewise, if there are indications that the value of a material asset has been recovered, the Group estimates the recoverable value of the asset and enters it in the statement of income for the period, reversing the impairment loss recorded in previous periods and adjusting future charges for depreciation as a result. In no case may the reversal of an impairment loss on an asset result in an increase in its book value above the value it would have had if impairment losses had not been recorded in previous periods.

**ix. Investment Properties**

According to International Accounting Standard (IAS) 40 - *Investment Properties*, these are defined as land or buildings - considered all or in part - that are held for rent, asset valuation or both, rather than for the Group's own use.

Investment properties are recorded initially at cost, which includes the following.

a) The purchase price, including import costs and non-deductible taxes, after deducting trade discounts.

b) Any cost directly attributable to bringing the asset to the location and establishing the conditions necessary for its correct and proper operation.

Some assets may have been acquired in exchange for one or more non-monetary assets. In such cases, the cost of the asset is measured at its fair value, unless:

a) the exchange transaction lacks commercial substance;
b) the fair value of the asset when received or delivered cannot be measured reliably.

If the property is classified as an investment and was acquired under a capital lease, the initial cost is defined as the lesser of the fair value and the present value of the minimum lease payments, as stipulated in International Accounting Standard " IAS 17 ".

Recognition of the cost ceases when the item is at the location and in the condition necessary for its operation.

The Group selected the fair value model for subsequent measurement, according to the parameters outlined in IFRS 13. Fair value measurement is done through technical appraisals, and the gains or losses derived from changes in fair value are included in income for period, when they arise.

Until June 30, 2015, the Bank used the cost model for subsequent registration of its investment property. During the second half of 2015, it replaced that accounting policy with the fair value model for subsequent measurement with adjustments to changes in fair value charged or credited to income, as appropriate. This change in accounting policy was made on the grounds that the fair value of investment properties provides more relevant information on such assets. The impact of the change on the financial statements for prior periods came to two billion pesos ($ 2,000) and is not considered significant for the Group.

**x. Assets Delivered on Lease**

Assets delivered by the Group on lease are classified as assets on capital lease or operating lease. This done at the moment the agreement is signed. A lease is classified as a capital lease when all of the property's advantages and risks 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 capital leases are included in the balance sheet under "loans and capital leases" and are recorded the same way as other loans granted by the Group. Lease agreements classified as operating leases are included in the account for property, plant and equipment, and are recorded and depreciated the same way as other assets of this type.

**xi. Assets Received on Lease**

When recognized initially, assets received on lease are classified under capital or operating leases, the same way as leased out assets described in the previous section.

Lease agreements classified as capital leases are included on the balance sheet as property, plant and equipment for own use or as investment properties, as appropriate. Initially, they are entered on the books simultaneously under assets and liabilities for a value equal to the fair value of the asset received on lease or the present value of the minimum lease payments, whichever is lower. The present value of minimum lease payments is determined using the interest rate implicit in the lease agreement or, if it does not contain a rate, the average interest rate on bonds marketed by the Group is used. Any initial direct cost

incurred by the lessee is added to the amount recognized as an asset. The amount entered as a liability is included in the financial liabilities account and recorded the same way as other liabilities.

Payments made under agreements classified as operating leases are linearly 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.

**xii. Biological Assets**

In accordance with International Accounting Standard (IAS) 41 -Agriculture, agricultural activities related 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. This is done at their fair value, less the cost to sell, except in the case of crops during 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, or for short-term crops in which their fair value, less cost to sell, is reflected in income through their sale. Gains or losses arising in initial and subsequent recognition at the fair value of agricultural products are included in the net gain or loss for the accounting period. Costs incurred in the agricultural production process also are taken directly to the statement of income.

Group's biological assets include rubber plantations, African palm plantations, pine forests, fisheries and livestock, and rice crops.

The rubber and African palm plantations that are in the growing stage (about 2 or 3 years) are measured at cost, less impairment loss, since there is no certainty that the plantation will be productive in its mature stage. These plantations are not depreciated.

Plantations in the production stage are measured at fair value using the present value of expected future cash flows.

**xiii. Government Subventions**

Government subventions related to biological assets measured at their fair value, less the cost to sell, are recorded in income for the period, when the subvention becomes a receivable.

If a government subvention is conditioned; that is, if it includes situations in which certain agricultural activities cannot be undertaken during the course of the subvention or any other conditions, the subvention is registered in the statement of income for the accounting period in which the conditions linked thereto were met.

**xiv. Business Combinations**

Pursuant to IFRS 3 - *Business Combinations*, acquisitions through which the Group obtains control of an entity, all or in part, are entered on the books according to the so-called "purchase method". With this method, the purchase price is distributed among the identifiable assets acquired, including any intangible asset and assumed liability, based on their respective fair values. If non-controlling minority interests remain when gaining 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 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 as goodwill.

### xv. Goodwill

Goodwill arises from the acquisition of subsidiaries. It is equivalent to the amount by which the consideration transferred in the acquisition, the value of any non-controlling interest in the acquiree and the fair value, on the acquisition date, of any prior equity interest in the acquiree exceeds the fair value of the acquired identifiable net assets (including intangible assets), liabilities and contingent liabilities of the acquiree. The goodwill acquired in a business combination is allocated to each of the groups of cash-generating units that are expected to obtain a benefit as a result of the business combination. Registered goodwill is not amortized after that. Rather, it 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.

An impairment loss recognized for goodwill cannot be reversed in subsequent periods. Moreover, the income accounts of the acquired company in the consolidated financial statements are included only as of the date the acquisition is legally accomplished or brought to completion.

### xvi. Rights in Concession Arrangements

Concession arrangements in which the Group, through its subsidiaries that are associated with the infrastructure, energy and gas sector, has a commitment with the Colombian government to build or maintain infrastructure works during a specified period of time, and through which said companies receive revenue for the duration of the agreement, either via direct contributions from the government or by means of fees or tolls charged to those who use the infrastructure in question, are entered on the books as financial assets or as intangible assets, pursuant to the accounting interpretation outlined in IFRIC 12 - Service Concession Arrangements.

A financial asset is recognized when, according to the conditions of the agreement, there is an unconditional contractual right to receive, from the grantor or the Colombian government, cash or another financial asset in exchange for the construction services provided.

An intangible asset is recognized when the concession agreement implies no unconditional right to receive cash, and its revenue is conditioned by the extent of the public's use of the service provided through the asset being operated on 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:

i. During the construction stage of the work under concession, according to International Accounting Standard IAS 11 - *Construction Agreements*, all estimated income from construction and the costs associated with construction are recorded in the statement of income with reference to the stage of project completion at the end of the period. Any additional expected loss is recorded immediately as an expense.

ii. If the concession agreement is classified as a financial asset, the asset resulting from the agreement is included in the “financial assets on concession” account and recorded at the present value of the future payments to which the Group is entitled, through its subordinates, discounted at the effective interest rate. In the case of financial assets that are to be sold at the end of the contract, at their fair price, these assets are designated at fair value through profit or loss.

iii. If the concession agreement qualifies as an intangible asset, accumulated income earned during the construction phase of the project is recorded as an intangible asset and amortized against income as of the date construction is completed and the asset is placed at the service of its users, for the duration of the concession agreement The income received from tolls or fees, once the asset is constructed entirely and placed at the service of the public, is recorded when actually received (See Note 21).

**xvii. 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. Following their initial recognition, these assets are measured at cost and amortized during their estimated useful life, which is three to 10 years in the case of computer software and 10 years for licenses. Amortization is recognized on a straight-line basis, according to estimated useful life.

**xviii. Inventories**

Inventories are assets to be held for sale in the ordinary course of business, assets in the process of production for sale and / or assets in the form of materials or supplies to be consumed in the production or provision of services.

Inventories are measured at cost, using the weighted average method or net realizable value, whichever is less. The cost of inventories includes acquisition costs, conversion costs and those incurred to bring inventories to their present location and condition.

**xix. Financial Liabilities**

A financial liability is any contractual obligation the Group has to deliver cash or another financial asset to an entity or person, or to exchange financial assets or financial liabilities under conditions that are potentially unfavorable for the Group, or an agreement that can or will be settled using equity instruments belonging to the organization. Financial liabilities are recognized initially at their transaction value. Unless determined otherwise, the transaction value is similar to the fair value, less the transaction costs directly attributable their issue. 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 in the consolidated balance sheet only when the obligations they generate have been discharged or when they are acquired with the intention of settling them or reselling them.

The Group's financial liabilities include deposits, bonds and financial obligations, financial derivatives, other liabilities and financial guarantee agreements.

Subsequent measurement of financial liabilities depends on their classification, as follows

**xx. Employee Benefits**

The Group grants its employees the following benefits in exchange for their services.

i. Short-term Benefits

These are benefits the Group expects to pay within 12 months after the end of the reporting period. Under Colombian law and pursuant to existing labor agreements, these benefits include severance pay, interest

on severance pay, annual leave, vacation bonuses, legally required and discretionary bonuses, assistance, social security and payroll taxes. They are measured at their face value, recognized through an accrual accounting system and charged to income.

ii. Post-employment Benefits

These are benefits the Group pays to its employees upon retirement or completion of their period of employment. They are different from dismissal compensation and pertain to retirement pensions and severance pay assumed directly by the Group for employees who are still covered by the labor laws that were in effect prior to Law 100/1993. They also include bonuses granted to employees who leave because of retirement.

Accordingly, the post-employment benefit liability for defined benefit plans (payment of contributions made by the Group to pension fund managers) is measured on an undiscounted basis, and an accrual charged to income is recorded. Defined contribution plans do not require the use of actuarial assumptions to measure liabilities or expenses; so, they do not generate gains or losses.

The post-employment liability for defined benefit plans is determined based on the present value of estimated future payments to employees. These are calculated on the basis of actuarial studies done 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 prevailing bond market returns at the close of period on Colombian government issues or on high-quality corporate bonds.

With 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 is entered in the Group's statement of income and 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 the "other comprehensive income" account.

iii. Other Long-term Employee Benefits

These include all employee benefits other than short-term employee benefits, post-employment benefits and severance pay. According to collective bargain agreements and the rules and regulations of the Group, said benefits fundamentally involve seniority bonuses.

Liabilities pertaining to long-term employee benefits are determined the same way as the post-employment benefits described in (b) above. The only difference is that changes in actuarial liabilities due to changes in the actuarial assumptions are also registered in the statement of income.

iv. Work Contract Termination Benefits

These are payments the Group is required to make due to a unilateral decision on its part to terminate the contract of an employee or due to an employee's decision to accept an offer from the Group in exchange for terminating his or her work contract.

These benefits pertain to the number of days of compensation for dismissal required under Colombian labor law and other additional days the Group unilaterally decides to grant its employees in such cases.

Termination benefits are recorded as a liability charged to income on the following dates, whichever comes first:

- Upon formal notification to the employee of the Group's decision to terminate the contract.
- When allowances are recognized for the cost of restructuring by a subsidiary or business in the Group that involves the payment of termination benefits.

Therefore, if termination benefits are expected to be fully settled within twelve months after the reporting period, the Group applies the requirements of the policy on short-term employee benefits. However, if termination benefits are not expected to be fully settled within twelve months after the reporting period, the Group applies the requirements of the policy on other long-term employee benefits.

**xxi. Taxes**

**a) Income Tax**

The income tax expense includes current income tax, the so-called “income tax for equity “(CREE) and deferred tax. It is recorded in the income statement, except the portion that pertains to items recognized as pertaining to “other comprehensive income”.

- Current Tax

The current tax includes expected payable or receivable tax on income or losses for the year and any adjustments for previous years. It is measured using the tax rates that have been approved or are likely to be approved by the balance-sheet date. The current tax also includes any taxes arising from dividends.

In Colombia, the Income Tax for Equity (CREE) is part of income tax. Provided for in Law 1607/ 2012, CREE applies to earned income that is likely to increase equity, excluding capital gains and unearned income. It is charged at the approved tax rates.

The Group recognizes current taxes as a liability if they are unpaid or as an asset if payment has been made and has resulted in tax credit.

- Deferred Tax

Deferred taxes are recognized on temporary differences that arise between the tax bases for assets and liabilities and the amounts recognized in the consolidated financial statements. These differences result in amounts that are deductible or taxable when determining tax gains or losses in future periods when the asset’s carrying value is recovered or the liability is settled. However, deferred tax liabilities are not recognized if they come from the initial recognition of goodwill or 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 gain 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 settled.

Deferred tax assets are recognized only when future tax income is likely be available from which temporary differences can be deducted.

Deferred tax liabilities are allowances to cover temporary taxable differences, except for deferred tax liabilities related to investments in subsidiaries, associates and joint ventures when the opportunity to reverse the temporary difference is controlled by the Group and it is not likely to be reversed in the near future. Generally, the Group does not have the ability to control the reversal of temporary differences from investments in associates.

Deferred tax assets and liabilities are offset when there is a legal right to offset current deferred taxes against current tax liabilities and when the deferred tax assets and liabilities relate to taxes levied by the same tax authority on the same entity or on different entities when the intent is to offset the balances on a net basis.

- Wealth Tax

Law 1739, adopted by the Colombian government in December 2014, created a wealth tax on all entities in Colombia that have a net worth of more than $1,000. This amount is calculated as described later in Note. 22. For accounting purposes in Colombia, the law stipulates the tax is incurred annually from January 1, 2015 to 2018 and may be charged to reserves, as part of equity.

The Group decided to take advantage of this exception and charged the wealth tax for 2015 to its equity reserves, with the exception of Fiduciaria Bogotá y Almaviva, in which case it was charged to income.

**b) Levies and Contributions Other than Income Tax**

Levies and contributions to the government, other than income tax, are entered on the books as liabilities when they occur or when the activity subject to taxation, according to prevailing legislation, occurs.

Therefore, a certain tax created by the government of Colombia in late 2014, which is settled and incurred annually on the equity of companies in Colombia, is accrued each year from January 1, 2015 through 2018. It is recorded annually as a liability, when incurred, and charged to income, pursuant to the provisions outlined in IFRIC 21 - Levies.

**xxii. Allowances**

Allowances for dismantling and environmental restoration, the cost of restructuring and legal claims are recognized when the Group has a current legal or assumed 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 allowances include lease termination penalties and employee termination payments.

When there are several similar obligations, the probability of an outflow of cash being required is determined by considering the type of obligations as a whole. An allowance is made, even if the likelihood of a cash outflow with respect to any item included in the same category of obligations is minor.

Allowances are assessed according to the present value of the expenses 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 allowance due to the passing of time is recognized as an interest expense.

## xxiii. Income

Income is measured by the fair value of the compensation received or receivable, and represents the amounts to be collected for goods delivered, net of discounts, returns and the value added tax (VAT). The Group recognizes income when the 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.

### Provision of Services

The Group provides services through a variety of activities. Income from services rendered is recorded in the accounting period when the services are provided, with reference to the termination stage of the specific transaction, and evaluated on the basis of the actual service provided as a proportion of all services to be rendered. When services are provided through an unspecified number of acts during a specific period of time, income from ordinary activities is recorded on a straight-line basis throughout the agreed period.

### The Customer Loyalty Program

The financial institutions and hotels in the Group operate a number of customer loyalty programs in which customers accumulate points for their purchases and may redeem reward points in line with the policies and reward plan in effect at the time of redemption. Reward points are recorded as an identifiable component separate from the initial sales transaction, with the fair value of the compensation received being assigned between the reward points and the other components of the sale in such a way that the loyalty points are initially recognized as deferred income at fair value. Income from reward points is recognized when the points are redeemed.

### Income from Commissions

Commissions are recorded as income in the statement of income. This is done as follows:

Commissions on banking services are recorded when the services in question 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 charged to extend new loans are deferred and taken to income during the life of the loan, net of costs incurred, using the effective interest method.

### Income from the Sale of Goods from the Non-financial Sector

Revenue from the sale of goods produced by 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.

## xxiv. Net Earnings per Share

Net earnings per share are determined by dividing net income for the period that is attributable to the Group’s shareholders by the weighted average number of common shares outstanding during the period.

Diluted earnings per share are determined on net income in the same way, but the weighted average number of shares outstanding is adjusted to account for the potential dilutive effect stock options.

**NOTE 4 – New accounting announcements**

- **Issued by the IASB:**

**(a) New Standards and Amendments – Applicable by July 1, 2015**

The following standards and interpretations apply for the first time to the Group's financial reporting periods that commence after December 31, 2015. The application of these accounting standards had no material effects on the Group's financial statements.

i. Annual Improvements to IFRS subsequent to December 2015. The following amendments were adopted by the IASB after December 2013 and are applicable in Colombia as of January 1, 2016.

- IFRS 3 clarifies that an obligation to pay a contingent consideration is classified as a financial liability or equity under the principles in IAS 32 and that all non-equity contingent considerations are measured at fair value at each reporting period.

- IFRS 3 clarifies it does not apply to the accounting required to create a joint venture.

- IFRS 8 requires disclosure of the judgements made by management in aggregating operating segments and clarifies that a reconciliation of assets by segment must be disclosed only if the assets of the segment are reported.

- IFRS 13 confirms that short-term receivables and payables may 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 clarify how the gross carrying amount and accumulated depreciation are treated when an entity measures its assets at revalued amounts

- IAS 24 indicates that when an entity receives key management personnel services from a third party, the reporting entity must discloses the compensation paid for those services, but not the compensation paid by the other entity to its employees or directors.

- IAS 40 clarifies that IAS 40 and IFRS 3 are not mutually exclusive when distinguishing between investment properties and owner-occupied property and determining whether the acquisition of an investment property is a business combination.

**(b) Forthcoming IFRS Requirements**

The following standards and interpretations had been issued by July 1, 2015 but were not mandatory at the international level for the annual periods ended at December 31, 2015. The Group currently is analyzing the possible effects of these new standards and interpretations; however, management does not expect them to have any material effect on the Group's financial statements.

(Continued)

i. IFRS 9 - Financial Instruments and Associated Amendments to Various Other Standards. Effective date: January 1, 2018. IFRS 9 replaces the classification and measurement models in IAS 39 - Financial Instruments: Measurement and Recognition and deals with the classification, measurement and recognition of financial assets and liabilities, financial asset impairment and hedge accounting.

IFRS 9 requires financial assets to be classified into three measurement categories: at amortized cost, at fair value with changes in equity, and at fair value through profit or loss. The respective category is determined in initial recognition. The classification depends on the business model the entity uses to manage its financial instruments and the contractual terms of the instrument.

The classification of debt assets will be determined by the entity's business model for managing financial assets and the contractual cash flow characteristics of such assets. A debt instrument is measured at amortized cost if: a) the objective of the business model is to hold the financial asset in order to collect the contractual cash flows, and b) the contractual cash flows from the instrument solely represent payment 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 movement in financial assets is registered in the statement of income, with the exception of equity investments that are not held for sale. These may be recorded in the statement of income or under reserves (without the possibility of subsequent recycling to the income statement).

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

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

ii. IFRS 15 – Revenue from Contracts with Customers and Associate Amendments to Various Other Standards. Effective date: January 1, 2018. The IASB issued a new standard for recognizing income. It replaces IAC 18, which covers contracts for goods and services, and IAC 11, which covers construction contracts.

The new standard is based on the principle that revenue is recognized when control of a good or service is transferred the customer. Therefore, the notion of control replaces the existing notion of risks and rewards.

These accounting changes might have practical effects on business practices with regard to systems, processes and controls, compensation and bonus plans, contracts, tax planning and communication with investors. Entities have the choice of full retrospective application, or prospective application with additional disclosures.

iii. Accounting for Acquisition of Interest in Joint Operations – Amendments to IFRS 11. Effective date: January 1, 2016. The amendments to IFRS 11 explain and clarify the accounting for the acquisition of interest in a joint operation in which the activities of the operation constitute a business. They require an investor to apply the principles of business combination accounting when acquiring ownership interest in a joint operation that constitutes a business.

(Continued)

iv. 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.

v. 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 that will allow entities to use the equity method in their separate financial statements to measure investments in subsidiaries, joint ventures and associates.

vi. 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 explain and clarify the accounting treatment for the sale or contribution of assets between an investor and its associates or joint ventures. They confirm that 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).

vii. 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 assets. 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 only a remote possibility of being sold as agricultural produce, except for incidental scrap sales.

Agricultural produce growing on bearer plants is still within the scope of IAS 41 and is measured at fair value, less cost to sell, with changes recognized in the statement of income.

viii. Annual Improvements to IFRSs 2012-2014 cycle. Effective date: January 1, 2016. The latest annual improvements clarify the following.

- IFRS 5 indicates that 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 in a plan of sale or distribution and need not be accounted for as such.

- IFRS 7 provides specific guidance on 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 indicates 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 indicates that, when determining the discount rate for post-employment benefit obligations, it is the currency the liabilities are denominated in that is important and not the country where they arise.

- IAS 34 clarifies 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.

ix. 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 clarification on a number of issues, including: Materiality, Disaggregation and Subtotals, Notes and OCI arising from investments accounted for under equity. According to the transitional provisions, the disclosures in IAS 8 regarding the adoption of new accounting standards/ policies are not required for these amendments.

- **New Accounting Requirements in Colombia**

Decree 2420 was issued by the Colombian government in December 2015 and compiles all the accounting standards issued by the government in the IFRS partial adoption process up to that date. The Colombian government also issued Decree 2496, which updated Decree 2040 and established the following provisions, among others, which apply to the Group.

- The International Financial Reporting Standards in force at December 31, 2014 and effective as of January 1, 2017 were incorporated into Colombian law, thereby allowing for their early application, with the exception of IFRS 15- Income from Ordinary Activities in Customer Contracts, which will apply as of January 1, 2018. The law also indicates the conceptual framework for financial reporting will be effective from January 1, 2016. This new regulatory technical framework includes, among other rules, the new IFRS 9, which substantially amends the system of allowances for loan losses in the consolidated financial statements; the changes in the option to apply the equity method for recording investments in subsidiaries in the separate financial statements; the amendments to IAS 41- Agriculture for recording long-term crops at cost or revalued cost; and generally all the new pronouncements indicated in the preceding Point 2.24.

- The parameters used to measure the post-employment benefits addressed in IAS 19 are those established in Decree 2783/ 2001, which will be reviewed every three years by the Ministry of Finance and Public Credit. According to that decree, entities supervised by the Financial Superintendence of Colombia must use an average inflation and fixed-term deposit rate for the last 10 years in actuarial calculations for retirement pensions, instead of projected inflation rates and current interest rates, and as established in IAS 19. This amendment will be effective as of 2016.

**NOTE 5 - Critical estimates and judgements 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 in the following fiscal year. These judgments and estimates are evaluated continuously and are based on management's experience and other factors, such as expectations of future events that are believed to be reasonable under the circumstances. In the process of applying accounting policies, management also makes certain judgments apart from those involving estimates.

The following are the judgements 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 in the following year.

**i. The Business Model**

The Group applies significant judgment to determine its business model for managing financial assets and to assess whether financial assets meet the conditions defined in the business model, so as to be classified at fair value or at amortized cost. Financial assets at amortized cost may be sold only in limited circumstances, specifically in transactions that are infrequent and immaterial with respect to the total portfolio and in situations where, for example, the asset no longer complies with the Group's investment accounting policies, adjustments are made in the maturity structure of its assets and liabilities, major capital outlays need to be financed, or there are stationary liquidity needs.

**ii. Loan Portfolio Impairment**

Pursuant 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 indicating a decline in the estimated cash flow from the loan portfolio before the decline in that flow can be identified for a particular loan in the portfolio.

The process used to calculate the allowance includes an analysis of specific, historical and subjective components. The methods used by the Group are the following:

- A regular, detailed analysis of the loan portfolio
- A system of classifying loans by risk level
- A regular review of the summary of impairment for loan losses
- 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 (local, regional and national), as well as economic factors

In the process of calculating impairment allowances for loans deemed individually significant, based on the discounted cash flow method, the management of each financial entity makes assumptions about the amount to be recovered from each customer and the time it will take to do so. Any change in this estimate can generate significant changes in the value of the determined impairment. When calculating impairment allowances for loans regarded as individually significant, based on their collateral, management estimates the fair value of that collateral, with the help of independent experts. In turn, any variation in the price ultimately obtained in recovering the collateral can prompt o significant changes in the value of the impairment allowances.

In the process of calculating collective impairment allowances for loans that are not considered individually significant or those individually significant loans that are not impaired and are assessed collectively for impairment, the historic loss rates used in the process are updated regularly to include the latest data that reflect current economic conditions, trends in performance of the industry, geographic concentrations or concentrations of borrowers in each portfolio segment, and any other relevant information that could have an impact on estimating the loan impairment allowance.

Many factors can affect estimates of the allowance for losses on loans granted by the Group, including volatility in the probability of impairment, migration and estimates of the severity of the losses.

The entities in the Group have calculation methods to quantify the losses incurred on collectively assessed portfolios. These method 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 moment the counterpart defaults.

- 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, the assigned PD is 100%. A loan is rated as a "doubtful" when it is 90 days or more past due, and in cases where, even without default, there are doubts about the counterpart's solvency (loans subjectively considered bad debts).

- 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.

- The loss identification period (LIP) refers to the time elapsed between the occurrence of the event that generates a specific loss and the moment that loss becomes clearly evident at the individual level. LIPs are analyzed based on loans with similar risk.

The following table shows a sensitivity analysis of the most important variables that affect calculation of the loan impairment allowance, on a variation of 10%.

| | December 31, 2015 | | |
|---|---|---|---|
| | Sensitivity | Increase | Decrease |
| Loans evaluated individually: | | | |
| Probability of default on estimated future cash flows | 10% | $ 117,643 | (148,217) |
| Loans evaluated collectively | | | |
| Probability of default | 10% | 92,632 | (93,536) |
| Severity of the estimated loss | 10% | 82,756 | (83,660) |
| Loss identification period | 1 Mon. | $ 103,876 | (104,780) |

| | June 30, 2015 | | |
|---|---|---|---|
| | Sensitivity | Increase | Decrease |
| Loans evaluated individually: | | | |
| Probability of default on estimated future cash flows | 10% | $ 114,788 | (144,888) |
| Loans evaluated 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) |

(Continued)

**iii. Fair Value of Financial Instruments**

The fair value of financial instruments is estimated according to the fair value hierarchy, which is classified into three levels that reflect the importance of the input used in measuring fair value.

Information on the fair value of financial instruments classified by level, using observable data for levels 1 and 2 and unobservable data for level 3, is disclosed in Note 6.

Determining what constitutes "observable" requires significant judgment on the part of the Group.

The Group considers observable market data as that which is already available, regularly distributed or updated, reliable and verifiable, and reflects the assumptions that market participants would use when pricing an asset or liability.

**iv. Deferred Income Tax**

The Group evaluates the possibility of realizing deferred income tax assets over time. These 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 for the effects of determining the realization of deferred taxes, the financial and tax projections of each subsidiary in the Group were developed by considering only a vegetative growth rate of 3% annually in projected inflation during five years.

The Group evaluates the creation of deferred tax assets over time. These 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 vegetative growth rate of 3% annually in projected inflation over five years.

The Group calculates that its deferred tax assets at December 31 and June 30, 2015 would be recoverable based on its estimates of future taxable income. Deferred tax liabilities with respect to investments in subsidiaries are recognized on temporary taxable differences, except when the Group controls the timing of their reversal and the difference is not likely to be reversed in the foreseeable future. See Note 22.

**v. Valuing Biological Assets**

Valuation of the Group's biological assets represented by long-term crops is determined based on reports prepared internally by the companies in the Group, by experts in the development of such crops, and by the preparation of valuation models. Due to the nature of these crops in comparable markets, their fair value is determined based on models of cash flow deducted from 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 cultivation, maintenance and future harvesting, discounted at risk-free interest rates adjusted according to the risk premiums required under these circumstances. See Note 18.

**vi. Evaluating Impairment of Cash-generating Units with Distributed Goodwill**

The Group's management evaluates impairment of the goodwill listed on its consolidated financial statements, doing so annually at 30 November, and when there are indications that any of the cash-generating units (CGU) to which goodwill was allocated might be impaired. This is done based on studies conducted to that effect in accordance with IAS 36 - *Impairment of Assets* and by independent experts who are hired for that purpose.

These studies are based on valuations of the cash-generating units to which goodwill was assigned at the time of 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 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 21.

The methods and assumptions used to valuate the various cash-generating units that are assigned goodwill were reviewed by management and, based on that review, it was concluded there was no need to record any impairment at 31 December 2014, inasmuch as the recoverable amounts are significantly higher than the carrying values.

**vii. Estimating Allowances for Lawsuits**

The Group calculates and records an allowance for lawsuits to cover possible losses on labor, civil, commercial, tax and other claims. These allowances depend on the circumstances, specifically when, based on the opinion of external legal counsel and / or in-house counsel, management believes allowances are warranted in view of a probable loss that can be reasonably estimated. Given the nature of many of these complaints, cases and / or processes, it sometimes is not possible to arrive at an accurate prognosis or to quantify the amount of loss reasonably. Therefore, the differences between the actual amounts disbursed and the amounts estimated and provisioned initially are recognized in the period when they are identified. See Note 28

**viii. Employee Benefits**

The measurement of pension obligations, costs and liabilities is dependent on a wide variety of long-term term actuarial assumptions, including estimates of the present value of future pension payments projected for pension plan participants, considering the likelihood of potential future events, such as increases in the minimum urban wage and demographic experience. These premises and assumptions can have an effect on the amount and on future contributions, if there is any variation.

The discount rate makes it possible to ascertain future cash flows at present value on the measurement date. The Group determines a long-term rate that represents the market rate for high-quality fixed income investments or for government bonds denominated in the currency in which the benefit will be paid, and considers the timing and amounts of future benefit payments. The Group has selected government bonds for this purpose.

The Group uses other key assumptions for valuing actuarial liabilities. These assumptions calculated based on its specific experience, combined with published statistics and market indicators (see Note 28, which describes the most important assumptions used in the actuarial calculations and the respective sensitivity analyzes).

**NOTE 6 – Estimating fair value**

The fair value of financial assets and liabilities traded in active markets (such as financial assets in debt and equity securities and derivatives quoted actively on securities exchanges and interbank markets) is based on dirty prices that are supplied by an official pricing service authorized by the Financial Superintendence of Colombia. The pricing service determines dirty prices based on the weighted averages of transactions that took place 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 interest accrued and pending 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 traded in an active market is determined using valuation techniques that are defined by the pricing service or by 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 calculates the fair value of derivative instruments on a daily basis, using information on prices and/or input supplied by the officially designated official pricing service (Infovalmer Proveedor de Precios para la Valoración S.A.). This supplier was authorized following its compliance with the standards applicable to valuation pricing services in Colombia, including their purpose, operating regulations, the valuation-method approval process, and required technological infrastructure, to name but a few. After assessing the pricing service's methodologies, it was concluded that the fair value calculated for derivative instruments based on the prices and input supplied by Infovalmer S.A. is adequate.

The Group is able to use models developed internally for instruments that do not have active markets. Generally, these models are based on valuation methods and techniques that are standard in the financial sector. Valuation models are employed primarily to assess unlisted equity instruments, debt securities and other debt instruments. Some of the data used 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. Therefore, valuations are adjusted, as needed, to accommodate additional factors such as model risk, liquidity risk and counterparty risk.

The fair value of biological assets is determined based on valuations done by in-house professionals who are well-versed in assessments of this type, using discounted cash flow models of the biological asset in question. The expected cash flow from the entire life cycle of a plantation is determined using the actual 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.

(Continued)

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 figures are insufficient.

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 whole. In this process, the importance of an entry is assessed in relation to the measurement of fair value in its entirety. Market-listed financial instruments that are not considered assets, but are valued according to quoted market prices or prices supplied by pricing services, or by 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 a 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 the Group to exercise a great deal of judgment. The Group is of the opinion that observable data can be defined as readily available market data that are regularly distributed or updated, are reliable and verifiable, are free of copyrights, and come from independent sources that are actively involved in the reference market.

a) **Measurements of Fair Value on a Recurring Basis**

Fair value measurements calculated on a recurring basis are measurements the IFRS accounting standards require or allow in the statement of financial position at the end of each accounting period.

The following table shows the Group's assets and liabilities (by type and fair-value hierarchy) measured at fair value at December 31 and January 30, 2015 on a recurring basis.

| | December 31, 2015 | | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| **Assets** | | | | |
| **Recurrent measurements at fair value** | | | | |
| **Investments in debt securities at fair value, issued and secured** | | | | |
| **In Colombian pesos** | | | | |
| Colombian government | $ 880,156 | 721,980 | 0 | 1,602,136 |
| Other Colombian government entities | 0 | 60,970 | 0 | 60,970 |
| Other financial institutions | 0 | 505,579 | 0 | 505,579 |
| Entities in the non-financial sector | 0 | 34,115 | 0 | 34,115 |
| Others | 0 | 65,699 | 0 | 65,699 |

(Continued)

| | December 31, 2015 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| **In foreign currency** | | | | |
| Colombian government | 0 | 146,191 | 0 | 146,191 |
| Other Colombian government entities | 335 | 310,796 | 0 | 311,131 |
| Foreign governments | 1,543 | 1,228,471 | 0 | 1,230,014 |
| Central banks | 0 | 150,180 | 0 | 150,180 |
| Other financial institutions | 187,170 | 2,288,633 | 0 | 2,475,803 |
| Entities in the non-financial sector | 0 | 159,594 | 0 | 159,594 |
| Others | 0 | 19,373 | 0 | 19,373 |
| | **1,069,204** | **5,691,581** | **0** | **6,760,785** |
| **Investments in equity instruments** | **610,765** | **1,532,358** | **187,467** | **2,302,684** |
| **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 |
| Others | 0 | 47,803 | 0 | 47,803 |
| | **0** | **679,398** | **0** | **679,398** |
| **Hedging derivatives** | | | | |
| Currency forwards | 0 | 33,690 | 0 | 33,690 |
| Securities forwards | 0 | 6,114 | 0 | 6,114 |
| | **0** | **39,804** | **0** | **39,804** |
| **Other financial assets** | | | | |
| Financial assets in concession arrangements | **0** | 0 | 1,891,692 | 1,891,692 |
| **Non-financial assets** | | | | |
| Biological assets | **0** | 0 | 194,755 | 194,755 |
| Investment properties | **0** | 0 | 292,902 | 292,902 |
| | 0 | 0 | **2,379,349** | **2,379,349** |
| **Total assets at fair value, recurrent** | **1,679,969** | **7,943,141** | **2,566,816** | **12,162,020** |
| **Liabilities** | | | | |
| **Trading derivatives** | | | | |
| Currency forwards | 0 | 422,358 | 0 | 422,358 |
| Securities forwards | 0 | 5,365 | 0 | 5,365 |
| Interest rate swaps | 0 | 45,091 | 0 | 45,091 |
| Current swap | 0 | 385,761 | 0 | 385,761 |
| Others | 0 | 15,903 | 0 | 15,903 |
| | **0** | **874,478** | **0** | **874,478** |
| **Liabilities** | | | | |
| **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 |
| | **0** | **338,217** | **0** | **338,217** |
| **Total liabilities at fair value, recurrent** | **$ 0** | **1,212,695** | **0** | **1,212,695** |

| | June 30, 2015 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| **Assets** | | | | |
| **Measurements at fair value, recurrent** | | | | |
| **Investments in debt securities at fair value, issued and secured** | | | | |
| **In Colombian pesos** | | | | |
| Colombian government | $ 2,207,350 | 17,075 | 0 | 2,224,425 |
| Other Colombian government entities | 0 | 22,601 | 0 | 22,601 |
| Other financial institutions | 6,560 | 366,534 | 0 | 373,094 |
| Entities in the non-financial sector | 0 | 17,196 | 0 | 17,196 |
| Others | 0 | 143,193 | 0 | 143,193 |

(Continued)

| | June 30, 2015 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| **In foreign currency** | | | | |
| Colombian government | 0 | 134,117 | 0 | 134,117 |
| Other Colombian government entities | 204,850 | 141,704 | 0 | 346,554 |
| Foreign governments | 0 | 830,755 | 0 | 830,755 |
| Central Banks | 0 | 226,057 | 0 | 226,057 |
| Other financial institutions | 165,979 | 2,265,768 | 0 | 2,431,747 |
| Entities in the non-financial sector | 75,777 | 292,638 | 0 | 368,415 |
| Others | 0 | 131,374 | 0 | 131,374 |
| | **2,660,516** | **4,589,012** | **0** | **7,249,528** |
| **Investments in equity instruments** | **568,533** | **1,501,131** | **55,936** | **2,125,600** |
| **Trading derivatives** | | | | |
| Currency forwards | 0 | 360,918 | 0 | 360,918 |
| Interest rate forwards | 0 | 1,705 | 0 | 1,705 |
| Securities forwards | 0 | 784 | 0 | 784 |
| Interest rate swaps | 0 | 36,042 | 0 | 36,042 |
| Currency swaps | 0 | 61,531 | 0 | 61,531 |
| Others | 0 | 49,153 | 0 | 49,153 |
| | **0** | **510,133** | **0** | **510,133** |
| **Hedging derivatives** | | | | |
| Currency forwards | 0 | 41,382 | 0 | 41,382 |
| Securities forwards | 0 | 10,175 | 0 | 10,175 |
| | **0** | **51,557** | **0** | **51,557** |
| **Other financial assets** | | | | |
| Financial assets in concession arrangements | 0 | 0 | 1,815,145 | 1,815,145 |
| **Non-financial assets** | | | | |
| Biological assets | 0 | 0 | 215,031 | 215,031 |
| Investment properties | 0 | 0 | 193,227 | 193,227 |
| | **0** | **0** | **2,223,403** | **2,223,403** |
| **Total assets at fair value, recurrent** | **3,229,049** | **6,651,833** | **2,279,339** | **12,160,221** |
| **Liabilities** | | | | |
| **Trading derivatives** | | | | |
| Currency forwards | 0 | 405,213 | 0 | 405,213 |
| Interest rate forwards | 0 | 264 | 0 | 264 |
| Securities forwards | 0 | 701 | 0 | 701 |
| Interest rate swaps | 0 | 26,780 | 0 | 26,780 |
| Currency swaps | 0 | 234,458 | 0 | 234,458 |
| Others | 0 | 13,420 | 0 | 13,420 |
| | **0** | **680,836** | **0** | **680,836** |
| **Liabilities** | | | | |
| **Hedging derivatives** | | | | |
| Currency forwards | 0 | 397,800 | 0 | 397,800 |
| Securities forwards | 0 | 2,002 | 0 | 2,002 |
| Interest rate swaps | 0 | 2,108 | 0 | 2,108 |
| | **0** | **401,910** | **0** | **401,910** |
| **Total liabilities at fair value, recurrent** | **$ 0** | **1,082,746** | **0** | **1,082,746** |

(Continued)

b) **Non-recurrent Measurements of Fair Value**

The following is a breakdown at December 31 and June 30, 2015 of the assets that remained assessed at fair value, as a result of evaluation for impairment using the IFRS standards that are applicable to each account, but do not have to be measured at fair value on a recurring basis:

| | December 31, 2015 | | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| Financial instruments from the collaterized loan portfolio | $ 0 | 369,716 | 0 | 369,716 |
| Non-current assets held for sale | 0 | 0 | 198,881 | 198,881 |
| | $ **0** | **369,716** | **198,881** | **568,597** |

| | June 30, 2015 | | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| Financial instruments from the collaterized loan portfolio | $ 0 | 314,784 | 0 | 314,784 |
| Non-current assets held for sale | 0 | 0 | 240,576 | 240,576 |
| | $ **0** | **314,784** | **240,576** | **555,360** |

c) **Determining Fair Value**

The fair value of the financial instruments classified at Level 1 was determined according to the market prices supplied by the pricing service authorized by the Financial Superintendence of Colombia, which are determined based on liquid markets.

An assessment is done, instrument by instrument, to determine levels 1 and 2 of the fair value hierarchy. This process is based on the type of data calculations reported by Infovalmer S.A. and the expert judgement of the front office and middle offices, which issue opinions based on aspects such as continuity in the publication of historical prices, outstanding amounts, records of transactions conducted, the number of price contributors as a measure of depth, knowledge of the market, constant quotes by one or more counterparts of the security in question, bid-offer spreads, etc.

The following are the most common methods applicable to derivatives.

Valuation of foreign currency forwards: The price supplier publishes assigned curves according to the currency of origin of the underlying asset. These curves are comprised of the nominal rates in arrears associated with exchange rate forwards.

Valuation of forwards on bonds: The future theoretical value of the bond, based on its price on the valuation date and the risk-free rate of the country reference of the underlying asset, is calculated to determine the value of the forward up to a specific date. The present value of the difference between the future theoretical value and the bond price agreed in the forward contract is then obtained. The risk-free rate of the reference country of the underlying asset at the number of days to contract expiration is used for the discount.

Valuation of swap operations: The price supplier publishes assigned curves according to the underlying assets, in addition to swap base curves (exchange of associated payments at variable interest rates), domestic and foreign curves, implicit curves associated with exchange rate forwards.

Valuation of OTC options: The price supplier publishes assigned curves according to the functional currency of the underlying asset, in addition to forward exchange curves for the domestic currency of the

(Continued)

transaction, implicit curves associated with exchange forwards, assigned swap curves according to the underlying asset, and matrix and implicit volatility curves.

The fair values of financial instruments classified at Level 2 use alternative techniques for discounted cash flow valuation based on observable market data provided by price suppliers. Generally speaking, transfers between Level 1 and Level 2 of the investment portfolios pertain mainly to changes in the liquidity levels of securities in the markets.

The following is a breakdown of the transfers in classification between levels 1 and 2 during the six months ended at December 31 and June 30, 2015.

| Transfers | | December 31, 2015 | | June 30, 2015 | |
|---|---|---|---|---|---|
| | | **Level 1 to Level 2** | **Level 2 to Level 1** | **Level 1 to Level 2** | **Level 2 to level 1** |
| Assets | | | | | |
| Fixed-income investment at fair value | $ | 978,633 | 0 | 95,257 | 0 |
| Colombian government bonds | | 269,839 | 0 | 0 | 1,067,839 |
| **Total assets** | **$** | **1,248,472** | **0** | **95,257** | **1,067,839** |

The transfer of fixed income securities from Level 1 to Level 2 in the fair value hierarchy was based on the volume of these securities traded and / or issued and the number of operations performed on business days.

The transfer from Level 2 to Level 1, in the case of some Colombian government bonds, obeys the fact that June 30, 2015 was working day in Colombia and Infovalmer classified the Colombian government bonds held by the Group at Level 1, since they met the conditions for minimum number of operations, minimum amount and other filters established by the price supplier.

The investments classified at Level 3 have a great deal of unobservable input. The instruments at this level mainly include investments in equity instruments that are not publicly traded, financial assets arising from concession agreements for the construction and operation of gas pipelines by Promigas (a subsidiary of the Group) whose contractual conditions do not result in cash flows and imply only payment of principal and interest, and biological assets, the valuation of which includes mainly unobservable market data. Since observable prices are not available for these securities, the Group has used valuation techniques, such as discounted cash flows, to determine their fair value.

The Group’s equity investments in a number of entities represent less than 20% ownership interest. Some of this interest was received as payment for customer obligations in the past and some was acquired because it is necessary for the development of the Bank's operations and those of its subsidiaries. Deceval and Camara Central de Contraparte are two examples. 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 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 entity evaluated during a five-year period, using as a basis historical information obtained from the companies and their residual value determined with rates of growth in perpetuity established 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 company being valued.

(Continued)

The following table summarizes the range of the main variables used in the valuations.

| Variable | Range |
|---|---|
| Inflation growth ( 1) | Between 3% and 4% |
| Growth in gross domestic product (1) | Between 3% and 5% |
| During the five years of the forecast | Between 3% and 5% annually, in constant terms |
| Income | Between 3% and 5% |
| Costs and expenses | Inflation |
| Growth in perpetuity after five years | Between 1% and 2% |
| Discount interest rate | |

1) Information obtained from the National Department of Planning

The table below contains a sensitivity analysis of the changes in these variables in the Group's equity, considering that the variations in the fair value of these investments are recorded in equity, since they pertain to investments classified as available for sale.

| Methods and Variables | Change | Favorable impact | Unfavorable impact |
|---|---|---|---|
| **Discounted cash flow** | | | |
| **Growth during the five years of the forecast:** | | | |
| Net income | 1% | 1,545 | (1,188) |
| Growth in residual values after five years | 10% | 919 | (445) |
| Discount interest rate | 50PB | 1,929 | (1,491) |
| Multiple method | | | |
| EBITDA value | 1% | 5 | 0 |
| EBITDA number of times | 10% of the number of times | 10 | (8) |
| Value net profit | 5% | 5 | (2) |
| Net profit number of times | 10% of the number of times | 0 | 0 |
| Net asset method | | | |
| Assets | 10% | 635 | (601) |

Until June 30, 2015 the Group valued these investments at the cost attributed in the opening balance under IFRS 1, since it had no reliable information at the time to measure their fair value. However, after the valuation at December 31, 2015, it was felt the impact on the Group's equity at December 31, 2015 would not have been significant, even if those valuations had been done.

The processes used to collect data and determine the fair value of biological assets are described in Note 18; those for financial assets in concession arrangements are outlined in Note 21.

The fair value of investment properties has been determined through appraisals done by independent experts who have sufficient experience and knowledge of the real estate market or the asset being valued. Usually, these assessments are done with reference to market data, or based on the replacement cost in cases where there are not enough market data. These measurements are classified at Level 3.

With investment properties, an increase (decrease) of 1% on their market value would result in an increase (decrease) of $ 2.929 in their fair value, as the case may be.

The risk committees of the Bank and its subsidiaries review the Level-3 ratings regularly.

The committees consider the appropriateness of the entries employed in the valuation model and the result of the valuation using different valuation methods and techniques that are standard for the industry. In selecting the most appropriate valuation model, the committees retest them to see which model produces results that are more historically aligned with actual market transactions.

(Continued)

d) **Fair Value of Financial Assets and Liabilities Recorded at Amortized Cost for Disclosure Purposes Only**

The following describes how the organization valued financial assets and liabilities that are treated from an accounting standpoint at amortized costs and measured at fair value solely for the purpose of this disclosure.

**Fixed-income Investments at Amortized Cost**

The fair value of fixed-income investments at amortized cost was determined using the dirty price supplied by the pricing service. Securities that have an active market and a market price on the day of the valuation are classified as Level 1 assets. Those that do not have an active market and / or a price provided by the pricing service; that is, an estimated price (the present value of the cash flows generated by a security, discounted at the benchmark rate and the respective margin) are classified as Level 2 assets.

**Loans at Amortized Cost**

The fair value of the loan portfolio at amortized cost was determined using cash flow models discounted at the interest rates offered by banks on new loans, taking into account the credit risk and maturity period. This is considered to be a Level 3 assessment.

**Customer Deposits**

The fair value of demand deposits is equal to their book value. In the case of term deposits maturing in less than 180 days, their fair value was considered to be equal to their book value. For time deposits over 180 days, fair value was estimated using a cash flow model discounted at the interest rates offered by banks, according to the maturity period. This is regarded as a Level 2 valuation.

**Financial Obligations and Other Liabilities**

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 to account for the particular risk premiums of each entity. The fair value of bonds outstanding is determined by their prices quoted on the stock market, in which case the valuation is Level 1, and Level 2 for the other obligations.

The following table contains a summary of the Group's financial assets and liabilities at December 31 and June 30, 2015 that are not measured at fair value on a recurring basis, compared to the fair value of those for which fair value can be calculated reasonably.

| | December 31, 2015 | | June 30, 2015 | |
|---|---|---|---|---|
| | Book value | Estimate of fair value | Book value | Estimate of fair value |
| Financial assets | | | | |
| Fixed-income investments at amortized cost | $ 9,318,546 | 8,875,386 | 8,800,959 | 8,629,969 |
| Loan portfolio | 93,723,259 | 95,044,848 | 81,247,509 | 81,724,730 |
| Financial liabilities | | | | |
| Customer deposits | 92,047,659 | 92,988,703 | 82,058,186 | 83,467,610 |
| Financial obligations | $ 35,266,554 | 35,338,374 | 28,787,902 | 28,747,930 |

(Continued)

It is not considered necessary to calculate the fair value of investments in associate companies and joint ventures that are recorded using the equity, because their shares are not listed on the stock exchange and the cost of their valuation exceeds the benefits of disclosure.

**NOTE 7 – Financial risk management**

Banco de Bogotá and its subsidiaries in the financial sector, such Leasing Bogotá Panamá, which consolidates with 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 according the Group's internal policies and the regulations applicable in each country.

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.

**a) Description of Risk Management Objectives, Policies and Processes**

The Group's objective is to maximize returns for its investors, through proper risk management. The following are guiding principles in that respect.

- Provide customers with security and continuity in the services being offered.
- Make risk management a part of every institutional process.
- Arrive at collective decisions within each of the Group's boards of directors on granting commercial loans.
- Possess extensive, in-depth knowledge of the market, as a result of management's leadership and experience.
- Establish clear policies on risk, based on a top-down approach with respect to:
  - compliance with "know-your-customer" policies, and
  - structures for granting commercial loans based on a clear identification of sources of repayment and the debtor's capacity to generate a cash flow.
- Diversify the commercial loan portfolio in terms of industries and economic groups.
- Specialize in consumer product niches
- Make extensive use of credit rating and scoring models that are updated on a permanent basis so as to ensure an increase in consumer loans with high credit ratings.
- Employ conservative policies with respect to:
  - composition of the trading portfolio biased toward lower-volatility instruments,
  - proprietary trading, and
  - variable remuneration for the trading staff.

**b) Risk Culture**

The Group's risk culture is based on the principles indicated in the section above. It is conveyed to every entity and unit within the Group and is backed by the following guidelines.

- Risk management within the Group is independent and monitored at the level of individual entities and for the Group as a consolidated whole.
- The structure for delegating power at the Group level requires a large quantity of transactions to be sent to decision-making centers, such as the risk or credit committees. The large number and high frequency of the meetings held by these committees ensures proposals are resolved quickly and guarantees that senior management is constantly involved in managing the different risks.

- The Group has detailed manuals on actions and policies for risk management.
- 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 the Group is exposed.
- Adequate information systems have been implemented to monitor risk exposure on a recurring basis. The idea is to make sure the approval limits are systematically met and, if necessary, to take appropriate corrective action.
- 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.
- The Group offers adequate and continuous training on the risk culture, at every level within the organization.

**c) The Corporate Structure of Risk Management**

According to the guidelines set by the Group, the corporate structure for risk management at the level of the Bank and its subsidiaries is comprised of the following:

- Board of Directors
- Risk committees
- Office of the Vice President for Risk Management
- Administrative processes for risk management
- Internal Auditing Department

**Board of Directors**

The boards of directors of the Bank and of 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 general policies and strategies concerning the internal control system for risk management.
- Approve policy on the management of different risks.
- Approve trading and counterparty limits, according to defined attributions.
- Approve exposure and limits for different types of risks.
- Approve the procedures to be followed when established limits are surpassed or exceeded.
- Approve the procedures and methods for risk management.
- Approve the allocation of human, physical and technical resources for risk management.
- Create the committees that are needed to make sure operations that generate exposure are organized, controlled and monitored properly, and define the duties of these committees.
- Indicate the responsibilities and attributes of the different positions and areas in charge of risk management
- Approve internal control systems for risk management.
- Require management to submit a variety of periodic reports on the levels of exposure to different risks.
- Evaluate the recommendations and corrective actions proposed for risk management processes.
- Conduct follow-up at regular board meetings, through periodic risk-management reports submitted by the Audit Committee on risk management within the Group and the measures taken to control or mitigate the more relevant risks.
- Approve the nature and scope of the strategic businesses and markets in which the Group will operate.

(Continued)

**The Risk Committees**

i. The Comprehensive Risk Management Committee

The objective of this committee is to establish policies, procedures and strategies for the comprehensive management of credit risk, market risk, liquidity risk, operational risk and the risk of money laundering and terrorism financing. Its main duties involve:

- Measuring the comprehensive risk profile of the Bank and its subsidiaries.
- Designing systems to monitor and follow up on levels of exposure to the different risks facing the Bank and its subsidiaries.
- Reviewing and proposing to the Board of Directors the level of tolerance and degree of exposure to risk the Group is willing to assume in the course of its business. This implies evaluating alternatives to align the appetite for risk in the various risk management systems, both at the Bank and in its subsidiaries.
- Assessing the risks posed by involvement with new markets, products, segments and countries, among others.

ii. The Credit and Treasury Risk Committee

The Group has a credit and treasury risk committee, among others. It is made up of the members of the Board of Directors, who meet regularly to discuss, measure, control and analyze credit risk management (SARC) and treasury risk management (SARM). The primary duties of this committee involve:

- Monitoring the credit and treasury risk profile of the Group to ensure the level of risk remains within established parameters, pursuant to the Group's limits and policies on risk.
- Evaluating incursions into new markets and new products.
- Assessing policies, strategies and rules of procedure on commercial activities with respect to both treasury and loan operations.
- Ensuring that risk management and risk measurement methods are appropriate, given the Group's characteristics and activities.

iii. The Assets and Liabilities Committee

The Assets and Liabilities Committee (ALCO or ALICO Committee) is intended to help senior management define policies and limits, monitor, control and measure systems to support the management of assets and liabilities, and manage liquidity risk through the different liquidity risk management systems (SARL).

Its main duties include:

- Establishing adequate procedures and mechanisms for liquidity risk management.
- Monitoring reports on liquidity risk exposure.
- Pinpointing the origin of exposure and using sensitivity analysis to identify the probability of lower returns or the need for resources, due to movements in cash flow.

iv. The Auditing 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 that are required for the internal control system to operate properly.
- Assessing the entity's internal control structure to determine if the designed procedures reasonably protect its assets and those it manages for third parties or has custody of, and to verify whether controls there are in place to make sure transactions are authorized and recorded appropriately. To that end, the Statutory Auditor, the Auditing Department and the areas that are responsible for managing the different risk systems submit mandatory periodic reports to the Auditing Committee, along with any others they might be asked to prepare.
- Monitoring risk exposure levels, the implications for the Group, and the measures taken to control and mitigate risk.

**The Office of the Vice President for Risk and Credit Management**

The duties of the Office of the Vice President for Risk and Credit Management are the following, among others.

- Ensuring proper compliance 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, 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**

Pursuant to its business models, the Group has structures and procedures that are well defined and documented in manuals on the administrative processes to be followed for risk management. It also has a number of technological tools to monitor and control risk. These will be discussed later, in detail.

**In-house Auditing**

The internal audits done by the Group are independent from management and depend directly on the auditing committees. In line with their duties, these committees conduct periodic assessments of compliance with the risk-management policies and procedures to be followed by the Group. Their reports are submitted directly to the risk committees and to the committees that are in charge of monitoring management of the Group in terms of the corrective measures taken. The Group also receives regular visit from in-house auditing to track compliance with risk management policies at the Group level. The reports on these visits are submitted directly to management and to the Group’s auditing committees.

**Grupo BAC Credomatic**

As for the subsidiaries, Leasing Bogotá Panamá consolidates with Grupo BAC Credomatic, which is located in Central America. Grupo BAC Credomatic has its own policies, functions and procedures for risk management; however, they are in sync with the guidelines set by Banco de Bogotá.

Risk is managed and monitored regularly through the following corporate-governance bodies, which are established at the regional level and in the countries where Grupo BAC Credomatic operates: the Comprehensive Risk Management Committee, the Assets and Liabilities Committee (ALICO), the Compliance Committee, the Credit Committee, the Audit Committee and the Investment Committee.

In terms of credit risk management, BAC has a centralized structure with 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 company in each country, compliance with policies and procedures is reported to the Regional Risk Director.

With regard to market risk, BAC has a regional unit to manage policy on investment and on the management of assets and liabilities. It sets guidelines on establishing 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 the BAC Board members.

**d) Individual Risk Analysis**

The Group is exposed to a range of financial, operational, reputational and legal risks that arise in the course of its business.

The financial risks include: i) market risk (trading and price risks, as described later) and ii) structural risks posed by the composition of the assets and liabilities on the Group's consolidated balance sheet. The major ones are credit risk, the risk of variations in the exchange rate, liquidity risk and interest-rate risk.

The following is an analysis of each of these risks.

**i. Credit Risk**

The Group assumes credit risk daily on two fronts. One involves lending activity, which includes commercial, consumer, mortgage and microcredit operations. The other is treasury activity, which involves interbank operations, investment portfolio management, transactions in derivatives and foreign exchange trading, among other operations. Although these are independent businesses, the nature of counterparty insolvency risk is comparable and, therefore, the criteria being applied are the same.

The principles and rules for managing loans and credit risk within the Group are outlined in the Loan Manual, which is conceived for traditional banking activity, as well as treasury operations. The assessment criteria applied to measure credit risk are aligned with the main guidelines set by the Credit and Treasury Risk Committee.

In terms of treasury operations, it is the Board of Directors of the Bank and the boards of each subsidiary that approve operational and counterparty limits. Risk control is carried out essentially through three mechanisms: annual allocation of operational limits and daily control; regular assessment of solvency, per issuer; and reports on the concentration of investments, by economic group.

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

## Consolidated Exposure to Credit Risk

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 is exposed to credit risk as a result of its lending activities and transactions with counterparties that result in the acquisition of financial assets.

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 financial position at December 31 and June 30, 2015, as indicated below.

| | | December 31, 2015 | June 30, 2015 |
|---|---|---|---|
| **Deposits in Banks other than Banco de la República (the Central Bank of Colombia)** | $ | 12,575,589 | 9,075,406 |
| **Financial instruments at fair value** | | | |
| Government | | 3,500,622 | 3,784,509 |
| Financial entities | | 2,981,382 | 2,804,841 |
| Other sectors | | 278,781 | 660,178 |
| Investments in equity instruments | | 2,302,684 | 2,125,600 |
| | | 9,063,469 | 9,375,128 |
| **Derivative instruments** | | 719,202 | 561,690 |
| **Loan portfolio** | | | |
| Commercial | | 60,609,310 | 54,248,818 |
| Consumer | | 24,235,042 | 19,983,123 |
| Mortgage portfolio | | 10,627,866 | 8,555,866 |
| Microcredit | | 385,639 | 366,897 |
| Other accounts receivable | | 3,898,207 | 3,197,150 |
| | | 99,756,064 | 86,351,854 |
| **Total financial assets with credit risk** | | **122,114,324** | **105,364,078** |
| **Off-balance sheet financial instruments with credit risk, at fair value** | | | |
| Financial guarantees and surety | | 3,702,090 | 4,156,772 |
| Lines of credit | | 16,768,919 | 12,778,694 |
| **Total off-balance sheet credit risk exposure** | | **20,471,009** | **16,935,466** |
| **Total maximum exposure to credit risk** | $ | **142,585,333** | **122,299,544** |

For collateral and commitments to extend the amount of a loan, the maximum exposure to credit risk is the amount of the commitment. See Note 13 to that effect. Credit risk is mitigated through guarantees and collateral, as described below. :

## Mitigation of Credit Risk, Collateral and Other Improvements in Credit Risk

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

The methods used to assess collateral are consistent with the best practices in the market. They involve the use of independent real estate appraisers, the market value of securities or 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.

See Note 13 for details on collateral received to back loans extended by the Group at the consolidated level.

(Continued)

**Policies to Prevent Excessive Concentrations of Credit Risk**

The Group has maximum risk-level concentration rates that are updated at the individual level, by country and economic sector. The limit to the Group's exposure in a loan commitment to a specific customer depends on the customer's risk rating.

Under Colombian law, the Group is not permitted to grant individual loans that exceed 10% of its regulatory capital, if the loans lack collateral that is acceptable according to the legal standards established for that purpose. In the case of loans secured with acceptable collateral, the limit is no more than 25% of the regulatory capital of each bank.

A breakdown of Group-wide credit risk in the different geographic areas is provided in Note 13. These areas are determined according to the debtor's country of residence, without taking into account the debtor credit-risk impairment allowances that were established or loan portfolio, by economic sector.

**Sovereign Debt**

Financial assets in debt instruments at December 31 and June 30, 2015 consisted largely of securities issued or backed by the Colombian government or foreign governments. These accounted for 58.1% and 56.3% of the total portfolio, in that order.

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

| | | December 31, 2015 | | June 30, 2015 | |
|---|---|---|---|---|---|
| | | Amount | Share | Amount | Share |
| **Investment grade (1)** | **$** | **7,838,600** | **83.9%** | **7,922,797** | **87.3%** |
| Colombia | | 7,307,665 | 78.2% | 7,532,940 | 83.0% |
| Panama | | 496,837 | 5.3% | 357,503 | 3.9% |
| USA | | 34,098 | 0.4% | 32,354 | 0.4% |
| **Speculative (2)** | | **1,508,714** | **16.1%** | **1,147,505** | **12.7%** |
| Costa Rica | | 844,738 | 9.0% | 640,906 | 7.1% |
| El Salvador | | 138,740 | 1.5% | 74,843 | 0.8% |
| Guatemala | | 106,343 | 1.1% | 106,241 | 1.2% |
| Honduras | | 417,343 | 4.5% | 324,275 | 3.6% |
| Nicaragua | | 1,550 | 0.0% | 1,240 | 0.0% |
| **Total sovereign risk** | **$** | **9,347,314** | **100.0%** | **9,070,302** | **100.0%** |

(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 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.

**The Process for Granting Counterparty Loans and Limits**

The Group has a credit risk management system (SARC), which is run by the Credit and Treasury Risk Management Office at the Bank and by the Office of the Vice President in Charge of Credit at Back Credomatic. Among other aspects, SARC focuses on designing, implementing and assessing the risk policies and tools defined by the risk committees and the boards of directors.

Credit management is done according to policies that are clearly defined by the Board of Directors. These policies are reviewed and amended regularly in light of changes and expectations in the markets where the

(Continued)

Group operates, in regulations and in other factors to be considered when formulating guidelines of this type.

When it comes to lending, the Group has 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 are also scoring models for massive portfolios (consumption, home mortgages and microcredit). These models are based on information regarding behavior with the Group and with the system, as well as sociodemographic and customer profile variables.

Additionally, an analysis of the financial risk of the operation is done, based on the debtor's ability to pay or to generate funds in the future.

**The Credit Risk Monitoring Process**

The process the Group uses to monitor and follow-up on credit risk is carried out in several stages. These include monitoring and management of daily collections, based on an analysis of non-performing loans according to the amount of time they are overdue; classification by risk level; continuous monitoring of high-risk customers; the restructuring process; and the receipt of foreclosed assets.

The Group evaluates the risk posed by each of its debtors, doing so monthly and on the basis of their financial information and/or behavior. This information is used to classify customers at different risk levels. The following categories are used for that purpose: Category A-Normal, B- Acceptable, C-Appreciable, D-Significant and E-Uncollectable.

For the consumer portfolio, all the elements in the credit cycle, from design and origination to the collection process and cross-selling, are examined continuously, and there is a set of standard reports and a series of committees for regular monitoring to facilitate this process.

In the case of commercial loans, Bank of Bogota evaluates 25 macro-economic sectors individually, on a quarterly basis, to track portfolio concentration and the level of risk in each sector.

It also has designed a system of financial alerts that lead to individual customer analysis in situations of possible increased credit risk. These studies are analyzed by evaluation committees that meet regularly. Default, risk, hedging allowances and portfolio concentration levels are monitored constantly through a system of reports that are transmitted to senior management.

BAC Credomatic structures acceptable credit-risk levels by setting limits on the amount of risk accepted with respect to one borrower or a group of borrowers and a geographic segment. These loans are controlled constantly and subject to periodic review.

Exposure to credit risk is managed by regularly analyzing the ability of borrowers and potential borrowers to pay principal and interest. Exposure to credit risk is also mitigated, in part, by obtaining different types of collateral, both corporate and personal.

The Group uses a number of credit reports to evaluate the performance of its portfolio, to assess provisioning requirements and, above all, to anticipate events that might affect the condition of it borrowers.

A breakdown of the non-performing loans at December 31 and June 30, 2015, by age and risk rating, is provided in Note 13.

**The Process Used to Calculate Allowances**

Allowances are calculated in light of the guidelines defined by the IASB, specifically pursuant to IAS 39 (Financial Instruments Recognition and Valuation). In this case, the Group calculates incurred losses that imply establishing an allowance for possible losses originating with events that have occurred and are known, or have occurred but are not known.

Allowances are estimated in two ways. For impaired and significant clients, they are calculated individually by analyzing the flow of loan payments expected from the client (or based on the collateral value, minus the cost of selling, when applicable). For unimpaired and nonsignificant clients, they are estimated collectively with the help of statistical models.

**Restructuring Loan Operations When the Debtor Has Financial Problems**

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

The base policy on this sort of refinancing is to provide customers with the financial feasibility that enables them to adapt debt payment conditions to a new situation for generating funds. The Group does not allow restructuring to be used solely for the purpose of delaying the constitution of allowances.

When a loan is restructured due to financial problems on the part of the borrower, the debt is flagged in the Group's files as a restructured loan, according to the regulations established to that effect by the Financial Superintendence of Colombia. The restructuring process has a negative impact on the debtor's risk rating. After restructuring, the risk rating will only improve if the customer honors the terms of the agreement, within a reasonable period of time, and its new financial situation is adequate, or additional collateral is provided.

As per IAS 39 - Paragraph 39C, restructured loans are included for impairment assessment and to determine impairment allowances. However, flagging a restructured loan does not necessarily mean it is classified as impaired, since new collateral to secure the obligation is obtained in most cases.

| Restructured loans | | December 31, 2015 | June 30, 2015 |
|---|---|---|---|
| Local | $ | 1,326,071 | 1,250,016 |
| Foreign | | 480,742 | 371,293 |
| Total restructured loans | $ | 1,806,813 | 1,621,309 |

**Receipt of Foreclosed Assets**

When persuasive collection or loan restructuring processes do not produce satisfactory results within a reasonable period of time, legal collection is carried out 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 the subsequent sale thereof.

(Continued)

The following is a breakdown of the foreclosed assets received and sold during the six months ended at December 31 and June 30, 2015.

| | | December 31, 2015 | June 30, 2015 |
|---|---|---|---|
| Foreclosed assets received | $ | 37,608 | 171,972 |
| Assets sold | $ | 52,150 | 190,691 |

### ii. Market Risks

The Group participates in monetary, exchange and capital markets to meet its needs and those of its customers. This is done pursuant to established policies and risk levels. In that regard, the Group manages numerous portfolios of financial assets, within the limits and the risk levels allowed.

The risks assumed in both bank and treasury book operations are consistent with the overall business strategy of the Group and its tolerance for risk. These aspects are based on the depth of the markets for each instrument, their impact on weighting assets by risk and capital adequacy, the profit budget established for each business unit, and the structure of the balance sheet.

Business strategies are established according to approved limits, seeking a balanced risk / return ratio. There also is a set of limits consistent with the general philosophy of the Group, based on its level of capital, earnings performance and risk tolerance

Market risk originates with the Group's open positions in investment portfolios comprised of debt securities, equity instruments and operations with derivatives registered at fair value. It is due to adverse changes in risk factors such as prices, interest rates, foreign currency exchange rates, share prices, credit margins on instruments and their volatility, as well as liquidity in the markets where the Group operates.

The Group trades financial instruments for a variety of purposes, but primarily to:

- Offer products tailored to the customer's needs. One such function, among others, is to hedge the customer's financial risks.
- Structure portfolios to take advantage of arbitrage between different curves, assets and markets, and to obtain high returns with limited use of equity.
- Conduct operations with derivatives to hedge asset and liability risk positions on its balance sheet, to act as a broker with customers, or to capitalize on opportunities for exchange and interest rate arbitrage on local and foreign markets.

The Group reported the following financial assets and liabilities registered at fair value and subject to trading risk at December 31 and June 30, 2015.

| | | December 31, 2015 | June 30, 2015 |
|---|---|---|---|
| Investments in debt securities | $ | 6,760,785 | 7,249,528 |
| Derivative assets | | 719,202 | 561,690 |
| Financial assets in concession arrangements | | 1,891,692 | 1,815,145 |
| **Total assets** | | **9,371,679** | **9,626,363** |
| Derivative liabilities | | 1,212,695 | 1,082,746 |
| **Total liabilities** | | **1,212,695** | **1,082,746** |
| **Net position** | **$** | **8,158,984** | **8,543,617** |

(Continued)

The Group's market risk management system (SARM) enables it to identify measure, control and monitor the market risk to which it is exposed through the positions it assumes when carrying out its operations.

There are several scenarios where the Group is exposed to market risks. The following are some examples.

- Interest Rates

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

- Exchange Rates

The Group's portfolios are exposed to exchange risk when the current value of its asset positions in each currency does not match the current value of its 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 the liability positions in said currency, which generates losses or profits, or when the margin depends directly on exchange rates.

For the purpose of analysis, market risk is segmented market risk into categories; namely, trading risk and price risk in investments in equity securities.

Senior management and Board of Directors of the Group play an active role in managing and controlling risk by analyzing a protocol of established reports and presiding over a number of committees that technically and fundamentally monitor, in a comprehensive way, all the different variables that influence domestic and foreign markets. This is done to support strategic decisions.

Analyzing and monitoring the various risks the Group incurs in its operations is essential to making decisions and evaluating earnings. Furthermore, an ongoing analysis of macroeconomic conditions is vital to achieving an ideal combination of risk, return and liquidity.

The risk assumed in doing business are reflected in a structure of limits to positions in different instruments, depending on the specific strategy, the depth of the markets where the Group operates, the impact on risk-weighted assets and capital adequacy, and the structure of the balance sheet. These limits are monitored daily and reported regularly to the Board of Directors of the Bank and to each subsidiary.

In addition, the Group uses hedging strategies to minimize interest-rate and exchange-rate risks to some of the items on the balance sheet. This is done by taking positions in derivative instruments such as non-deliverable (NDF) TES forwards, simultaneous operations, interest rate derivatives, FX derivatives and derivatives on fair value.

According to the Group's risk management strategy, the exposure to FX risk generated by investments in foreign subsidiaries and agencies abroad is hedged through a combination of "non-derivative" instruments (debt issued in USD) and derivatives. These receive hedge accounting treatment, once they comply with the respective requirements.

Market risks are quantified through the use of value-at-risk models (internal and standard), and measurements are made by means of the historical simulation method. The boards of directors approve a framework of limits based on the value-at-risk associated with the budget for annual earnings and establish additional limits, depending on the type of risk.

The Group uses the standard model to measure, control and manage market interest and exchange risk in both the treasury and bank books, as stipulated by the Financial Superintendence of Colombia. It also maps the asset and liability positions in the treasury book into zones and bands according to the duration of the portfolios, the investments in equity securities and the net position (asset minus liability) in foreign currency, both in the bank book and the treasury book. This process is consistent with the standard model recommended by the Basel Committee.

The entities in the Group have parametric and non-parametric models for internal management based on the value-at-risk (VaR) method. These models make it possible to supplement market risk management by identifying and analyzing variations in the risk factors (interest rates, exchange rates and price indexes) affecting the value of the different instruments that make up the Group's portfolios. JP Morgan Risk Metrics and the historical simulation method are two prime examples of these models.

These methods make it possible to estimate the profits and capital that are at risk, by comparing activities in different markets and identifying the positions that imply the most risk to the treasury business. This, in turn, facilitates the allocation of resources to the different business units. These tools also are used to determine limits on traders' positions and to review positions and strategies quickly, as market conditions evolve.

The methods employed to measure different types of risk are assessed regularly and back-tested to verify their efficiency. In addition, the Group has tools to carry out portfolio stress and/or sensitivity tests, using simulations of extreme scenarios.

There are also limits that depend on the "risk type" associated with each of the instruments that make up the portfolios (sensitivity or impact on portfolio value due to interest rate fluctuations or respective factors – effect of variations in specific risk factors: interest rate (Rho), exchange rate (Delta) and volatility (Vega), among others).

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

There is also a process to monitor the prices and valuation input published by Infovalmer (the pricing supplier). The idea is to identify, on a daily basis, instances where there are significant differences between the prices and valuation input provided the pricing service and those observed through other tools for financial information (e.g., the Bloomberg platform). This monitoring is done to contest the prices published by these services, if necessary. In the case of BAC, there is a process to monitor the clean prices in the international vector published by Bloomberg.

The Group also has a model to analyze the liquidity of fixed-income securities (bonds) issued abroad. The idea, in this respect, is to determine the depth of the market for instruments of this type and their level in the fair value hierarchy.

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Lastly, as part of the effort to monitor operations, different aspects of trading are controlled, such as the terms agreed on, unconventional or off-market operations, operations with related parties, etc.

According to the standard model, the following is the market value-at-risk (VaR) for the Group at December 31 and June 30, 2015.

**Maximum, Minimum and Average VaR Values**

| | December 31, 2015 | | | |
|---|---|---|---|---|
| | **Minimum** | **Average** | **Maximum** | **Latest** |
| Interest rate | $ 660,724 | 706,288 | 828,870 | 660,761 |
| Exchange rate | 23,162 | 42,539 | 64,724 | 23,162 |
| Shares of stock | 9,515 | 10,417 | 13,321 | 13,321 |
| Mutual funds | 149,138 | 163,475 | 197,771 | 151,678 |
| Total VaR | $ **848,922** | **922,719** | **1,054,899** | **848,922** |

**Maximum, Minimum and Average VaR Values**

| | June 30, 2015 | | | |
|---|---|---|---|---|
| | **Minimum** | **Average** | **Maximum** | **Latest** |
| Interest rate | $ 660,455 | 646,329 | 725,027 | 612,162 |
| Exchange rate | 19,479 | 29,550 | 56,587 | 13,570 |
| Shares of stock | 8,242 | 9,439 | 10,646 | 8,242 |
| Mutual funds | 194,534 | 198,825 | 203,721 | 194,534 |
| Total VaR | $ **882,709** | **884,143** | **977,950** | **836,983** |

The following summarizes the VaR indicators for the Bank and its main financial subsidiaries during the six months ended at December 31 and June 30, 2015.

| **Entity** | December 31, 2015 | | June 30, 2015 | |
|---|---|---|---|---|
| | **Amount** | **Basis points of regulatory capital** | **Amount** | **Basis points of regulatory capital** |
| Banco Bogotá (parent company) | $ 308,340 | 32 | 340,320 | 42 |
| Leasing Bogotá Panamá & subsidiary | 65,332 | 7 | 58,502 | 7 |
| Banco de Bogotá Panamá & subsidiary | 11,387 | 1 | 11,022 | 1 |
| Casa de Bolsa | 3,763 | 0 | 4,344 | 1 |
| Corficolombiana & financial subsidiaries | 282,448 | 30 | 298,500 | 37 |
| Fidubogotá | 14,382 | 2 | 10,697 | 1 |
| Porvenir | 163,270 | 17 | 159,324 | 19 |
| **Consolidated VaR** | $ **848,922** | **89** | **882,709** | **108** |

## Investment Price Risk in Equity Instruments and Biological Assets

### Equity Investments

The Group is exposed to financial asset price risk in equity instruments through its subsidiary Corficolombiana S.A. (CORFICOL), due to adverse variations in the market prices of those instruments. The corporate purpose of this subsidiary, in accordance with Colombian accounting standards, is to encourage the medium- and long-term development of companies.

CORFICOL also is exposed to financial asset price risk in equity instruments (equity investments) listed on the stock exchange (mainly through Bladex S.A. Class E; Alimentos Derivados de la Caña; AV Villas; Gas Natural ESP; Bolsa de Valores de Colombia, Empresa de Energia de Bogota, Mineros S.A.). Had the prices of these investments been 1% higher or lower, the greater or lesser impact on the Group's OCI would have been $ 6,902 before taxes at December 31, 2015 and $ 6,439 before taxes at June 30, 2015

The Group also has equity investments that are not listed on the stock market, in which case their fair value is determined by the price supplier. A sensitivity analysis of the variables used by the price supplier is provided in Note 6.

**Biological Assets**

The Group derives a portion of its income from the sale of biological assets from its oil palm and rubber plantations. On occasion, it uses financial derivatives to hedge against the risk of variation in the dollar/peso exchange rate and changes in international 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 correlates highly with the price of palm oil traded at those two locations.

If the average price of technically specified rubber (TSR20) had been 5% higher or lower in 2015, excluding the effect of hedging activities and with all other variables remaining constant, the Group's profits for the period, before taxes, would have been as follows.

**Rubber Plantations**

| | TSR20 Reference Price USD/ton | Change in Price at Close of Period | Value of the Biological Asset | Effect on Profit before Taxes | Effect on Net Equity |
|---|---|---|---|---|---|
| | 2,243 | 5% | 128,003 | 19,115 | 103,974 |
| December 31, 2015 | 2,136 | 0% | 118,169 | 9,280 | 97,483 |
| | 2,029 | (5%) | 108,264 | (624) | 90,946 |
| | 2,841 | 5% | 123,782 | 16,058 | 103,682 |
| June 30, 2015 | 2,705 | 0% | 113,365 | 6,568 | 96,806 |
| | 2,570 | (5%) | 102,934 | (3,862) | 89,922 |

**African Palm Plantations**

| | TSR20 Reference Price USD/ton | Change in Price at Close of Period | Value of the Biological Asset | Effect on Profit before Taxes | Effect on Net Equity |
|---|---|---|---|---|---|
| | 710 | 5% | 87,813 | 12,680 | 132,908 |
| December 31, 2015 | 676 | 0% | 76,554 | 1,421 | 125,035 |
| | 642 | (5%) | 65,223 | (9,910) | 117,113 |
| | 920 | 5% | 81,734 | 14,917 | 131,933 |
| June 30, 2015 | 877 | 0% | 71,734 | 4,916 | 12,494 |
| | 833 | (5%) | 61,731 | (5,086) | 117,947 |

The fair value of biological assets also is affected by different market situations, such as climate, lack of rainfall, natural disasters and blight. The subsidiaries that manage biological assets have taken all necessary precautions to reduce these risks from an operational standpoint.

**Risk of Variation in the Foreign Exchange Rate**

The Group operates internationally and, therefore, is exposed to changes in the exchange rate for a number of currencies, primarily the US dollar and the euro. Foreign currency exchange risk stems large from recognized assets and liabilities in investments in foreign subsidiaries and branches, from loan portfolios, from obligations in foreign currency, and from future commercial transactions, also in foreign currency.

(Continued)

Banks in Colombia are authorized by the country's central bank (Banco de la República) to trade foreign currency and to maintain balances in foreign currency in accounts abroad. Colombian law requires banks to hold a daily proprietary position in foreign currency, which is determined by the difference between foreign currency-denominated rights and obligations recorded on and off the balance sheet, the three-day average of which may not exceed the equivalent in foreign currency of twenty percent (20%) of their regulatory capital. The three-business-day average in proprietary foreign currency may be negative, provided it does not exceed five percent (5%) of regulatory capital, expressed in US dollars.

There also are limits to the spot market proprietary position, which is defined as the sum of foreign currency-denominated rights and obligations in futures contracts, foreign-currency denominated spot transactions settled in one banking day or more, and exchange exposure associated with contingencies acquired in options trading and other exchange derivatives. The three-business-day average of the gross leveraged position may not exceed the equivalent, in foreign currency, of five hundred fifty percent (550%) of the amount of the entity's regulatory capital.

The maximum and minimum amounts of the daily proprietary position and the spot market proprietary position in foreign currency are determined based on each bank's regulatory capital on the last day of the second preceding calendar month, converted at the exchange rate set by the Financial Superintendence of Colombia at the end of the previous month.

The bulk of the Group's assets and liabilities in foreign currency are held in US dollars. The following is a breakdown of its foreign currency assets and liabilities at the consolidated level at December 31 and June 30, 2015 and their equivalent in Colombian pesos.

| | December 31, 2015 | | | |
|---|---|---|---|---|
| **Account** | **Millions of US 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 at fair value | 1,215.7 | 0.0 | 210.7 | 4,492,286 |
| Investments in debt securities at amortized cost | 514.0 | 0.0 | 294.3 | 2,545,706 |
| Investment in equity securities | 6.5 | 0.0 | 3.9 | 32,823 |
| Trading derivatives | 38.5 | 0.0 | 0.7 | 123,567 |
| Loan portfolio at amortized cost | 12,736.2 | 0.6 | 3,600.8 | 51,454,969 |
| Hedging derivatives | 2.4 | 0.0 | 0 | 7,486 |
| Other accounts receivable | 384.1 | 0.0 | 94.1 | 1,506,103 |
| Other assets | 1,756.9 | 0.0 | 287.0 | 6,437,093 |
| **Total assets** | 20,019.2 | 1.9 | 5,397.9 | 80,057,009 |
| **Liabilities** | | | | |
| Customer deposits | 11,515.0 | 0.7 | 4,056.1 | 49,043,216 |
| Trading derivatives | 100.8 | 36.3 | 4.0 | 454,973 |
| Other accounts payable and other liabilities | 356.5 | 0.1 | 190.0 | 1,721,449 |
| Short-term financial obligations | 109.1 | 0.2 | 0 | 344,221 |
| Long-term financial obligations | 5,404.5 | 0.4 | 571.4 | 18,822,143 |
| Investment securities, outstanding | 1,511.7 | 0.0 | 0 | 4,761,169 |
| Hedging derivatives | 4.3 | 0.0 | 0 | 13,399 |
| Allowances | 0.5 | 0.0 | 0 | 1,605 |
| Income tax liability | 0.4 | 0.0 | 0 | 1,115 |
| **Total liabilities** | 19,002.8 | 37.7 | 4,821.5 | 75,163,290 |
| **Net asset (liability) position** | 1,016.4 | (35.8) | 576,4 | $ 4,893,719 |

(Continued)

| | June 30, 2015 | | | |
|---|---|---|---|---|
| | Millions of US Dollars | Millions of Euros | Other Currencies Expressed in Millions of US Dollars | Total (in millions of Colombian pesos) |
| **Assets** | | | | |
| Cash and cash equivalents | 3,929.2 | 1.3 | 0.7 | $ 10,216,401 |
| Investments in debt securities at fair value | 1,573.2 | 0.0 | 0.0 | 4,088,328 |
| Investments in debt securities at amortized cost | 925.2 | 0.0 | 0.0 | 2,404,425 |
| Investment in equity securities | 0.6 | 0.0 | 0.0 | 1,683 |
| Trading derivatives | 14.6 | 30.7 | 4.3 | 138,327 |
| Loan portfolio at amortized cost | 16,215.2 | 0.6 | 0.9 | 42,142,484 |
| Hedging derivatives | 7.8 | 0.0 | 0.0 | 20,293 |
| Other accounts receivable | 355.1 | 0.0 | 0.0 | 922,856 |
| Other assets | 2,161.3 | 0.4 | 0.0 | 5,617,722 |
| **Total assets** | 25,182.2 | 33.0 | 5.9 | 65,552,519 |
| **Liabilities** | | | | |
| Customer deposits | 15,235.2 | 0.6 | 0.1 | 39,593,313 |
| Trading derivatives | 72.1 | 30.7 | 2.8 | 283,858 |
| Other accounts payable and other liabilities | 406.1 | 0.6 | 0.0 | 1,056,864 |
| Short-term financial obligations | 188.6 | 0.0 | 0.0 | 490,136 |
| Obligations with rediscount agencies | 49.2 | 0.0 | 0.0 | 127,823 |
| Long-term financial obligations | 4,842.3 | 0.6 | 0.9 | 12,587,879 |
| Bonds | 1,495.6 | 0.0 | 0.0 | 3,886,672 |
| Hedging derivatives | 1.8 | 0.0 | 0.0 | 4,554 |
| Allowances | 34.7 | 0.0 | 0.0 | 90,136 |
| Income tax liability | 51.1 | 0.0 | 0.0 | 132,776 |
| **Total liabilities** | 22,376.7 | 32.5 | 3.8 | 58,254,011 |
| **Net asset (liability) position** | 2,805.5 | 0.5 | 2.1 | $ 7,298,508 |

Had the value of the US dollar to the peso increased by $10 Colombian pesos per US$1 at December 31, 2015, the Groups assets would have increased by $254,192 and its liabilities by $238,654 ($252,253 and $224,168), respectively, at June 30, 2015.

The Group's objective with regard to transactions in foreign currency is to meet its customers' needs in terms of foreign trade and financing in foreign currency´, and to hold positions within the authorized limits.

The Group has established policies that require foreign exchange risk management for each of the functional currencies in the countries where its subsidiaries are located. Foreign exchange exposure is hedged economically through the use of derivatives and non-derivative instruments.

The Group has a number of investments in foreign subsidiaries and branches whose net assets are exposed to risk stemming from the conversion of their financial statements for consolidation purposes. The exposure arising from net assets in foreign operations is hedged primarily with financial obligations and derivatives in foreign currency. (See Note 27)

**Risk interest rate on the balance sheet structure:**

The Group is exposed to the effects of fluctuations in the interest-rate market that impact its financial position 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.

(Continued)

In this respect, interest-rate risk is monitored regularly and limits are set on the extent of mismatch in the repricing of assets and liabilities due to changes in interest rates.

The following table shows the Group's exposure to interest rates at the consolidated level.

**Six months ended at December 31, 2015**

| | December 31, 2015 | | | | |
|---|---|---|---|---|---|
| | Half-year average | Interest income/expense | Average interest rate | 50 bp variation in the interest rate | |
| | | | | Increase | Decrease |
| **Interest-bearing financial assets** | | | | | |
| Financial investment assets at fair value in Colombian pesos | $ 2,877,090 | 57,644 | 4.0% | 7,193 | (7,193) |
| Financial investment assets at fair value in foreign currency | 4,095,090 | (23,839) | (1.2%) | 10,237 | (10,237) |
| | 6,972,180 | 33,805 | 1.0% | 17,430 | (17,430) |
| Financial investment assets at amortized cost in Colombian pesos | 6,694,184 | 87,026 | 2.6% | 16,736 | (16,736) |
| Financial investment assets at amortized cost in foreign currency | 2,664,532 | (545) | 0.0% | 6,661 | (6,661) |
| | 9,358,716 | 86,481 | 1.8% | 23,397 | (23,397) |
| Loan portfolio and capital leasing in Colombian pesos | 42,831,289 | 2,174,533 | 10.2% | 107,078 | (107,078) |
| Loan portfolio and capital leasing in foreign currency | 47,907,720 | 2,253,958 | 9.4% | 119,770 | (119,770) |
| | 90,739,009 | 4,428,491 | 9.8% | 226,848 | (226,848) |
| **Total financial assets bearing interest in Colombian pesos** | **52,402,563** | **2,319,203** | **8.9%** | **131,007** | **(131,007)** |
| **Total financial assets bearing interest in foreign currency** | **54,667,342** | **2,229,574** | **8.2%** | **136,668** | **(136,668)** |
| **Total interest-bearing financial assets** | **107,069,905** | **4,548,777** | **8.5%** | **267,675** | **(267,675)** |
| **Financial liabilities with financial cost** | | | | | |
| Customer deposits in Colombian pesos | 42,569,270 | 832,139 | 3.9% | 106,423 | (106,423) |
| Customer deposits in foreign currency | 45,268,822 | 520,734 | 2.3% | 113,172 | (113,172) |
| | 87,838,092 | 1,352,873 | 3.1% | 219,595 | (219,595) |
| Investment securities in Colombian pesos | 2,150,971 | 8,060 | 0.7% | 5,377 | (5,377) |
| Investment securities in foreign currency | 4,443,398 | 131,877 | 5.9% | 11,109 | (11,109) |
| | 6,594,369 | 139,937 | 4.2% | 16,486 | (16,486) |
| Financial obligations in Colombian pesos | 9,794,295 | 307,154 | 6.3% | 24,486 | (24,486) |
| Financial obligations in foreign currency | 16,253,724 | 255,008 | 3.1% | 40,634 | (40,634) |
| | 26,048,019 | 562,162 | 4.3% | 65,120 | (65,120) |
| **Total financial liabilities with financial cost in Colombian pesos** | **54,514,536** | **1,147,353** | **4.2%** | **136,286** | **(136,286)** |
| **Total financial liabilities with financial cost in foreign currency** | **65,965,944** | **907,619** | **2.8%** | **164,915** | **(164,915)** |
| **Total financial liabilities with financial cost** | **120,480,480** | **2,054,972** | **3.4%** | **301,201** | **(301,201)** |
| **Total net financial assets subject to interest-rate risk in Colombian pesos** | **(2,111,973)** | **1,171,850** | **4.6%** | **(5,279)** | **5,279** |
| **Total net financial assets subject to interest-rate risk in foreign currency** | **(11,298,602)** | **1,321,955** | **5.4%** | **(28,247)** | **28,247** |
| **Total net financial assets subject to interest-rate risk** | **$ (13,410,575)** | **2,493,805** | **5.1%** | **(33,526)** | **33,526** |

(Continued)

**Six months ended at June 30, 2015**

| | | June 30, 2015 | | | | |
|---|---|---|---|---|---|---|
| | | Half-year average | Interest income/expense | Average interest rate | 50 bp variation in the interest rate | |
| | | | | | Increase | Decrease |
| **Interest-bearing financial assets** | | | | | | |
| Financial investment assets at fair value in Colombian pesos | $ | 3,455,869 | 216,828 | 12.5% | 8,640 | (8,640) |
| Financial investment assets at fair value in foreign currency | | 4,055,510 | (250,077) | (12.3%) | 10,138 | (10,138) |
| | | 7,511,379 | (33,249) | (0.9%) | 18,778 | (18,778) |
| Financial investment assets at amortized cost in Colombian pesos | | 5,579,702 | 66,009 | 2.4% | 13,949 | (13,949) |
| Financial investment assets at amortized cost in foreign currency | | 2,270,854 | 407,875 | 35.9% | 5,677 | (5,677) |
| | | 7,850,556 | 473,884 | 12.1% | 19,626 | (19,626) |
| Loan portfolio and capital leasing in Colombian pesos | | 39,744,511 | 2,037,736 | 10.3% | 99,361 | (99,361) |
| Loan portfolio and capital leasing in foreign currency | | 39,068,141 | 1,734,219 | 8.9% | 97,671 | (97,671) |
| | | 78,812,652 | 3,771,955 | 9.6% | 197,032 | (197,032) |
| **Total financial assets bearing interest in Colombian pesos** | | **48,780,082** | **2,320,573** | **9.5%** | **121,950** | **(121,950)** |
| **Total financial assets bearing interest in foreign currency** | | **45,394,505** | **1,892,017** | **8.3%** | **113,486** | **(113,486)** |
| **Total interest-bearing financial assets** | | **94,174,587** | **4,212,590** | **8.9%** | **235,436** | **(235,436)** |
| **Financial liabilities with financial cost** | | | | | | |
| Customer deposits in Colombian pesos | | 40,844,077 | 729,832 | 3.6% | 102,110 | (102,110) |
| Customer deposits in foreign currency | | 37,143,595 | 412,803 | 2.2% | 92,859 | (92,859) |
| | | 77,987,672 | 1,142,635 | 2.9% | 194,969 | (194,969) |
| Investment securities in Colombian pesos | | 2,161,040 | 14,309 | 1.3% | 5,403 | (5,403) |
| Investment securities in foreign currency | | 3,700,361 | 103,734 | 5.6% | 9,251 | (9,251) |
| | | 5,861,401 | 118,043 | 4.0% | 14,654 | (14,654) |
| Financial obligations in Colombian pesos | | 7,268,796 | 270,005 | 7.4% | 18,172 | (18,172) |
| Financial obligations in foreign currency | | 12,575,446 | 203,073 | 3.2% | 31,439 | (31,439) |
| | | 19,844,242 | 473,078 | 4.8% | 49,611 | (49,611) |
| **Total financial liabilities with financial cost in Colombian pesos** | | **50,273,913** | **1,014,146** | **4.0%** | **125,685** | **(125,685)** |
| **Total financial liabilities with financial cost in foreign currency** | | **53,419,402** | **719,610** | **2.7%** | **133,549** | **(133,549)** |
| **Total financial liabilities with financial cost** | | **103,693,315** | **1,733,756** | **3.3%** | **259,234** | **(259,234)** |
| **Total net financial assets subject to interest-rate risk in Colombian pesos** | | **(1,493,831)** | **1,306,427** | **5.5%** | **(3,735)** | **3,735** |
| **Total net financial assets subject to interest-rate risk in foreign currency** | | **(8,024,897)** | **1,172,407** | **5.6%** | **(20,063)** | **20,063** |
| **Total net financial assets subject to interest-rate risk** | $ | **(9,518,728)** | **2,478,834** | **5.6%** | **(23,798)** | **23,798** |

Had interest rates been 50 basis points less, with all other variables remaining constant, the Bank's profits for the six months ended at December 31 and June 30, 2015 would have increased by $33,526 and $23,397 respectively, mainly because of less interest expense on variable interest liabilities.

Had interest rates been 50 basis points higher, with all other variables remaining constant, the Bank's profits for the six months ended at December 31 and June 30, 2015 would have declined by $33,526 and $23,397 respectively, mainly because of a decline in the fair value of financial investment assets classified at fair value with an adjustment in income.

(Continued)

### iii. Liquidity Risk

Liquidity risk is related to the inability of the Group to fulfill 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 manages liquidity risk according to the rules on liquidity risk management. This process adheres to the fundamental principles of the different liquidity risk management systems (SARL), which define minimum reasonable parameters the entities must monitor 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 standard model approved by the Financial Superintendence of Colombia.

In the case of BAC Credomatic, liquidity risk is managed according to the policies and guidelines issued by regional and local management and/ or the Board of Directors, complying in each case with the particular regulations of each country where the company operates and the contractual obligations it has acquired.

As part of liquidity risk analysis, the Group measures 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 the way assets and liabilities are managed. 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.

Quantification of the funds obtained on the money market is an integral part of the liquidity measurement the Group 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 helps to minimize any concentration of funding sources. Once identified, sources of funding are assigned to the different lines of business, according to the 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 Group's liquidity risk profile and to be able to make strategic decisions, as required. In this sense, there are liquidity warning indicators to ascertain the current situation, as well as strategies to be implemented in each case. These indicators include the LRI, deposit concentration levels and use of the Central Bank's liquidity quotas, among other elements.

It is through the committees on assets and liabilities that the senior management of each entity knows the institution's liquidity situation and makes the necessary decisions. These decisions take into account the high-quality liquid assets that must be maintained; the reserve requirements; the strategies for granting loans and deposit taking; the policies on placing surplus liquidity; changes in the characteristics of new and existing products; diversification of funding sources to prevent a concentration of deposit-taking in a few investors or savers; hedging strategies; the Group's income; and the changes in the structure of the balance sheet.

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 between assets and liabilities.

Banks in Colombia are required to keep cash on hand and in banks, including deposits in central banks, according to the percentages on customer deposits and other liabilities established in the regulations for each of jurisdiction where the Group operates.

(Continued)

The following is a summary of the available liquid assets of the Group's main subsidiaries, projected over a period of 90 days at December 31 and June 30, 2015, according to the provisions established to that effect by the Financial Superintendence of Colombia.

| | | December 31, 2015 | | | | |
|---|---|---|---|---|---|---|
| **Entity** | | **Available liquid assets at the end of the period (1)** | **From 1 to 7 days (2)** | **From 8 to 15 days thereafter (2)** | **From 16 to 30 days thereafter (2)** | **From 31 to 90 days thereafter (2)** |
| Banco de Bogota | $ | 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 |

| | | June 30, 2015 | | | | |
|---|---|---|---|---|---|---|
| **Entity** | | **Available liquid assets at the end of the period (1)** | **From 1 to 7 days (2)** | **From 8 to 15 days thereafter (2)** | **From 16 to 30 days thereafter (2)** | **From 31 to 90 days thereafter (2)** |
| Banco de Bogota | $ | 7,504,525 | 6,273,764 | 5,638,947 | 5,313,931 | (763,899) |
| Corporación Financiera Colombiana S.A. | | 1,692,000 | 1,274,000 | 1,345,000 | (133,761) | (678,129) |

(1) Liquid assets are sum of those assets existing at the end of each period that, given their nature, can be converted quickly into cash. 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 it conducts and have not been used subsequently in borrowing operations on the money market, investments in debt securities at fair value, investments in open mutual funds with no permanence agreement, and investments at amortized cost, provided the latter involve forced or mandatory investments that are subscribed in the primary market and can be used for money market operations. When calculating liquid assets, all the aforementioned investments, without exception, are calculated at their fair market price on the date of the assessment

(2) This balance is the residual value of the entity's liquid assets in the days following the end of the period, after deducting the net difference between its cash inflows and outflows during that period. 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.

These liquidity calculations assume the existence of normal liquidity conditions, according to the contractual flows and historical experience of each bank. For cases involving extreme liquidity events occasioned by the withdrawal of deposits, each bank 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, pursuant to current regulations. These lines of credit are granted when required and are backed by securities issued by the Colombian government and by a portfolio of high- quality loans, as stipulated in the regulations of the Central Bank.

During the years ended at December 31 and June 30, 2015, none of the lending institutions was obliged to use this financing of last resort.

(Continued)

The following is an analysis of the contractual maturity ranges pertaining to the Group's financial liabilities at June 30 and December 31, 2015.

| Description | December 31, 2015 | | | | | |
|---|---|---|---|---|---|---|
| | Under one month | More than one month and under three months | More than three months and under one year | More than one year and under five years | More than five years | Total |
| At amortized cost | | | | | | |
| Customer deposits | $ 56,514,324 | 4,111,708 | 13,636,206 | 15,386,330 | 2,399,091 | 92,047,659 |
| Short-term financial obligations | 6,275,762 | 0 | 0 | 0 | 0 | 6,275,762 |
| Long-term financial obligations | 837,077 | 1,721,201 | 7,559,809 | 6,695,392 | 5,177,986 | 21,991,465 |
| Investment securities, outstanding | 0 | 0 | 0 | 4,039,011 | 2,960,316 | 6,999,327 |
| | $ 63,627,163 | 5,832,909 | 21,196,015 | 26,120,733 | 10,537,393 | 127,314,213 |

| Description | June 30, 2015 | | | | | |
|---|---|---|---|---|---|---|
| | Under one month | More than one month and under three months | More than three months and under one year | More than one year and under five years | More than five years | Total |
| At amortized cost | | | | | | |
| Customer deposits | $ 46,303,177 | 5,330,297 | 12,005,664 | 17,040,583 | 1,378,465 | 82,058,186 |
| Short-term financial obligations | 7,240,160 | 0 | 0 | 0 | 0 | 7,240,160 |
| Long-term financial obligations | 492,438 | 950,378 | 4,849,867 | 4,436,904 | 4,791,848 | 15,521,435 |
| Investment securities, outstanding | 53,782 | 62,082 | 144,277 | 2,867,225 | 2,898,941 | 6,026,307 |
| | $ 54,089,557 | 6,342,757 | 16,999,808 | 24,344,712 | 9,069,254 | 110,846,088 |

### iv. Operational Risk

The Group has an operational risk management system (SARO) that is implemented as directed in the guidelines established by the Financial Superintendence of Colombia. This system is managed by the operational risk units of the entities in the Group.

Thanks to SARO, the Group has reinforced its understanding and control of the risks inherent in its processes, activities, products and operating lines, and has managed to reduce errors and to identify opportunities for improvement that support the development and operation of new products and/or services.

The operational risk manual of each entity in the Group outlines the policies, standards and procedures that have been adopted to guarantee business management within defined levels of appetite for risk There is also a manual on the business continuity management system, which contains guidelines for operations in the event basic resources are not available.

Each financial entity keeps a detailed log of incidents that involve operational risk. These incidents are recorded in the assigned expense accounts to ensure proper accounting follow-up.

(Continued)

The operational risk units (GRO) take part in the organization's activities through their involvement in the committees envisioned to monitor management and compliance with the entity's rules and regulations. These committees can be strategic, tactical and preventive in nature, or designed to monitor risk indicators, complaints and claims. This has been accomplished by using the SARO methodology (risk identification, measurement, control and monitoring) when implementing standards and regulations, such as the Sarbanes-Oxley Act (SOX), ISO 27001 (Information Security), Law 1328 on financial consumer protection, the Anti-corruption and Anti-fraud Act, and Law 1581 on data protection. This has made it possible to obtain important synergies for the entities in the Group.

The operational risk profile at December 31, 2015 shows risks and controls for all the processes at each institution. The update model is dynamic, and work is underway to identify critical risks and key business controls, so as to make management more efficient.

As for BAC Credomatic, which is part of Leasing Bogotá Panamá, the company has established a basic framework to manage the operational risks in its entities. The idea is to provide general guidelines that are intended to bring the methodology used in Colombia in line with that of the different countries (because of differences in the way rules and regulations are issued), so as to apply the basic model for identifying, evaluating, controlling, monitoring and reporting operational risks and actual events that might affect the company.

The operational-risk management model takes into account the best practices outlined by the Basel Committee on Banking Supervision and by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Regionally speaking, it also meets the regulatory requirements that were designed for that purpose by the supervisory bodies in the countries where the company operates.

The priority is to identify and manage the primary risk factors, regardless of whether or not they might result in monetary loss. This measurement also helps to establish priorities in managing operational risk.

The operational risk management system is duly documented in The Guidelines and Manual on Operational Risk. It is an ongoing, multi-phase process that has various stages; namely,

- Measurement from the standpoint of the control environment
- Identification and assessment of operational risks
- Treatment and mitigation of operational risks
- Monitoring and evaluating controls
- Recording and posting losses caused by incidents that involve operational risk

The company also has formally established policies to manage information security, business continuity and fraud prevention. Likewise, there is an ethics code to support the proper management of operational risks within the organization.

There is an operational risk management system within the region and in all the countries where the company operates. The objective is to monitor, assist and assess management's efforts to deal with operational risks. There also is a committee specialized in operational risk (OR Committee). Comprised of members of the management team, it monitors efforts to oversee business continuity, reports to the Comprehensive Risks Management Committee, supervises management, and ensures that all identified operational risks are kept within levels that are acceptable to the company.

Compliance with the company's standards is supported by a program of periodic reviews conducted by the Internet Auditing Department, which reports its findings to the audit committee of each entity where the company operates.

The following table shows the figures from each update of the operational risk profile of each entity during the periods ended at June 30 and December 31, 2015.

| | December 31, 2015 | | | June 30, 2015 | | |
|---|---|---|---|---|---|---|
| | **Processes** | **Risks** | **Controls** | **Processes** | **Risks** | **Controls** |
| Banco de Bogotá | 188 | 1,647 | 4,344 | 180 | 1,615 | 4,269 |
| Porvenir | 15 | 411 | 753 | 45 | 408 | 777 |
| Casa de Bolsa | 50 | 454 | 215 | 50 | 422 | 2,563 |
| Fiduciaria Bogota | 20 | 202 | 2,178 | 20 | 202 | 2,160 |
| Almaviva | 23 | 124 | 743 | 19 | 104 | 590 |
| Corficolombiana | 23 | 396 | 863 | 23 | 390 | 800 |
| BAC | 656 | 28,595 | 1,943 | 656 | 28,399 | 2,076 |
| Banco de Bogota Panamá | 65 | 402 | 504 | 65 | 391 | 504 |

The following are losses incurred and registered by the Group due to incidents involving operational risk.

| | | December 31, 2015 | June 30, 2015 |
|---|---|---|---|
| Banco de Bogotá | $ | 35,377 | 7,347 |
| Grupo BAC | | 13,019 | 5,896 |
| Almaviva | | 4,602 | 1,149 |
| Porvenir | | 276 | 827 |
| Fiduciaria Bogotá | | 119 | 40 |
| Casa de Bolsa | | 40 | 36 |
| Corficolombiana | | 9 | 38 |
| Banco de Bogotá Panamá | | 20 | 4 |
| **Total** | **$** | **53.462** | **15,337** |

### v. Risk of Money Laundering and Terrorist Financing

The efforts of the Group to support the Money Laundering and Terrorist Financing Risk Management System (SARLAFT) have produced good results and fall within the regulatory framework established to that effect by Financial Superintendence of Colombia, particularly the instructions outlined in Part, I, Heading IV, Chapter IV of its Basic Legal Circular. These results are in keeping with prevailing regulations, the policies and methods adopted by the Group's maximum decision-making body, and with international recommendations on the matter.

### Managing the Risk of Money Laundering and Terrorist Financing

SARLAFT activities were developed in light of the methods adopted by the Group. Consequently, it was possible to reduce exposure to these kinds of risks by applying the controls designed for each of the risk factors described in Part I, Heading IV, Chapter IV of the Basic Legal Circular issued by the Financial Superintendence of Colombia (customer, product, channel and jurisdiction), and the Group was able to maintain an acceptable profile that reflects the absence of incidents or situations that might tarnish the good reputation it has maintained with respect to SARLAFT.

In addition, as part of the management model focused on combatting the risk of money laundering and terrorist financing, Banco de Bogotá, in its capacity as the parent company, continues to receive indications from the members of the Group on how the various stages and elements of SARLAFT are progressing. These indicators make it possible to monitor a variety of factors such as risks, controls, inherent and

residual measurements, risk-factor segmentation, technological infrastructure, the management of high-risk transactions, changes in standards and regulations, and reports to the authorities that are responsible for control and oversight.

The guidance and orientation visits to Central America continued during the second half of 2015. Banco de Bogota's Compliance Officer visited Costa Rica, Honduras, Guatemala, Panama and El Salvador as part of our policy on good corporate governance. These trips were used to follow up on and verify the various SARLAFT activities and to address topics that have a bearing on the SARLAFT culture.

This management model also calls for setting up risk committees in the national affiliates (Almaviva, Porvenir, Fiduciaria Bogotá, Corporación Financiera Colombiana and Casa de Bolsa) and participating in the compliance committees at BAC Credomatic, Banco de Bogota Panama, Banco de Bogotá Nassau, Banco de Bogota Miami and Banco de Bogotá New York. The following committees were developed during the second half of the year.

• 5 committees at the national affiliates
• 6 BAC Credomatic compliance committees
• 6 Banco de Bogota Panama compliance committees
• 6 Banco de Bogotá Nassau compliance committees
• 6 Banco de Bogota Miami compliance committees
• 6 Banco de Bogota New York compliance committees

**The Stages in the Money Laundering and Terrorist Financing Risk Management System**

In response to international recommendations and Colombian law on SARLAFT, the money laundering and terrorist financing (ML/TF) risks identified by the Group are managed with an eye toward continuous improvement and minimizing their existence in the entities within the Group, insofar as is reasonably possible.

The methods that have been adopted are being applied to develop the different stages of the system. The result is solid risk management that makes it possible to identify and analyze the ML/TF risks facing the entities in the Group and to design and effectively implement appropriate policies and procedures to deal with those risks. In that respect, the Group has taken into account all relevant, inherent and residual risk factors in the banking business and in commerce, among other areas, at both the national level and beyond, when appropriate, so as to identify its risk profile and the level of mitigation that is appropriate.

In the identification stage, the Group validated the 14 generic risks Grupo Aval defined for SARLAFT. These are among the 18 generic risks Banco de Bogota has identified. This same parameter has been established in each of the entities in the Group, and the risks among those 18 that pertain to their particular line of business are selected in response to the characteristics of the activities each of them pursues.

Risk management was monitored throughout the second half of 2015, based on the reported indicators, and no relevant incidents were detected. This activity is part of the measurement stage, particularly when it comes to measuring inherent risks for which the possibility or probability of occurrence is determined, along with the impact the risk would have if it materializes, notwithstanding the mitigation measures and controls that have been set in place.

As for the control stage, the Group has adopted the methodology defined by the parent company to eventually create a residual ML / FT risk profile. At this point, each entity in the Group has the inventory of controls assigned to each risk and can use them to gauge the residual level of ML/TF risk.

The results of each stage of SARLAFT are documented in Enterprise Risk Assessor (ERA), as part of the monitoring stage. This auditing software is used to track the ML/TR risk level and was instrumental in determining that the residual risk is calculated at Level 1, which translates into a frequency and impact at around zero. In other words, stable performance compared to previous periods was maintained.

**Elements of the Money Laundering and Terrorist Financing Risk Management System**

The Group focuses its activities within the framework of the guiding principle on risk management, which indicates the entity's operations must comply with the highest ethical and control standards. Accordingly, sound banking practices and compliance with the law are the top priority, above and beyond accomplishing business goals. In practical terms, this has led to application of the criteria, policies and procedures that are used to manage SARLAFT and has made it possible to mitigate these risks down to the lowest level of the organization, as is customary within the Group.

The national-level entities in the Group submitted their institutional reports to the Financial Information and Analysis Unit (UIAF). This was done in due course, as required by law, and pursuant to the amounts and characteristics stipulated in Part I, Title IV, Chapter IV of the Basic Legal Circular issued by the Financial Superintendence of Colombia. The competent authorities responsible for surveillance and control also were provided with the information required by law. An important part of our policy is to afford these authorities our support and cooperation within the bounds of the law. The foreign entities also submitted reports to their local authorities, pursuant to the deadlines established by law in each country.

The Group's commercial activities are supplemented by the Money Laundering and Terrorist Financing Risk Management System (SARLAFT), since control is part of business management. These processes are used to advantage in an effort to serve the customer's needs and requirements promptly and as best possible. During the second half of 2015, the organization followed up on the SARLAFT reports prepared by the control agencies, so as to address their recommendations for optimizing the system.

The Group remains dedicated to risk management and it has the technological tools to implement "know-your-customer" and "know-your-market" policies, among others. These have been extremely valuable in singling out unusual transactions and reporting suspicious ones to each of the financial information units (UIF), based on the objective criteria established by law. It is important to point out that the Group is constantly improving the elements and mechanisms it has at its disposal to help SARLAFT develop successfully, particularly in terms of analytical software and methods to monitor and avert ML/TF risk.

The ML/TF risk management system is bolstered by a process of segmentation that has been developed through the use of data mining tools. This segmentation allows the organization to identify each risk factor (customer, product, channel and jurisdiction) in the Group's operations and to monitor them for transactions that appear to be unusual in light of the profile of each segment.

The Group also has training programs at each of its institutions to instruct employees on the guiding principles, regulations and control mechanisms that have been put in place to prevent and mitigate ML/TF risk within the organization. This educational process helps to strengthen the SARFAFT culture.

The Group accomplished a number of SARLAFT activities during the second half of 2015, continuing the efforts made in previous periods and adopting the recommendations put forth by Grupo Aval, the Board of Directors and the supervisory authorities.

(Continued)

The risk of money laundering and terrorist financing is managed by following each step in the SARLAFT system. The focus is on adequate risk management, as described herein, particularly management that reflects an undeviating commitment from our employees to be part of the SARLAFT culture that has developed within the Group. Moreover, the Group remains committed to ML/TF risk management issues as part of its corporate responsibility to society and to the regulators.

**vi. Legal Risk**

The Legal Division supports operational risk management in the Group's operations. Specifically, this division defines and institutes the necessary procedures to adequately control the legal risks inherent in banking operations, making sure these controls meet all legal standards and are properly documented. It also analyzes and drafts contracts for operations conducted by the different business units.

The Group valued the claims brought against it, based on the opinions and assessments of the lawyers in charge, and established the necessary allowances to cover probable losses. This was done according to instructions issued by the oversight authority. The lawsuits pending against the Group, apart from those considered unlikely to succeed, are described in Note 33 to the financial statements.

**NOTE 8 – Operating segments**

Operating segments are defined as a component of an entity that: (a) develops business activities from which the entity can obtain income from 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 data from the major institutions that are part of the consolidated entity, the Bank operates through four (4) segments. These involve Banco de Bogotá and its significant subsidiaries; namely, Leasing Bogotá Panama and Subsidiary, Corficolombiana and Subsidiaries, and Porvenir and Subsidiary. Details on their primary activities and places of business are provided in Note 1.

The following are the main products and services that are offered in each operating segment and constitute the source of their revenue.

**a) Banco de Bogotá**

Banco de Bogotá is a lending institution that provides various types of financial services at different maturities. For the most part, these include loans, capital leases, commercial, consumer and mortgage lending, and microcredit. 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.

**b) Leasing Bogotá Panamá 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., which is a Panamanian institution. For the most part, these services include loans, investments and financial services for individuals and institutions, mainly in Mexico, Guatemala, Honduras, El Salvador, Nicaragua, Costa Rica and Panama.

### c) Corficolombiana and Subsidiaries

Corficolombiana offers a large portfolio of specialized services focused on private banking, investment banking, cash positions, and equity and fixed-income investments, including holdings in subsidiaries and other entities. Through its subsidiaries, Corficolombiana offers capital leasing services, natural gas and energy transport and distribution services, construction services, road infrastructure operation and maintenance services, and 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 earlier are based on the way they are managed internally, taking into account the economic focus on specialized financial services developed through the Bank and its subsidiaries.

Information on the Bank and its significant and consolidated subsidiaries is reviewed quarterly by its Board of Directors 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

| | At December 31, 2015 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Banco de Bogotá | Leasing Bogotá Panamá & Subsidiary | Porvenir & Subsidiary | Corficol & Subsidiaries | Other Subsidiaries | Eliminations | Consolidated |
| 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 investment assets | 5,574,631 | 5,045,065 | 1,443,425 | 7,755,469 | 1,313,547 | (179,032) | 20,953,105 |
| Loan portfolio and capital leasing at amortized cost | 47,338,133 | 42,400,011 | 0 | 1,513,036 | 2,620,361 | (148,282) | 93,723,259 |
| Other accounts receivable | 917,852 | 880,342 | 23,573 | 1,843,101 | 88,901 | (26,208) | 3,727,561 |
| Hedging derivatives | 30,647 | 6,114 | 1,373 | 1,670 | 0 | 0 | 39,804 |
| Inventories | 0 | 0 | 0 | 153,568 | 16 | (26) | 153,558 |
| Non-current assets held for sale | 26,370 | 102,167 | 0 | 58,419 | 11,973 | (48) | 198,881 |
| Investments in associate companies and joint ventures | 14,711,381 | 0 | 923 | 924,400 | 1,958 | (14,732,914) | 905,748 |
| Property, plant and equipment | 768,855 | 1,132,087 | 96,744 | 2,285,789 | 81,819 | (14,639) | 4,350,655 |
| Biological assets | 0 | 0 | 0 | 240,212 | 0 | 0 | 240,212 |
| Investment properties | 135,111 | 0 | 26,125 | 132,322 | 717 | (1,373) | 292,902 |
| Intangible assets | 750,895 | 5,099,885 | 349,119 | 2,776,839 | 9,064 | (90) | 8,985,712 |
| Income tax | 924,611 | 121,222 | 70,933 | 548,589 | 28,425 | 0 | 1,693,780 |
| Other assets | 19,946 | 208,811 | 0 | 1,180 | 6,955 | 0 | 236,892 |
| **Total assets** | **77,125,874** | **64,229,368** | **2,230,971** | **19,924,987** | **6,052,618** | **(16,213,354)** | **153,350,464** |
| | | | | | | | |
| Trading derivatives | 479,964 | 35 | 584 | 393,893 | 2 | 0 | 874,478 |
| Customer deposits | 44,806,318 | 39,024,743 | 0 | 4,085,343 | 5,242,203 | (1,110,948) | 92,047,659 |
| Financial obligations | 12,922,810 | 13,595,773 | 586,048 | 8,230,471 | 78,194 | (146,742) | 35,266,554 |
| Hedging derivatives | 310,240 | 1,702 | 12,932 | 13,343 | 0 | 0 | 338,217 |
| Employee benefits | 258,372 | 162,696 | 15,952 | 75,885 | 23,911 | 0 | 536,816 |
| Allowances | 27,678 | 0 | 188,669 | 257,999 | 10,887 | 0 | 485,233 |
| Income tax | 509,087 | 367,335 | 87,433 | 1,131,424 | 10,553 | (274) | 2,105,558 |
| Accounts payable and other liabilities | 1,641,077 | 1,040,578 | 62,421 | 1,113,027 | 93,655 | (27,743) | 3,923,015 |
| **Total liabilities** | **$ 60,955,546** | **54,192,862** | **954,039** | **15,301,385** | **5,459,405** | **(1,285,707)** | **135,577,530** |

(Continued)

| Statement of financial position | | At June 30, 2015 | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | Banco de Bogotá | Leasing Bogotá Panamá & Subsidiary | Porvenir & Subsidiary | Corficol & Subsidiaries | Other Subsidiaries | Eliminations | Consolidated |
| Cash and cash equivalents | $ | 5,356,881 | 7,945,781 | 41,517 | 874,607 | 1,086,157 | (383,130) | 14,921,813 |
| Financial investment assets | | 6,218,683 | 5,032,173 | 1,432,255 | 4,993,902 | 1,142,149 | (132,942) | 18,686,220 |
| Loan portfolio and capital leasing | | 45,755,462 | 31,772,310 | 21,722 | 1,834,744 | 1,985,978 | (122,707) | 81,247,509 |
| Hedging derivatives | | 31,264 | 10,175 | 10,118 | 0 | 0 | 0 | 51,557 |
| Investments in subsidiaries, associate companies and joint ventures | | 12,517,436 | 0 | 726 | 782,416 | 1,974 | (12,540,128) | 762,424 |
| Others | | 1,976,303 | 1,755,742 | 311,729 | 6,990,878 | 200,923 | (49,762) | 11,185,813 |
| Intangible assets – goodwill | | 703,268 | 4,176,771 | 347,344 | 2,261,089 | 7,954 | 0 | 7,496,426 |
| **Total assets (1)** | | **72,559,297** | **50,692,952** | **2,165,411** | **17,737,636** | **4,425,135** | **(13,228,669)** | **134,351,762** |
| Trading derivatives | | 387,528 | 284 | 506 | 292,643 | (125) | 0 | 680,836 |
| Financial liabilities | | 54,641,008 | 37,113,982 | 6,403,096 | 13,289,741 | (21,817,901) | 5,961,103 | 95,591,029 |
| Hedging derivatives | | 367,725 | 3,910 | 0 | 0 | 200 | 30,075 | 401,910 |
| Accounts payable and other liabilities | | 2,284,042 | 1,288,256 | 411,165 | 2,374,483 | 122,706 | (136,481) | 6,344,171 |
| Long-term financial obligations | | (2,981,085) | 3,389,347 | (5,902,000) | (4,410,566) | 25,632,216 | (6,499,160) | 9,228,752 |
| Long-term investment securities, outstanding | | 3,129,386 | 982,713 | 0 | 1,914,209 | (1) | 0 | 6,026,307 |
| **Total liabilities** | **$** | **57,828,604** | **42,778,492** | **912,767** | **13,460,510** | **3,937,095** | **(644,463)** | **118,273,005** |

(1) Balance restated at June 2015. See Note 2.

## Statement of Earnings for the Period, by Segment

| | | Al December 31, 2015 | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | Banco de Bogotá | Leasing Bogotá Panamá & Subsidiary | Porvenir & Subsidiary | Corficol & Subsidiaries | Other Subsidiaries | Eliminations | Consolidated |
| **Interest income and valuation of debt securities** | **$** | **2,340,008** | **2,015,190** | **32,528** | **155,694** | **28,665** | **(23,308)** | **4,548,777** |
| **Interest expenses** | | **976,540** | **738,919** | **15,363** | **324,291** | **24,092** | **(24,233)** | **2,054,972** |
| **Interest income and valuation of debt securities, net** | | **1,363,468** | **1,276,271** | **17,165** | **(168,597)** | **4,573** | **925** | **2,493,805** |
| Financial asset impairment loss | | 406,359 | 308,269 | 6,283 | 5,573 | (313) | 0 | **726,171** |
| **Interest income after allowance, net** | | **957,109** | **968,002** | **10,882** | **(174,170)** | **4,886** | **925** | **1,767,634** |
| Income from commissions and other services | | 426,897 | 902,326 | 379,575 | 31,335 | 139,462 | (3,360) | **1,876,235** |
| Expenses for commissions and other services | | 73,314 | 54,681 | 55,755 | 5,125 | 3,910 | (2,468) | **190,317** |
| **Income from commissions, net** | | **353,583** | **847,645** | **323,820** | **26,210** | **135,552** | **(892)** | **1,685,918** |
| **Other income** | | **938,332** | **373,875** | **7,613** | **800,111** | **85,159** | **(708,905)** | **1,496,185** |
| **Other expenses** | | **985,416** | **1,498,247** | **171,314** | **110,373** | **177,354** | **(52,785)** | **2,889,919** |
| **Profit before income tax** | | **1,263,608** | **691,275** | **171,001** | **541,778** | **48,243** | **(656,087)** | **2,059,818** |
| Income tax | | 159,913 | 220,530 | 77,913 | 172,529 | 16,788 | (274) | **647,399** |
| **Profit for the period** | **$** | **1,103,695** | **470,745** | **93,088** | **369,249** | **31,455** | **(655,813)** | **1,412,419** |

(Continued)

| | At June 30, 2015 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Banco de Bogotá | Leasing Bogotá Panamá & Subsidiary | Porvenir & Subsidiary | Corficol & Subsidiaries | Other Subsidiaries | Eliminations | Consolidated |
| Interest income and valuation of debt securities | $ **2,029,776** | **2,036,503** | **1,927** | **151,314** | **22,435** | **3,884** | **4,245,839** |
| Interest expenses | 687,871 | 886,493 | (27,763) | 240,077 | 2,631 | (22,304) | 1,767,005 |
| Interest income and valuation of debt securities, net | **1,341,905** | **1,150,010** | **29,690** | **(88,763)** | **19,804** | **26,188** | **2,478,834** |
| Allowance for financial assets | 408,543 | 186,752 | 16,662 | 6,281 | 931 | 0 | 619,169 |
| Interest income after allowance, net | **933,362** | **963,258** | **13,028** | **(95,044)** | **18,873** | **26,188** | **1,859,665** |
| Income from commissions and other services | 409,544 | 664,906 | 383,572 | 32,629 | 131,986 | (4,189) | 1,618,448 |
| Expenses for commissions and other services | 68,335 | 32,803 | 20,636 | 20,558 | 3,504 | (3,041) | 142,795 |
| Income from commissions, net | **341,209** | **632,103** | **362,936** | **12,071** | **128,482** | **(1,148)** | **1,475,653** |
| Other income | **1,150,589** | **100,278** | **37,137** | **736,319** | **80,749** | **(920,471)** | **1,174,603** |
| Stake in investments, using the equity method | 648,062 | 0 | 0 | 85,692 | 0 | (648,278) | 85,476 |
| Dividends and ownership interest | 216,725 | 0 | 0 | 8,709 | 15,015 | (229,406) | 11,043 |
| Others | 285,802 | 100,278 | 27,139 | 641,913 | 65,734 | (42,787) | 1,078,084 |
| Other expenses | **894,520** | **1,154,532** | **169,665** | **90,739** | **163,907** | **(47,584)** | **2,425,779** |
| Profit before income tax | **1,530,640** | **541,107** | **233,433** | **562,607** | **64,197** | **(847,847)** | **2,084,142** |
| Income tax | 324,247 | 147,106 | 87,126 | 148,394 | 14,755 | (40,676) | 680,952 |
| Profit for the period | $ **1,206,393** | **394,001** | **146,312** | **414,213** | **49,442** | **(807,171)** | **1,403,190** |

The following is a geographic breakdown of the Group's consolidated income and assets, which must be reported.

| | December 31, 2015 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Colombia | Panama | Guatemala | Costa Rica | Others (1) | Eliminations | Consolidated |
| **Income for the period** | $ 7,532,823 | 566,067 | 512,353 | 1,166,161 | 1,078,637 | (735,621) | 10,120,420 |
| **Non-current assets other than financial instruments** | | | | | | | |
| Property, plant and equipment | 3,201,597 | 202,833 | 106,003 | 385,779 | 469,082 | (14,639) | 4,350,655 |
| Goodwill, assets from services in concession agreements and others | 3,885,025 | 3,951,630 | 8,449 | 52,377 | 1,088,321 | (90) | 8,985,712 |
| **Deferred income tax assets** | $ 1,430,811 | 30,859 | 3,013 | 15,767 | 22,420 | 0 | 1,502,870 |

| | June 30, 2015 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Colombia | Panamá | Guatemala | Costa Rica | Others (1) | Eliminations | Consolidated |
| **Income for the period** | $ 7,204,204 | 839,677 | 605,114 | 767,284 | 332,643 | (910,239) | 8,838,683 |
| **Non-current assets other than financial instruments** | | | | | | | |
| Property, plant and equipment | 3,028,544 | 163,263 | 90,704 | 305,542 | 389,499 | (11,394) | 3,966,158 |
| Goodwill, assets from services in concession agreements and others | 3,318,736 | 3,233,480 | 6,973 | 38,670 | 898,567 | 0 | 7,496,426 |
| **Deferred income tax assets** | $ 925,852 | 22,065 | 7,779 | 9,438 | 19,050 | 0 | 984,184 |

(1) Nicaragua, Honduras, El Salvador, México, the United States and the British Virgin Islands, plus the Cayman Islands.

(Continued)

During the six months ended at December 31 and June 30, 2015, the Bank and its subsidiaries reported no concentration of revenue from customers who account for more than 10% of the income from ordinary activities. Individual customers, other than related parties, are understood as those under common control, based on information available to the Bank.

See Note 38 for details on income from related parties.

**NOTE 9 – Cash and cash equivalents**

The following is a breakdown of cash and cash equivalents.

| | December 31, 2015 | June 30, 2015 |
|---|---|---|
| **Domestic currency** | | |
| Cash | $ 1,634,759 | 1,186,636 |
| Banco de la República (Central Bank of Colombia) | 2,152,598 | 3,089,852 |
| Banks and other financial entities | 588,500 | 790,155 |
| Clearing | 772 | 1,768 |
| Deposits and investments in debt securities maturing in less than three months | 0 | 22,680 |
| Special funds (1) | 14,790 | 17,943 |
| | 4,391,419 | 5,109,034 |
| **Foreign currency** | | |
| Cash | 1,469,888 | 1,174,214 |
| Banks and other financial entities | 11,987,088 | 8,285,251 |
| Clearing | 0 | 353,314 |
| | 13,456,976 | 9,812,779 |
| | $ 17,848,395 | 14,921,813 |

(1) This item refers to cash pertaining to Corficolombiana and its controlled product of toll collections associated with the National Infrastructure Agency accounts. The funds can be used only when all the conditions established in the concession agreements are met.

The following is a breakdown of the credit ratings determined by independent credit-rating agencies for the principal financial institutions where the Group has cash accounts.

| | December 31, 2015 | June 30, 2015 |
|---|---|---|
| **Credit rating** | | |
| Banco República | $ 2,152,598 | 3,089,852 |
| Investment trade | 6,550,196 | 9,075,406 |
| Speculative | 5,459,863 | 0 |
| Not rated or no rating available | 3,685,738 | 2,756,555 |
| | $ 17,848,395 | 14,921,813 |

All cash and cash equivalents are available for use by the organization, except cash that is part of the reserve requirement.

## NOTE 10 – Financial assets for investment

### • At Fair Value

The following shows the balance of financial assets in debt securities and equity investments at fair value through profit or loss at December 31 and June 30, 2015.

| | | December 31, 2015 | June 30, 2015 |
|---|---|---|---|
| **Debt securities** | | | |
| **In Colombian pesos** | | | |
| Issued or secured by the Colombian government | $ | 1,602,136 | 2,224,425 |
| Issued or secured by other Colombian government agencies | | 60,970 | 22,601 |
| Issued or secured by other financial institutions | | 505,579 | 373,094 |
| Issued or secured by non-financial entities | | 34,115 | 17,196 |
| Others | | 65,699 | 143,193 |
| | | 2,268,499 | 2,780,509 |
| **Debt securities** | | | |
| **In foreign currency** | | | |
| Issued or secured by the Colombian government | | 146,191 | 134,117 |
| Issued or secured by other Colombian government agencies | | 311,131 | 346,554 |
| Issued or secured by foreign governments | | 1,230,014 | 830,755 |
| Issued or secured by central banks | | 150,180 | 226,057 |
| Issued or secured by other financial institutions | | 2,475,803 | 2,431,747 |
| Issued or secured by non-financial entities | | 159,594 | 368,415 |
| Others | | 19,373 | 131,374 |
| | | 4,492,286 | 4,469,019 |
| **Total debt securities** | | **6,760,785** | **7,249,528** |
| **Equity instruments** | | | |
| With adjustments in income | | | |
| In Colombian pesos | | | |
| Corporate shares | | 182,960 | 66,744 |
| Mutual funds | | 1,014,986 | 493,219 |
| Stabilization reserve (1) | | 267,085 | 870,809 |
| | | 1,465,031 | 1,430,772 |
| In foreign currency | | | |
| Corporate shares | | 0 | 46 |
| **Total equity instruments** | $ | 1,465,031 | 1,430,818 |

(1) This is a reserve that was constituted by Porvenir and represents 1% of each of the funds it manages.

The following shows the balance of financial assets represented by investments in equity instruments at fair value through other comprehensive income at December 31 and June 30, 2015.

| | | **December 31, 2015** | **June 30, 2015** |
|---|---|---|---|
| With adjustment to equity | | | |
| In Colombian pesos | | | |
| Corporate shares | $ | 813,949 | 691,650 |
| In foreign currency | | | |
| Corporate shares | | 28,356 | 3,132 |
| Elimination | | (4,652) | 0 |
| Total equity instruments | $ | 837,653 | 694,782 |

(Continued)

The following is a breakdown of the main equity instruments through other comprehensive income.

| Company | | December 31, 2015 | June 30, 2015 |
|---|---|---|---|
| Bolsa de Valores (Colombian Stock Exchange) | $ | 12,224 | 12,636 |
| Textiles El Espinal S.A | | 2,399 | 2,399 |
| Promotora de Inversiones Ruitoque S.A (Promisión) | | 676 | 676 |
| Mineros S.A | | 41,236 | 32,296 |
| Gas Natural S.A. ESP | | 74,624 | 79,599 |
| Fiduciaria de Occidente S.A | | 15,217 | 7,016 |
| Empresa de Energía de Bogotá S.A E.S.P. | | 562,699 | 520,169 |
| Depósito Central de Valores- Deceval S.A | | 14,307 | 2,579 |
| Corporación Andina de Fomento | | 754 | 622 |
| Cifin S.A | | 22,045 | 4,068 |
| Sociedad Aeroportuaria de la Costa S.A. | | 7,725 | 427 |
| Forestal Monterrey Colombia S.A.S. | | 28,394 | 27,258 |
| Others | | 55,353 | 5,037 |
| Total | $ | 837,653 | 694,782 |

## Collateral in Repo Operations

The following is a list of financial assets at fair value that are pledged as collateral in repo operations, as collateral in transactions with financial instruments, or pledged to third parties as collateral to secure financial obligations with other banks (See Note 27).

| | | December 31, 2015 | June 30, 2015 |
|---|---|---|---|
| **Pledged in money market operations** | | | |
| Issued or secured by foreign governments | $ | 64,748 | 46,743 |
| Issued or secured by the Colombian government | | 0 | 1,150,871 |
| Issued or secured by non-financial entities | | 0 | 1,400 |
| Issued or secured by other financial institutions | | 0 | 26,176 |
| | | **64,748** | **1,225,190** |
| **Pledged as collateral in derivative operations** | | | |
| Issued or secured by the Colombian government | | 99 | 71,367 |
| Issued or secured by other financial institutions | | 0 | 2,849 |
| | | **99** | **74,216** |
| **Pledged as collateral for financial obligations** | | | |
| Issued or secured by the Colombian government | | 38,420 | 0 |
| Issued or secured by non-financial entities | | 0 | 332,641 |
| Issued or secured by other Colombian government entities | | 0 | 122,732 |
| Issued or secured by other financial institutions | | 0 | 419,605 |
| Others | | 0 | 8,527 |
| | | **38,420** | **883,505** |
| | **$** | **103,267** | **2,182,911** |

The following is a breakdown of the credit ratings determined by independent credit-rating agencies for the principal counterparties in debt securities and investments in equity instruments.

| | | December 31, 2015 | June 30, 2015 |
|---|---|---|---|
| Investment grade | $ | 6,240,337 | 4,245,562 |
| Speculative | | 1,363,052 | 3,578,683 |
| No rated or rating not available | | 1,460,080 | 1,550,883 |
| Total | $ | 9,063,469 | 9,375,128 |

(Continued)

**Time Bands for Investments at Fair Value**

| | | December 31, 2015 | June 30, 2015 |
|---|---|---|---|
| Up to 1 month | $ | 162,095 | 131,313 |
| Over 1 month and not more than 3 months | | 203,916 | 261,863 |
| Over 3 months and not more than 1 year | | 702,645 | 928,461 |
| Over 1 year and not more than 5 years | | 3,648,891 | 3,281,017 |
| Over 5 years and not more than 10 years | | 1,403,683 | 2,355,101 |
| Over 10 years | | 639,555 | 291,773 |
| General total | $ | 6,760,785 | 7,249,528 |

Fundamentally, the changes in fair value reflect changes in market conditions, largely because of variations in interest rates and other economic conditions within the country where the investment is held. In the opinion of the Group, the fair value of financial assets reflected no significant losses at December 31, 2015 and June 30, 2015 due to credit risk impairment.

An analysis of sensitivity to changes in interest rates on financial assets at fair value is disclosed in Note 7. Information on investments at fair value with related parties is disclosed in Note 38.

Financial assets in equity instruments at fair value with adjustment to other comprehensive income have been designated in view of the fact that they are strategic investments for the Group. As such, they are not expected to be sold in the near future and imply a greater degree of uncertainty when it comes to determining their fair value. This uncertainty generates significant fluctuations from one period to another.

As for dividends on these investments, $17,591 were recognized in the statement of income for the period ended at December 31, 2015 ($11,043 for the period ended at June 30, 2015). Moreover, no accumulated profits from the sale of those investments were transferred from the OCI account during that period.

- **At Amortized Cost**

The balance of financial assets at amortized cost at December 31 and June 30, 2015 includes the following.

| | | December 31, 2015 | June 30, 2015 |
|---|---|---|---|
| **Debt securities** | | | |
| **In Colombian pesos** | | | |
| Issued or secured by the Colombian government | $ | 5,559,339 | 5,184,481 |
| Issued or secured by other Colombian government agencies | | 1,160,579 | 1,067,268 |
| Issued or secured by other financial institutions | | 52,922 | 0 |
| | | 6,772,840 | 6,251,749 |
| **In foreign currency** | | | |
| Issued or secured by central Banks | | 657,643 | 615,262 |
| Issued or secured by foreign governments | | 809,634 | 730,250 |
| Issued or secured by non-financial entities | | 482,620 | 520,318 |
| Issued or secured by other Colombian government agencies | | 89,364 | 65,394 |
| Issued or secured by other financial institutions | | 495,807 | 599,229 |
| Others | | 10,638 | 18,757 |
| | | 2,545,706 | 2,549,210 |
| **Total debt securities** | $ | 9,318,546 | 8,800,959 |

(Continued)

## Collateral Pledged in Repo Operations

The following summary includes financial assets at amortized cost that are pledged as collateral in repo operations, those delivered to secure transactions with financial instruments, or those pledged to third parties as collateral to secure financial obligations with other banks (See Note 26).

| | December 31, 2015 | June 30, 2015 |
|---|---|---|
| **Pledged in money market operations** | | |
| Issued or secured by foreign governments | $ 101,524 | 0 |
| Issued or secured by the Colombian government | 2,205,006 | 717,338 |
| Issued or secured by non-financial entities | 0 | 24,861 |
| Issued or secured by other Colombian government agencies | 0 | 4,008,689 |
| Issued or secured by other financial institutions | 21,946 | 60,803 |
| Others | 0 | 1,331 |
| | 2,328,476 | 4,813,022 |
| **Pledged as collateral in derivative operations** | | |
| Issued or secured by the Colombian government | 65,199 | 90,648 |
| | 65,199 | 90,648 |
| **Pledged as collateral for financial obligations** | | |
| Issued or secured by non-financial entities | 0 | 443,889 |
| Issued or secured by foreign governments | 0 | 43,033 |
| Issued or secured by other financial institutions | 0 | 236,008 |
| | 0 | 722,930 |
| | $ **2,393,675** | **5,626,600** |

## Credit Rating

The credit ratings determined by independent rating agencies for the principal counterparties in debt securities in which the Group hold financial assets at amortized cost breakdown as follows.

| Credit Rating | December 31, 2015 | June 30, 2015 |
|---|---|---|
| Speculative | $ 1,592,420 | 839,477 |
| Investment grade | 7,678,851 | 7,735,124 |
| No rating or rating not available | 47,275 | 226,358 |
| General total | $ 9,318,546 | 8,800,959 |

## Time Bands of Investments at Amortized Cost

| | December 31, 2015 | June 30, 2015 |
|---|---|---|
| Up to 1 month | $ 399,983 | 78,780 |
| More than 1 month but not more than 3 months | 301,131 | 337,189 |
| More than 3 months but not more than 1 year | 1,734,622 | 2,243,219 |
| More than 1 year but not more than 5 years | 3,252,720 | 1,547,468 |
| More than 5 years but not more than 10 years | 3,069,703 | 4,034,029 |
| More than 10 years | 560,387 | 560,274 |
| General total | $ 9,318,546 | 8,800,959 |

(Continued)

## NOTE 11 – Financial derivatives

### Financial Derivatives for Trading

The fair value of forwards, futures and interest-rate and foreign currency swaps to which the Group is committed period are shown in the table below.

| | | December 31, 2015 | | June 30, 2015 | |
|---|---|---|---|---|---|
| | | Notional amount | Fair value | Notional amount | Fair value |
| **Derivative assets** | | | | | |
| Forward contracts | | | | | |
| Foreign currency purchase | $ | 3,378,068 | 347,372 | 6,644,897 | 342,980 |
| Foreign currency sale | | 3,050,964 | 126,318 | 1,240,621 | 17,938 |
| Interest rate purchase | | 0 | 0 | 22,500 | 3 |
| Interest rate sale | | 0 | 0 | 264,000 | 1,702 |
| Securities purchase | | 15,000 | 152 | 10,000 | 57 |
| Securities sale | | 149,000 | 423 | 122,000 | 727 |
| | | 6,593,032 | 474,265 | 8,304,018 | 363,407 |
| Swaps | | | | | |
| Foreign currency | | 129,646 | 35,733 | 101,364 | 20,091 |
| Interest rate | | 2,386,251 | 49,047 | 3,058,074 | 36,042 |
| Others | | 1,235,710 | 72,426 | 2,136,796 | 42,011 |
| | | 3,751,607 | 157,206 | 5,296,234 | 98,144 |
| Futures | | | | | |
| Currency purchase | | 1,566,861 | 2,328 | 59,770 | 1,999 |
| Currency sale | | 541,709 | 0 | 0 | 0 |
| | | 2,108,570 | 2,328 | 59,770 | 1,999 |
| Currency purchase options | | 548,111 | 45,599 | 652,270 | 46,583 |
| Total derivative assets | | 13,001,320 | 679,398 | 14,312,292 | 510,133 |
| **Derivative liabilities** | | | | | |
| Forward contracts (1) | | | | | |
| Foreign currency purchase | | 2,877,372 | 121,966 | 668,997 | 8,531 |
| Foreign currency sale | | 3,689,242 | 300,392 | 8,054,353 | 396,682 |
| Interest rate purchase | | 0 | 0 | 15,000 | 41 |
| Interest rate sale | | 0 | 0 | 170,000 | 223 |
| Securities sale | | 800,500 | 5,365 | 263,000 | 701 |
| | | 7,367,114 | 427,723 | 9,171,350 | 406,178 |
| Swaps | | | | | |
| Foreign currency | | 432,171 | 199,589 | 636,971 | 130,746 |
| Interest rate | | 2,882,093 | 45,092 | 2,925,239 | 26,780 |
| Others | | 1,263,540 | 186,174 | 2,183,197 | 104,233 |
| | | 4,577,804 | 430,855 | 5,745,407 | 261,759 |
| Futures | | | | | |
| Currency purchase | | 653,515 | 0 | 0 | 0 |
| Currency sale | | 1,949,522 | 0 | 0 | 0 |
| | | 2,603,037 | 0 | 0 | 0 |
| Currency purchase options | | 341,477 | 15,900 | 654,356 | 12,899 |
| Total derivative liabilities | | 14,889,432 | 874,478 | 15,571,113 | 680,836 |
| Net position | $ | (1,888,112) | (195,080) | (1,258,821) | (170,703) |

(1) The main change in the speculative portfolios pertains solely to the strategic management of each portfolio due conditions created in the market by trading with respect to variations and high fluctuations in the representative market rate of exchange (TRM) and/or interest rates.

(Continued)

Financial derivatives contracted by the Group are traded in off-shore markets and in the domestic financial market. The fair value of derivatives varies positively or negatively as a result of fluctuations in foreign exchange rates, interest rates or other risk factors, depending on the type of instrument and the underlying asset.

The Group had obligations at December 31, 2015 to deliver financial assets in debt securities or foreign currency at a fair value of $ 874.478 and to receive financial assets or foreign currency at a fair value of $ 679.398

**Financial Derivatives for Hedging**

The financial derivatives used for hedging at December 31 and June 30, 2015 include the following.

| | December 31, 2015 | | June 30, 2015 | |
|---|---|---|---|---|
| | **Notional amount** | **Fair value** | **Notional amount** | **Fair value** |
| Derivative assets | | | | |
| Forward contracts | | | | |
| Foreign currency purchase | $ 119,721 | 4,929 | 1,574,932 | 33,091 |
| Foreign currency sale | 897,506 | 28,761 | 402,795 | 8,291 |
| Sale of securities | 1,022,091 | 6,114 | 1,013,101 | 10,175 |
| Total derivative assets | 2,039,318 | 39,804 | 2,990,828 | 51,557 |
| Derivative liabilities | | | | |
| Forward contracts | | | | |
| Foreign currency purchase | 573,296 | 29,061 | 0 | 0 |
| Foreign currency sale | 3,566,547 | 294,111 | 6,968,057 | 397,800 |
| Sale of securities | 752,823 | 13,810 | 586,753 | 2,002 |
| | 4,892,666 | 336,982 | 7,554,810 | 399,802 |
| Swaps | | | | |
| Interest rate | 79,174 | 1,235 | 90,819 | 2,108 |
| Total derivative liabilities | 4,971,840 | 338,217 | 7,645,629 | 401,910 |
| Net position | $ (2,932,522) | (298,413) | (4,654,801) | (350,353) |

- The following is a breakdown of the credit ratings determined by independent rating agencies for the principal counterparties in derivative assets.

| Credit Rating | | December 31, 2015 | June 30, 2015 |
|---|---|---|---|
| Investment grade | $ | 468,568 | 207,855 |
| Speculative | | 29,211 | 41,476 |
| No rating or rating not available | | 221,423 | 312,359 |
| Total | $ | 719,202 | 561,690 |

Banco de Bogotá has opted to use hedge accounting for its investments in foreign subsidiaries and agencies with obligations in foreign currency, such as those outlined in paragraphs 72 and 78 of IAS 39, and for derivative operations.

These operations are intended to protect the Bank from foreign exchange risk generated by the structural positions of its foreign subsidiaries and agencies. The way hedging derivatives are entered on the books depends on the type of hedging in question.

(Continued)

Foreign exchange gains and losses on the investment in subsidiaries or agencies, or those FX gains or losses that are not completely eliminated in the consolidation with foreign branches, are registered in other comprehensive income.

Non-derivative instruments for hedging: A financial asset or liability that is not a derivative may be designated as a hedge only to hedge foreign exchange risk. Likewise, a proportion of an entire hedge, such as 50% of the notional amount, may be designated as a hedge in a hedging relationship.

Therefore, external debt operations are susceptible to being designated as hedges on the investment in foreign subsidiaries and agencies.

The effects of variations in the peso/US dollar exchange rate generated by the debt (in USD bonds) are registered under other comprehensive income.

Hedging derivatives: The Board of Directors of the Bank, in compliance with its policy to protect the statement of financial position from the foreign exchange risk inherent in the structural positions of the Bank's foreign subsidiaries and agencies, has authorized a series of derivative operations to be designated as a hedges. These operations are clearly identified in the application used to register and value them, and the objective is to hedge against adverse changes in the US dollar versus the Colombian peso in the aforementioned investment.

The hedged item is the portion of the foreign investment that is not hedged with foreign debt (bonds issued in USD).

The assets and liabilities in this strategy are converted from US dollars into the Bank's functional currency at the representative market rate of exchange, which is certified daily by the Financial Superintendence of Colombia. This process generates a foreign exchange gain or loss.

The portion of the gain or loss on a hedge that is determined to be "effective" is recognized in other comprehensive income; the "ineffective" portion is recognized in the statement of income.

Since the obligations are registered in the same currency (USD) as the foreign investments, the hedge is considered to be perfect and, consequently, no ineffectiveness in hedging is registered.

- **Use of Hedge Accounting**

In development of the Group's policy on risk management, hedge accounting was used to prepare the financial statements at December 31 and June 30, 2015, as detailed below.

**Hedging Net Investments in Foreign Currency**

The variation in the fluctuation of the Colombian peso against the US dollar is shown below.

| Date | Value of US 1.00 | Variation |
|---|---|---|
| December 31, 2014 | 2,392.46 | 0 |
| June 30, 2015 | 2,598.68 | 206.22 |
| December 31, 2015 | 3,149.47 | 550.79 |

According to the foregoing, the hedge on these investments, before taxes, breaks down as follows.

| | | December 31, 2015 | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | Millions of US dollars | | | Millions of Colombian pesos | | | |
| Breakdown of the investment | | Value of the invest-ment | Value of the hedge on foreign currency obligations | Value of the hedge in forward contracts | Adjustment for conversion of the financial statements | Exchange difference in foreign currency obligations | Exchange difference in forward contracts | Net |
| Leasing Bogotá Panamá | $ | 3,165 | (1,493) | (1,675) | 2,292,987 | (677,722) | (1,615,327) | (62) |
| Other subsidiaries and agencies of Banco de Bogotá (1) | | 87 | 0 | (88) | 70,142 | 0 | (68,020) | 2,122 |
| **Total** | $ | **3,252** | **(1,493)** | **(1,763)** | **2,363,129** | **(677,722)** | **(1,683,347)** | **2,060** |

| | | June 30, 2015 | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | Millions of US dollars | | | Millions of Colombian pesos | | | |
| Breakdown of the investment | | Value of the invest-ment | Value of the hedge on foreign currency obligations | Value of the hedge in forward contracts | Adjustment for conversion of the financial statements | Exchange difference in foreign currency obligations | Exchange difference in forward contracts | Net |
| Leasing Bogotá Panamá | $ | 3,035 | (993) | (2,049) | 603,579 | (204,776) | (401,267) | (2,464) |
| Other subsidiaries and agencies of Banco de Bogotá (1) | | 88 | 0 | (88) | 21,246 | 0 | (18,976) | 2,270 |
| **Total** | $ | **3,123** | **(993)** | **(2,137)** | 624,825 | (204,776) | (420,243) | (194) |

(1) Includes Banco de Bogotá Panamá, Banco Bogotá Finance, Ficentro and investment in the foreign branches in Miami, New York and Nassau.

The accounting treatment of the hedge is coherent with the change in accounting policy on the hedged portion, as described in Note 3i and outlined below.

During the six months ended at December 31, 2015, the portion of the gain or loss on the hedge that was identified as effective hedging was recognized in other comprehensive income (OCI); the ineffective portion was registered in the statement of income. Gains or losses on a hedge that are accumulated in equity will be reclassified in the statement of income when all or part of the foreign business is disposed of.

## NOTA 12 – Offsetting financial instruments

The following is a breakdown of the financial instruments subject to contractually required offsetting with the related party at June 30, 2015.

| | | Gross amounts of recognized financial assets | Gross amounts of recognized financial assets offset in the statement of financial position | Net financial assets shown in the statement of financial position |
|---|---|---|---|---|
| **Assets** | | | | |
| Accounts receivable – Forward sale of securities | $ | 755,039 | (667,279) | 87,760 |
| **Total assets subject to compensation** | | **755,039** | **(667,279)** | **87,760** |
| **Liabilities** | | | | |
| Accounts payable– Forward sale of securities | | 667,279 | (667,279) | 0 |
| **Total liabilities subject to compensation** | $ | **667,279** | **(667,279)** | **0** |

There were no trade-offs between financial assets and liabilities at December 31, 2015.

(Continued)

## NOTE 13 – Loan portfolio and capital leasing at amortized cost

The balance sheet account listing financial assets in the loan portfolio, at amortized cost, is classified according to commercial loans, consumer loans, home mortgages and microcredit. This is the same classification the Financial Superintendence of Colombia uses in the new Single Catalogue of Financial Information (CUIF). However, given the importance of capital leases at the Group level and for disclosure purposes, these loans are listed separately in all the tables in the notes on credit risk and in this note, as per the following reclassification:

| | | December 31, 2015 | | |
|---|---|---|---|---|
| **Type of loan** | | **Balance on the balance sheet** | **Leasing reclassification** | **Balance according to the disclosure** |
| Commercial | $ | 60,609,310 | (3,898,776) | 56,710,534 |
| Consumer | | 24,235,042 | (177,049) | 24,057,993 |
| Home mortgage | | 10,627,866 | (224,126) | 10,403,740 |
| Microcredit | | 385,639 | 0 | 385,639 |
| Capital leasing | | 0 | 4,299,951 | 4,299,951 |
| **Total loan portfolio** | $ | **95,857,857** | **0** | **95,857,857** |

| | | June 30, 2015 | | |
|---|---|---|---|---|
| **Type of loan** | | **Balance on the balance sheet** | **Leasing reclassification** | **Balance according to the disclosure** |
| Commercial | $ | 54,248,818 | (3,325,931) | 50,922,887 |
| Consumer | | 19,983,123 | (168,230) | 19,814,893 |
| Home mortgage | | 8,555,866 | (162,851) | 8,393,015 |
| Microcredit | | 366,897 | 0 | 366,897 |
| Capital leasing | | 0 | 3,657,012 | 3,657,012 |
| **Total loan portfolio** | $ | **83,154,704** | **0** | **83,154,704** |

### Loan Portfolio, by Type

The following shows the distribution of the Group's loan portfolio, by type:

| | | **December 31, 2015** | **June 30, 2015** |
|---|---|---|---|
| Ordinary loans | $ | 62,848,404 | 55,617,378 |
| Loans with funds from other entities | | 1,405,183 | 1,267,754 |
| Non-recourse factoring | | 33,076 | 26,085 |
| Letters of credit, hedged | | 82,217 | 186,972 |
| Checking account overdrafts | | 534,650 | 1,467,851 |
| Discounts | | 216,531 | 202,546 |
| Credit cards | | 9,689,701 | 8,239,746 |
| Early recoveries | | 182,646 | 216,195 |
| Loans to micro-businesses and SMEs | | 1,918,805 | 1,580,263 |
| Microcredit | | 385,639 | 366,897 |
| Home mortgage loans | | 10,348,106 | 8,305,852 |
| Employee loans | | 64,973 | 63,705 |
| Builder loans | | 837,544 | 582,452 |
| Leased out immovable property | | 2,175,078 | 1,055,368 |
| Leased out movable assets | | 2,143,710 | 2,106,763 |
| Collateral and guarantees, hedged | | 1,800 | 3,074 |
| Others | | 2,989,794 | 1,865,803 |
| **Total gross loan portfolio** | | **95,857,857** | **83,154,704** |
| Impairment of financial assets in the loan portfolio | | (2,134,598) | (1,907,195) |
| **Total** | $ | **93,723,259** | **81,247,509** |

(Continued)

## Loan Portfolio, by Type of Risk

The loan portfolio is classified by risk, as follows.

| Risk Rating | | December 31, 2015 | June 30, 2015 |
|---|---|---|---|
| **Commercial** | | | |
| "A" Normal risk | $ | 53,884,241 | 48,304,395 |
| "B" Acceptable risk | | 968,165 | 1,161,566 |
| "C" Appreciable risk | | 1,177,761 | 850,574 |
| "D" Significant risk | | 378,573 | 365,939 |
| "E" Risk of Being Uncollectible | | 301,794 | 240,413 |
| | | 56,710,534 | 50,922,887 |
| **Consumer** | | | |
| "A" Normal risk | | 21,887,083 | 17,930,361 |
| "B" Acceptable risk | | 615,783 | 511,713 |
| "C" Appreciable risk | | 999,412 | 987,538 |
| "D" Significant risk | | 433,001 | 245,430 |
| "E" Risk of Being Uncollectible | | 122,714 | 139,851 |
| | | 24,057,993 | 19,814,893 |
| **Microcredit** | | | |
| "A" Normal risk | | 338,082 | 319,674 |
| "B" Acceptable risk | | 10,898 | 9,673 |
| "C" Appreciable risk | | 6,279 | 5,634 |
| "D" Significant risk | | 4,673 | 4,252 |
| "E" Risk of Being Uncollectible | | 25,707 | 27,664 |
| | | 385,639 | 366,897 |
| **Home mortgages** | | | |
| "A" Normal risk | | 9,660,113 | 7,760,385 |
| "B" Acceptable risk | | 166,090 | 134,090 |
| "C" Appreciable risk | | 467,972 | 414,351 |
| "D" Significant risk | | 37,234 | 27,296 |
| "E" Risk of Being Uncollectible | | 72,331 | 56,893 |
| | | 10,403,740 | 8,393,015 |
| **Capital leasing** | | | |
| "A" Normal risk | | 4,031,533 | 3,444,393 |
| "B" Acceptable risk | | 127,850 | 128,515 |
| "C" Appreciable risk | | 110,780 | 67,741 |
| "D" Significant risk | | 21,950 | 9,538 |
| "E" Risk of Being Uncollectible | | 7,838 | 6,825 |
| | | 4,299,951 | 3,657,012 |
| Total portfolio, by classification | $ | 95,857,857 | 83,154,704 |

## Loans Assessed Individually and Collectively

The following is a breakdown of credit risk impairment losses at December 31 and June 30, 2015. It takes into account how they were determined: individually for loans above COP 2 billion and collectively for all others.

The impaired portfolio represents loans with associated credit risk, while the non-performing portfolio only considers the number of days overdue or customer default (without identifying if there is associated credit risk or not).

| | December 31, 2015 | | | | | |
|---|---|---|---|---|---|---|
| | Commercial | Consumer | Home mortgage | Microcredit | Capital leasing | Total |
| **Impairment** | | | | | | |
| 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** | 1,070,414 | 898,986 | 37,404 | 47,213 | 80,581 | 2,134,598 |
| **Gross balance of financial assets in the loan portfolio** | | | | | | |
| Individually assessed loans | 28,699,310 | 75,149 | 6,061 | 0 | 1,832,939 | 30,613,459 |
| Collectively assessed loans | 28,011,224 | 23,982,844 | 10,397,679 | 385,639 | 2,467,012 | 65,244,398 |
| **Total financial assets in the loan portfolio** | $ 56,710,334 | 24,057,993 | 10,403,740 | 385,639 | 4,299,951 | 95,857,857 |

| | June 30, 2015 | | | | | |
|---|---|---|---|---|---|---|
| | Commercial | Consumer | Home mortgage | Microcredit | Capital leasing | Total |
| **Impairment** | | | | | | |
| Individually assessed loans | $ 388,362 | 59 | 733 | 0 | 16,164 | 405,318 |
| Collectively assessed loans | 551,983 | 823,760 | 33,253 | 41,843 | 51,038 | 1,501,877 |
| **Total impairment** | 940,345 | 823,819 | 33,986 | 41,843 | 67,202 | 1,907,195 |
| **Gross balance of financial assets in the loan portfolio** | | | | | | |
| Individually assessed loans | 32,809,767 | 72,004 | 1,619 | 0 | 497,552 | 33,380,942 |
| Collectively assessed loans | 18,113,120 | 19,742,889 | 8,391,396 | 366,897 | 3,159,460 | 49,773,762 |
| **Total financial assets in the loan portfolio** | $ 50,922,887 | 19,814,893 | 8,393,015 | 366,897 | 3,657,012 | 83,154,704 |

## Activity in Loan Portfolio Impairment

The following shows the activity in loan portfolio impairment during the six months ended at December 31 and June 30, 2015.

| | December 31, 2015 | | | | | |
|---|---|---|---|---|---|---|
| | Commercial | Consumer | Home mortgage | Microcredit | Capital leasing | Total |
| Opening balance | $ 940,345 | 823,819 | 41,843 | 33,986 | 67,202 | 1,907,195 |
| Write-offs during the period | (59,608) | (443,890) | (15,519) | (6,604) | (2,923) | (528,544) |
| Impairment during the period | 414,136 | 727,432 | 28,421 | 16,492 | 31,225 | 1,217,706 |
| Impairment recovery credited to income | (245,775) | (218,354) | (7,383) | (9,992) | (14,801) | (496,305) |
| (Recovery) charged to allowances with offsetting entry in OCI for the period | (9,599) | (7,567) | (330) | (400) | (502) | (18,398) |
| Foreign exchange difference | 30,915 | 17,546 | 181 | 3,922 | 380 | 52,944 |
| Closing balance | $ 1,070,414 | 898,986 | 47,213 | 37,404 | 80,581 | 2,134,598 |

| | June 30, 2015 | | | | | |
|---|---|---|---|---|---|---|
| | Commercial | Consumer | Home mortgage | Microcredit | Capital leasing | Total |
| Opening balance | $ 886,098 | 748,417 | 44,377 | 17,003 | 72,210 | 1,768,105 |
| Write-offs during the period | (69,033) | (408,202) | (16,594) | (5,917) | (2,195) | (501,941) |
| Impairment during the period | 368,753 | 628,919 | 23,092 | 4,740 | 27,608 | 1,053,112 |
| Impairment recovery credited to income | (253,311) | (188,748) | (6,565) | 4,668 | (18,112) | (462,068) |
| (Recovery) charged to allowances with offsetting entry in OCI for the period | (639) | 20,791 | (2,467) | 11,796 | (12,502) | 16,979 |
| Foreign exchange difference | 8,477 | 22,642 | 0 | 1,696 | 193 | 33,008 |
| Closing balance | $ 940,345 | 823,819 | 41,843 | 33,986 | 67,202 | 1,907,195 |

(Continued)

## Loan Portfolio, by Maturity

The following shows the distribution of the loan portfolio, by maturity.

| | December 31, 2015 | | | | |
|---|---|---|---|---|---|
| | Up to 1 year | Between 1 & 3 years | Between 3 & 5 years | More than 5 years | Total |
| Commercial | $ 28,161,453 | 9,990,667 | 7,315,554 | 11,242,860 | 56,710,534 |
| Consumer | 11,125,387 | 4,208,908 | 3,617,257 | 5,106,441 | 24,057,993 |
| Home mortgages | 221,196 | 218,585 | 282,912 | 9,681,047 | 10,403,740 |
| Microcredit | 243,370 | 130,486 | 11,681 | 102 | 385,639 |
| Capital leasing | 1,359,347 | 955,918 | 970,419 | 1,014,267 | 4,299,951 |
| Total | $ 41,110,753 | 15,504,564 | 12,197,823 | 27,044,717 | 95,857,857 |

| | June 30, 2015 | | | | |
|---|---|---|---|---|---|
| | Up to 1 year | Between 1 & 3 years | Between 3 & 5 years | More than 5 years | Total |
| Commercial | $ 25,462,473 | 9,917,596 | 6,706,011 | 8,836,807 | 50,922,887 |
| Consumer | 8,856,388 | 4,167,000 | 2,607,692 | 4,183,813 | 19,814,893 |
| Home mortgages | 80,259 | 201,199 | 250,679 | 7,860,878 | 8,393,015 |
| Microcredit | 182,074 | 164,027 | 20,169 | 627 | 366,897 |
| Capital leasing | 971,628 | 966,950 | 820,638 | 897,796 | 3,657,012 |
| Total | $ 35,552,822 | 15,416,772 | 10,405,189 | 21,779,921 | 83,154,704 |

## Loan Portfolio, by Type of Currency

The following is a breakdown of the loan portfolio by type of currency.

| | December 31, 2015 | | | June 30, 2015 | | |
|---|---|---|---|---|---|---|
| | Domestic | Foreign | Total | Domestic | Foreign | Total |
| Commercial | $ 29,781,443 | 26,929,091 | 56,710,534 | 28,686,252 | 22,236,635 | 50,922,887 |
| Consumer | 9,070,546 | 14,987,447 | 24,057,993 | 8,472,617 | 11,342,276 | 19,814,893 |
| Home mortgages | 1,743,026 | 8,660,714 | 10,403,740 | 1,518,909 | 6,874,106 | 8,393,015 |
| Microcredit | 385,639 | 0 | 385,639 | 366,897 | 0 | 366,897 |
| Capital leasing | 3,422,234 | 877,717 | 4,299,951 | 2,965,955 | 691,057 | 3,657,012 |
| Total loan portfolio | $ 44,402,888 | 51,454,969 | 95,857,857 | 42,010,630 | 41,144,074 | 83,154,704 |

## Unimpaired Loans in Arrears

The following is a breakdown of loans that are in arrears but not impaired.

| | December 31, 2015 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Unimpaired loans that are current | From 1 to 30 days | From 31 to 60 days | From 61 to 90 days | Total customers in arrears but not impaired | Impaired | Total loan portfolio |
| Commercial | $ 55,026,358 | 688,049 | 69,102 | 111,883 | 869,034 | 815,142 | 56,710,534 |
| Consumer | 22,041,230 | 925,736 | 322,930 | 230,440 | 1,479,106 | 537,657 | 24,057,993 |
| Home mortgages | 9,849,757 | 314,684 | 86,115 | 31,277 | 432,076 | 121,907 | 10,403,740 |
| Microcredit | 294,004 | 47,487 | 10,235 | 6,095 | 63,817 | 27,818 | 385,639 |
| Capital leasing | 4,026,058 | 221,972 | 16,675 | 3,796 | 242,443 | 31,450 | 4,299,951 |
| Total | $ 91,237,407 | 2,197,928 | 505,057 | 383,491 | 3,086,476 | 1,533,974 | 95,857,857 |

(Continued)

| | June 30, 2015 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Unimpaired loans that are current | From 1 to 30 days | From 31 to 60 days | From 61 to 90 days | Total customers in arrears but not impaired | Impaired | Total loan portfolio |
| Commercial | $ 49,334,117 | 800,316 | 124,257 | 45,101 | 969,674 | 619,096 | 50,922,887 |
| Consumer | 18,258,403 | 624,567 | 294,423 | 87,366 | 1,006,356 | 550,134 | 19,814,893 |
| Home mortgages | 8,051,241 | 152,790 | 63,690 | 3,366 | 219,846 | 121,928 | 8,393,015 |
| Microcredit | 272,527 | 50,200 | 9,133 | 5,585 | 64,918 | 29,452 | 366,897 |
| Capital leasing | 3,268,485 | 305,905 | 24,022 | 3,857 | 333,784 | 54,743 | 3,657,012 |
| Total | $ 79,184,773 | 1,933,778 | 515,525 | 145,275 | 2,594,578 | 1,375,353 | 83,154,704 |

## Loans Assessed Individually

The following is a breakdown of the loans assessed individually for impairment at December 31, and June 30, 2015.

| | December 31, 2015 | | |
|---|---|---|---|
| | Registered gross value | Collateral guarantees | Constituted impairment |
| No registered impairment | | | |
| Commercial | $ 59,559 | 59,559 | 0 |
| Subtotal | 59,559 | 59,559 | 0 |
| With registered impairment | | | |
| Commercial | 1,571,835 | 318,668 | 550,658 |
| Consumer | 227 | 41 | 558 |
| Home mortgages | 2,230 | 0 | 10 |
| Capital leasing | 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 |
| Home mortgages | 2,230 | 0 | 10 |
| Capital leasing | 131,796 | 51,006 | 40,288 |
| Total | $ 1,765,647 | 429,274 | 591,514 |

| | June 30, 2015 | | |
|---|---|---|---|
| | Registered gross value | Collateral guarantees | Constituted impairment |
| No registered impairment | | | |
| Commercial | $ 44,932 | 44,932 | 0 |
| Subtotal | 44,932 | 44,932 | 0 |
| With registered impairment | | | |
| Commercial | 2,874,285 | 314,784 | 388,362 |
| Consumer | 521 | 0 | 59 |
| Home mortgages | 2,128 | 0 | 733 |
| Capital leasing | 497,537 | 0 | 16,164 |
| Subtotal | 3,374,471 | 314,784 | 405,318 |
| Totals | | | |
| Commercial | 2,919,217 | 359,716 | 388,362 |
| Consumer | 521 | 0 | 59 |
| Home mortgages | 2,128 | 0 | 733 |
| Capital leasing | 497,537 | 0 | 16,164 |
| Total | $ 3,419,403 | 359,716 | 405,318 |

(Continued)

## Loan Portfolio, by Economic Sector

The loan portfolio, by economic sector, breaks down as follows.

December 31, 2015

| Sector | | Commercial | Consumer | Microcredit | Home mortgages | Capital leasing | Total | % Ownership interest |
|---|---|---|---|---|---|---|---|---|
| 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 | 5% |
| 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 trade; 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 | 8% |
| 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 defens 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% |
| Other service activities | | 1,426,356 | 33,586 | 10,088 | 6,933 | 84,793 | 1,561,756 | 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 | 24,057,993 | 385,639 | 10,403,740 | 4,299,951 | 95,857,857 | 100% |

June 30, 2015

| Sector | | Commercial | Consumer | Microcredit | Home mortgages | Capital leasing | Total | % Ownership interest. |
|---|---|---|---|---|---|---|---|---|
| Agriculture, livestock, hunting, forestry and fishing | $ | 2,034,412 | 161,923 | 22,809 | 16,031 | 140,260 | 2,375,435 | 3% |
| Capital investor | | 107,697 | 253,982 | 3,042 | 49,026 | 32,071 | 445,818 | 1% |
| Salaried Employee | | 448,768 | 17,244,712 | 36,453 | 7,918,789 | 330,231 | 25,978,953 | 31% |
| Mining and quarrying | | 1,273,605 | 8,719 | 237 | 2,665 | 99,974 | 1,385,200 | 2% |
| Manufacturing industries | | 9,518,220 | 143,148 | 40,273 | 24,271 | 597,200 | 10,323,112 | 13% |

(Continued)

June 30, 2015

| Sector | Commercial | Consumer | Microcredit | Home mortgages | Capital leasing | Total | % Ownership interest. |
|---|---|---|---|---|---|---|---|
| Supply of electricity, gas, steam and air conditioning | 2,568,143 | 519 | 86 | 100 | 15,200 | 2,584,048 | 3% |
| Water distribution; wastewater evacuation and treatment, waste management and environmental sanitation activities | 110,829 | 4,605 | 1,295 | 466 | 22,447 | 139,642 | 0% |
| Construction | 3,577,315 | 88,724 | 3,619 | 15,096 | 229,549 | 3,914,303 | 5% |
| Wholesale and Retail; Automobile and motorcycle repair | 9,485,255 | 607,945 | 180,270 | 97,266 | 630,684 | 11,001,420 | 13% |
| Transport, storage | 3,895,066 | 270,537 | 14,641 | 48,587 | 381,113 | 4,609,944 | 6% |
| Lodging and catering services | 756,280 | 63,353 | 22,024 | 11,403 | 48,605 | 901,665 | 1% |
| Information and communications | 1,007,042 | 21,848 | 3,113 | 4,936 | 65,970 | 1,102,909 | 2% |
| Financial and insurance activities | 4,317,836 | 8,323 | 131 | 2,980 | 22,838 | 4,352,108 | 5% |
| Real estate activities | 2,415,215 | 28,063 | 512 | 5,389 | 176,818 | 2,625,997 | 3% |
| Professional, scientific and technical activities | 3,669,063 | 625,888 | 22,994 | 151,050 | 350,952 | 4,819,947 | 6% |
| Administrative services and support activities | 817,212 | 31,502 | 3,214 | 5,735 | 83,575 | 941,238 | 1% |
| Public administration and defense social security plans with man-datory enrollment | 1,045,040 | 0 | 0 | 0 | 1,745 | 1,046,785 | 1% |
| Education | 510,589 | 18,841 | 803 | 6,455 | 151,808 | 688,496 | 1% |
| Human health care and social assistance activities | 611,442 | 67,988 | 920 | 27,056 | 137,323 | 844,729 | 0% |
| Artistic, entertainment and recreational activities | 140,421 | 135,371 | 1,224 | 1,154 | 17,100 | 295,270 | 0% |
| Other service activities | 2,515,670 | 28,211 | 9,189 | 4,560 | 121,436 | 2,679,066 | 3% |
| Activities of individual households as employers | 34 | 577 | 21 | 0 | 0 | 632 | 0% |
| Activities of extraterritorial organizations and entities | 97,733 | 114 | 27 | 0 | 113 | 97,987 | 0% |
| Total, by economic sector | $ 50,922,887 | 19,814,893 | 366,897 | 8,393,015 | 3,657,012 | 83,154,704 | 100% |

## Loan Portfolio, by the Debtor's Geographic Location

The following is a breakdown of the loan portfolio, according to the borrower's geographic location

| | December 31, 2015 | | | | | |
|---|---|---|---|---|---|---|
| | Commercial | Consumer | Home mortgages | Microcredit | Capital leasing | Total |
| Colombia | $ 32,436,712 | 9,072,586 | 1,743,049 | 385,639 | 3,503,858 | 47,141,844 |
| Panama | 4,992,385 | 4,289,764 | 1,960,577 | 0 | 134,017 | 11,376,743 |
| United States | 4,502,870 | 0 | 0 | 0 | 0 | 4,502,870 |
| Other countries | 14,778,567 | 10,695,643 | 6,700,114 | 0 | 662,076 | 32,836,400 |
| Total | $ 56,710,534 | 24,057,993 | 10,403,740 | 385,639 | 4,299,951 | 95,857,857 |

| | June 30, 2015 | | | | | |
|---|---|---|---|---|---|---|
| | Commercial | Consumer | Home mortgages | Microcredit | Capital leasing | Total |
| Colombia | $ 31,560,215 | 8,472,617 | 1,518,909 | 366,897 | 2,996,582 | 44,915,220 |
| Panama | 5,007,340 | 2,236,997 | 1,587,666 | 0 | 150,099 | 8,982,102 |
| United States | 3,992,932 | 0 | 0 | 0 | 0 | 3,992,932 |
| Other countries | 10,362,400 | 9,105,279 | 5,286,440 | 0 | 510,331 | 25,264,450 |
| Total | $ 50,922,887 | 19,814,893 | 8,393,015 | 366,897 | 3,657,012 | 83,154,704 |

(Continued)

## Loan Portfolio, by Type of Collateral

The following is a breakdown of the loan portfolio at December 31 and June 30, 2015 according to the type of collateral.

| | December 31, 2015 | | | | | |
|---|---|---|---|---|---|---|
| | Commercial | Consumer | Home mortgages | Microcredit | Capital leasing | Total |
| Unsecured loans | $ 34,593,684 | 19,969,403 | 1,027 | 261,742 | 459,756 | 55,285,612 |
| Loans secured by other banks | 6,708 | 0 | 0 | 0 | 0 | 6,708 |
| Loans with collateral: | | | | | | |
| 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 | 3,165,305 | 15,201,267 |
| Total | $ 56,710,534 | 24,057,993 | 10,403,740 | 385,639 | 4,299,951 | 95,857,857 |

| | June 30, 2015 | | | | | |
|---|---|---|---|---|---|---|
| | Commercial | Consumer | Home mortgages | Microcredit | Capital leasing | Total |
| Unsecured loans | $ 33,381,602 | 16,417,960 | 0 | 229,384 | 664,582 | 50,693,528 |
| Loans secured by other banks | | | | | | |
| Loans with collateral: | 8,002,527 | 611,995 | 8,336,657 | 6,535 | 615,927 | 17,573,641 |
| Mortgages | 172,584 | 0 | 0 | 0 | 1,815 | 174,399 |
| Other real estate | 256,991 | 1,744,206 | 0 | 0 | 616,379 | 2,617,576 |
| Deposits in cash or cash equivalents | 1,221,304 | 257,315 | 54,857 | 20,782 | 564,302 | 2,118,560 |
| Other assets | 4,699,605 | 46,833 | 304 | 108,829 | 1,188,877 | 6,044,448 |
| Trusts, stand-by, guarantee funds, Pledges | 3,188,274 | 736,584 | 1,197 | 1,367 | 5,130 | 3,932,552 |
| Total | $ 50,922,887 | 19,814,893 | 8,393,015 | 366,897 | 3,657,012 | 83,154,704 |

## Capital Leasing Portfolio

The following is the reconciliation at December 31 and June 30, 2015 between gross investment in capital leasing and the present value of the minimum payments receivable on those dates.

| Capital leasing agreements | | December 31, 2015 | June 30, 2015 |
|---|---|---|---|
| Future gross lease payments receivable | $ | 5,441,115 | 5,043,298 |
| **Gross investment in capital leasing agreements** | | 5,441,115 | 5,043,298 |
| Less unrealized financial income | | (1,141,164) | (1,386,286) |
| **Net investment in capital leasing agreements** | $ | 4,299,951 | 3,657,012 |
| **Allowance for net impairment of investment in capital leasing agreements** | | (80,581) | (67,202) |

## Capital Leasing Portfolio, by Maturity

The following is a breakdown of gross investment and net investment in capital leasing agreements receivable at December 31 and June 30, 2015:

| | December 31, 2015 | | June 30, 2015 | |
|---|---|---|---|---|
| | Gross investment | Net investment | Gross investment | Net investment |
| Under 1 year | $ 949,586 | 940,092 | 258,535 | 971,628 |
| Between 1 and 5 years | 2,344,691 | 1,854,802 | 3,079,337 | 1,787,588 |
| More than 5 years | 2,146,838 | 1,505,057 | 1,705,426 | 897,796 |
| Total | $ 5,441,115 | 4,299,951 | 5,043,298 | 3,657,012 |

(Continued)

The Group grants loans in the form of financial leases to finance machinery and equipment, computer equipment, real estate, furniture and fixtures, vehicles and ships, trains and aircraft. In these cases, the amount of financing generally ranges between a maximum of 100% of the value of the property in the case of new assets to 70% for used assets. The life of these loans varies from a maximum of 120 months to a minimum of 24 months for those who have tax benefits. The option to buy, in most cases, involves a maximum of 20% of the value of asset and a minimum of 1% in the specific case of furniture and fixtures.

**NOTE 14 – Other accounts receivable**

Other accounts receivable include the following:

| | | December 31, 205 | June 30, 2015 |
|---|---|---|---|
| Sale of goods and services | $ | 1,233,087 | 1,286,765 |
| Collateral deposits (1) | | 615,594 | 450,792 |
| Income tax and CREE credit (2) | | 328,921 | 168,205 |
| Forward compliance | | 326,501 | 97,654 |
| Fees, services and advances | | 255,499 | 75,891 |
| Payments– Credibanco | | 184,640 | 77,391 |
| Electronic transfers, ongoing | | 131,075 | 14,345 |
| Expenses paid in advance | | 153,743 | 113,549 |
| Advances on contracts and to suppliers | | 109,282 | 62,629 |
| Deductible taxes, advances and withholding | | 70,859 | 153,277 |
| Commissions | | 50,964 | 54,874 |
| Service concession arrangements | | 42,864 | 0 |
| Accounts receivable from insurance companies | | 35,776 | 26,476 |
| Transfers to the National Treasury | | 30,792 | 28,413 |
| Storage services | | 26,650 | 21,410 |
| Managed pension funds | | 25,404 | 27,625 |
| Interest | | 21,350 | 28,218 |
| Dividends and ownership interest | | 17,870 | 6,615 |
| Purchase-sale agreements | | 16,991 | 39,801 |
| Monthly pension benefits | | 16,814 | 20,302 |
| Receivables in joint operations | | 9,660 | 10,382 |
| Savings account shortfalls | | 4,077 | 3,367 |
| Clearing shortfall | | 3,687 | 2,257 |
| Lawsuits – Corficolombiana | | 136 | 10,803 |
| Others | | 185,971 | 416,109 |
| **Subtotal** | | 3,898,207 | 3,197,150 |
| Impairment in other accounts receivable | | (170,646) | (198,438) |
| **Total** | $ | 3,727,561 | 2,998,712 |

(1) Guarantee deposits for margin calls on derivatives with off-shore foreign counterparts came to $ 345,052 and $ 226,790 at December 31 and June 30, 2015.

(2) (2) The following credit balances were registered for the 2015 and 2015 tax years during the periods ended at December 31 and June 30, 2015: $ 268,246 in income tax credit and $ 60,675 in CREE tax credit at December 31 and $ 153,809 and $ 14,396, respectively, at June 30, 2015.

- The following is a breakdown of impairment activity at December 31 and June 30, 2015:

| | | December 31, 2015 | June 30, 2015 |
|---|---|---|---|
| Opening balance | $ | 198,438 | 196,655 |
| Impairment | | 24,739 | 38,361 |
| Write-offs | | (28,080) | (34,738) |
| Recoveries (1) | | (26,046) | (2,653) |
| Exchange difference | | 1,595 | 813 |
| Closing balance | $ | 170,646 | 198,438 |

(1 This item includes the recovery registered by Porvenir in the impairment loss reversal account at December 2015 for $16,284.

## NOTE 15 – Non-current assets held for sale

Non-current assets held for sale consist mainly of property received through foreclosure. The Group intends to sell these assets immediately, and it has special departments, processes and sales programs for that purpose. Foreclosed assets are sold for cash, or financing for their sale is provided to potential buyers on normal market terms. These assets are expected to be sold within a period of 12 months subsequent to their classification as held-for-sale assets. In fact, options already exist for some foreclosed properties. Information on assets received through foreclosure and sold during the period is provided in Note No. 7 on credit risk. There were no changes in plans for the disposal of non-current assets held for sale during the six months ended at December 31 and June 30, 2015.

- The following is a breakdown of non-current assets held for sale:

| | December 31, 2015 | | |
|---|---|---|---|
| | Cost | Impairment | Total |
| Foreclosed assets | | | |
| Movable assets | $ 51,771 | (13,633) | 38,138 |
| Residential real estate | 62,118 | (18,386) | 43,732 |
| Non-residential real estate | 70,405 | (25,370) | 45,035 |
| | 184,294 | (57,389) | 126,905 |

| | December 31, 2015 | | |
|---|---|---|---|
| | Cost | Impairment | Total |
| Returned leased assets | | | |
| Machinery and equipment | 3,599 | 0 | 3,599 |
| Vehicles | 7,102 | (230) | 6,872 |
| | 10,701 | (230) | 10,471 |
| Other non-current assets held for sale | | | |
| Land | 21,354 | 0 | 21,354 |
| Real estate | 15,712 | 0 | 15,712 |
| Others | 24,439 | 0 | 24,439 |
| | 61,505 | 0 | 61,505 |
| Total | $ 256,500 | (57,619) | 198,881 |

| | June 30, 2015 | | |
|---|---|---|---|
| | Cost | Impairment | Total |
| Foreclosed assets | | | |
| Movables | $ 36,602 | (11,121) | 25,481 |
| Residential real estate | 52,604 | (12,408) | 40,196 |
| Non-residential real estate | 72,140 | (21,563) | 50,577 |
| Others | 10,633 | 0 | 10,633 |
| | 171,979 | (45,092) | 126,887 |
| Returned leased assets | | | |
| Machinery and equipment | 1,405 | 0 | 1,405 |
| Vehicles | 16,660 | (191) | 16,469 |
| Real estate | 2,019 | 0 | 2,019 |
| | 20,084 | (191) | 19,893 |
| Other non-current assets held for sale | | | |
| Land | 24,306 | 0 | 24,306 |
| Vehicles | 6 | 0 | 6 |
| Real estate | 39,553 | 0 | 39,553 |
| Others | 29,931 | 0 | 29,931 |
| | 93,796 | 0 | 93,796 |
| Total | $ 285,859 | (45,283) | 240,576 |

(Continued)

- The following is a breakdown of activity in non-current assets held for sale during the six months ended at December 31 and June 30, 2015:

| | | Non-current assets held for sale |
|---|---|---|
| Balance at December 31, 2014 | $ | 268,145 |
| Increases through additions during the period | | 51,283 |
| Cost of assets sold, net | | (44,611) |
| Write-offs | | (4,969) |
| Exchange difference | | 16,011 |
| Balance at June 30, 2015 | $ | 285,859 |
| Increases through additions during the period | | 37,608 |
| Cost of assets sold, net | | (52,150) |
| Write-offs | | (817) |
| Reclassifications (1) | | (40,305) |
| Exchange difference | | 26,305 |
| Balances at December 31, 2015 | $ | 256,500 |

(1) The parent company transferred the following assets: $ 2,357 to investments, $ 687 to other assets, $ 23,605 to investment properties and $ 13,656 to property, plant and equipment.

- The following shows the activity in impairment of foreclosed assets:

| | | Foreclosed assets | Returned leased assets | Discontinued operations | Total |
|---|---|---|---|---|---|
| Balances at December 31, 2014 | $ | 44,497 | 125 | 837 | 45,459 |
| Impairment charged to expenses | | 4,973 | 209 | 0 | 5,182 |
| Recoveries | | (7,122) | (116) | (837) | (8,075) |
| Exchange difference | | 2,744 | (27) | 0 | 2,717 |
| Balances at June 30, 2015 | $ | 45,092 | 191 | 0 | 45,283 |
| Impairment charged to expenses | | 7,407 | 267 | 0 | 7,674 |
| Impairment used in sales | | (4,476) | (268) | 0 | (4,744) |
| Exchange difference | | 9,366 | 40 | 0 | 9,406 |
| Balances at December 31, 2015 | $ | 57,389 | 230 | 0 | 57,619 |

- The following is a breakdown of the liabilities associated with assets held for sale.

| | | December 31, 2015 | June 30, 2015 |
|---|---|---|---|
| Commercial accounts payable | $ | 7,125 | 6,305 |
| Other accounts payable | | 0 | 11 |
| Total | $ | 7,125 | 6,316 |

**Marketing Plan**

The Bank takes the following steps to market non-current assets held for sale:

• There is a sales force specialized in real estate. It promotes sales, provides the commercial areas with support in handling proposals, visits the regions on a regular basis to strengthen efforts to market property, supports the effort made to obtain an urban standard applicable to real estate, and takes part in committees to assess and monitor ongoing negotiations.

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

(Continued)

• Sales are promoted through advertisements in the major daily newspapers with nationwide circulation and in the Group's real estate magazine. Pertinent information is sent directly to potential customers and a list of properties is published on the Bank's website (www.bancodebogota.com.co).

**NOTE 16 – Investments in associates and joint ventures**

The following is a breakdown of investments in associate companies and joint ventures:

| | December 31, 2015 | June 30, 2015 |
|---|---|---|
| Associate companies | $ 628,124 | 548,330 |
| Joint ventures | 277,624 | 214,094 |
| Total | $ 905,748 | 762,424 |

• Breakdown of Investments in Associates and Joint Ventures:

| Name | December 31, 2015 | | June 30, 2015 | |
|---|---|---|---|---|
| | % ownership interest | Book value | % ownership interest | Book value |
| **Associates** | | | | |
| A Toda Hora | 20% | $ 1,669 | 20% | $ 1,415 |
| Aerocali S.A. | 50% | 23,165 | 50% | 17,156 |
| Colombiana de Extrusión S.A. Extrucol | 30% | 10,294 | 25% | 12,074 |
| Concesionaria Tibitoc S.A. | 33% | 19,112 | 33% | 20,340 |
| Metrex S.A. | 18% | 2,324 | 18% | 1,177 |
| Jardín Plaza | 0% | 0 | 18% | 10,090 |
| Ventas y Servicios S.A. | 20% | 7,789 | 20% | 6,461 |
| C.I. Acepalma S.A. | 11% | 3,385 | 11% | 3,131 |
| Gases del Caribe S.A. E.S.P. | 31% | 201,762 | 31% | 196,706 |
| Complejo Energético del Este S.A. | 33% | 3,059 | 33% | 3,059 |
| Energía Eficiente S.A. | 42% | 6,069 | 32% | 2,539 |
| Concentra Inteligencia en Energía S.A.S | 24% | 386 | 0% | 0 |
| Cálidda S.A. | 40% | 348,142 | 40% | 274,182 |
| Antillean Gas | 20% | 968 | 0% | 0 |
| | | $ **628,124** | | $ **548,330** |
| **Joint Ventures** | | | | |
| A Toda Hora | 25% | 1,384 | 25% | 1,384 |
| Fiduoccidente & other Fidufonpet 2006 consortia | 22% | 2 | 22% | 46 |
| Concesionaria Ruta del Sol S.A.S. | 33% | 258,365 | 33% | 196,916 |
| Concesionaria Vial del Pacifico S.A.S. | 50% | 1,594 | 60% | 1,418 |
| Concesionaria Nueva Vía al Mar. S.A.S. | 60% | 9,323 | 60% | 8,582 |
| CFC SK Capital S.A.S. | 50% | 100 | 50% | 212 |
| CFC SK El Dorado Latam Management Company Ltda. | 50% | 1,726 | 50% | 0 |
| CFC SK El Dorado Latam Fund. L.P. | 50% | 1,866 | 50% | 1,709 |
| CFC SK El Dorado Latam Capital Partners Ltda. | 50% | 162 | 50% | 437 |
| Consorcio Porvenir – Fidubogotá FONPET 2012 | 71% | 822 | 71% | 627 |
| UT Porvenir – Fiduciaria BBVA | 50% | 101 | 50% | 99 |
| Interest in the Fidufosyga consortium | 15% | 1,905 | 15% | 1,873 |
| Interest in the Fiducomercio 2011 consortium | 26% | 3 | 26% | 55 |
| Interest in the Huila pension consortium | 33% | 50 | 33% | 47 |
| Consorcio Pensiones Ecopetrol 2011 | 50% | 221 | 50% | 689 |
| | | $ **277,624** | | $ **214,094** |

All the associates and joint ventures listed above have their principal place of business in Colombia.

(Continued)

The following table shows the main corporate purpose of the Group's associate companies and joint ventures:

| | Associate | Corporate Purpose | Principal place of business |
|---|---|---|---|
| 1 | A.C.H. Colombia S.A. | Financial transactions | Bogota – Colombia |
| 2 | Redeban Multicolor S.A. | Payment processing | Bogota – Colombia |
| 3 | Aerocali S.A | Airport infrastructure projects | Cali - Colombia |
| 4 | Colombiana de Extrusión S.A. – Extrucol | Networks and infrastructure | Bucaramanga - Colombia |
| 5 | Concesionaria Tibitoc S.A. | Infrastructure projects | Bogota – Colombia |
| 6 | Metrex S.A | Manufacture and sale of industrial equipment | Popayan - Colombia |
| 7 | Jardín Plaza | Commerce | Cali - Colombia |
| 8 | C.I. Acepalma S.A. | Cultivation of palm oil and derivatives thereof | Bogota - Colombia |
| 9 | Gases del Caribe S.A. E.S.P. | Gas distribution | Bogota - Colombia |
| 10 | Calidda S.A. | Gas distribution | Peru |
| 11 | Complejo Energético del Este S.A. | Gas conversion | Panama |
| 12 | Energía Eficiente S.A. | Gas distribution | Bogotá - Colombia |

| | Joint Ventures | Corporate Purpose | Principal place of business |
|---|---|---|---|
| 1 | Concesionaria Ruta del Sol S.A.S. (1) | Infrastructure projects | Bogota – Colombia |
| 2 | Concesionaria vial del Pacifico S.A.S (2) | Infrastructure projects | Medellin - Colombia |
| 3 | Concesionaria Nueva vía al Mar S.A.S. (3) | Infrastructure projects | Cali – Colombia |
| 4 | CFC SK Capital S.A.S. | Infrastructure projects | Cayman Islands |
| 5 | CFC SK El Dorado Latam Management Company Ltda. | Infrastructure projects | Cayman Islands |
| 6 | CFC SK El Dorado Latam Fund. L.P. | Infrastructure projects | Cayman Islands |
| 7 | CFC SK El Dorado Latam Capital Partners Ltda. | Infrastructure projects | Cayman Islands |
| 8 | Consorcio Porvenir – Fidubogotá | Infrastructure projects | Bogotá – Colombia |
| 9 | Fiduoccidente Fonpet | Infrastructure projects | Bogotá – Colombia |

The following is a more detailed explanation of the corporate purpose of the major concessionaires listed under joint ventures:

(1) The prime objective of Concesionaría Ruta del Sol S.A.S. is to develop the respective designs, obtain financing, secure environmental licenses and other mandatory permits, purchase the necessary land, build a second carriageway, refurbish the existing carriageway, and maintain and operate the Ruta del Sol Highway Project, specifically the stretch of road known as Sector 2, between the municipalities of Puerto Salgar (Cundinamarca) to San Roque (Cesar).

Ruta del Sol - Sector 2 is part of the most important highway project of the decade in Colombia. It is intended to connect the interior of the country to the Caribbean coast, via a dual carriageway approximately 1,071 km. long.

In this case, the concessionaire is obliged to design, obtain the necessary financing, secure all required environmental licenses and other permits, acquire the land that is needed, refurbish and improve the existing roadway, build a new carriageway, and operate and maintain the entire route (Ruta del Sol, Sector 2), doing so at its own expense and risk.

(Continued)

The concessionaire has been working since April 2010 to provide quality service to the users of this highway, by improving the safety and physical condition of the road in the interest of greater involvement 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%), which is a subsidiary of Corficolombiana, and Grupo ACS, which is invested through its concession subsidiary Iridium Colombiana Concesiones Viarias (40%).

The company is responsible for Concession Agreement # 007 to construct and operate Pacific Highway Connection Project No. 1 (Proyecto Autopista Conexión Pacifico 1), which is 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) granted this concession on June 3, 2014. The respective certificate of work commencement was signed on November 11, making it the first of the so-called fourth generation highway concessions that are being promoted by the Colombian government.

The project is now in the pre-construction stage, which consists of developing the studies and designs required to place the facility in operation.

(3) The corporate purpose of this concession is to construct a freeway in the Cauca Valley to help to close the gap in infrastructure and to reinforce the national highway system.

This primary roadway, 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 Buenaventura, 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 highway in the Mulaló - Loboguerrero Project has an origin-destination length of 31.83 kilometers from Mulaló to Loboguerrero, and it runs through the Cauca Valley.

The following are the changes in investments in associate companies and joint ventures during the six months ended at December 31 and June 30, 2015:

The activity in investments in associates breaks down as follows:

| | | December 31, 2015 | June 30, 2015 |
|---|---|---|---|
| Opening balance for the period | $ | 548,330 | 522,779 |
| Fair value of acquired assets and liabilities | | 640 | 0 |
| Stake in income for the six months | | 59,664 | 50,402 |
| Stake in other comprehensive income | | 27,390 | 12,961 |
| Dividends received | | (1,376) | (37,812) |
| Transfers | | (6,524) | 0 |
| Closing balance for the period | $ | 628,124 | 548,330 |

The following is the activity in investments in joint ventures:

| | | December 31, 2015 | June 30, 2015 |
|---|---|---|---|
| Opening balance for the period | $ | 214,094 | 169,607 |
| Fair value of acquired assets and liabilities | | 197 | 16,001 |
| Stake in income for the six months | | 61,795 | 34,946 |
| Stake in other comprehensive income | | 1,538 | 0 |
| Dividends received | | 0 | (6,460) |
| Closing balance for the period | $ | 277,624 | 214,094 |

(Continued)

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

The following is summarized financial information on investments in associate companies and joint ventures registered according to the equity method:

## Investments in Associates

| | | December 31, 2015 | | | | | |
|---|---|---|---|---|---|---|---|
| | | Assets | Liabilities | Equity | Income | Expenses | Earnings |
| A Toda Hora | $ | 36,369 | 29,039 | 7,330 | 10,312 | 10,147 | 165 |
| 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 |
| Metrex S.A. | | 33,162 | 20,249 | 12,913 | 49,554 | 45,933 | 3,621 |
| Ventas y Servicios S. A. | | 73,244 | 48,041 | 25,203 | 163,720 | 137,213 | 26,507 |
| 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 |
| C.I. Acepalma | | 197 | 154 | 43 | 578 | 566 | 12 |
| Energía Eficiente S.A. | | 55 | 39 | 16 | 164 | 157 | 7 |
| Total | $ | 4,739,119 | 2,933,198 | 1,805,921 | 1,805,077 | 1,558,251 | 246,826 |

| | | June 30, 2015 | | | | | |
|---|---|---|---|---|---|---|---|
| | | Assets | Liabilities | Equity | Income | Expenses | Earnings |
| A Toda Hora | $ | 54,370 | 47,023 | 7,347 | 892 | 866 | 26 |
| Aerocali S.A | | 57,792 | 23,479 | 34,313 | 48,722 | 39,557 | 9,165 |
| Colombiana de Extrusión S.A. Extrucol | | 63,942 | 26,530 | 37,412 | 33,947 | 29,752 | 4,195 |
| Concesionaria Tibitoc S.A | | 97,116 | 36,097 | 61,019 | 26,113 | 16,335 | 9,778 |
| Metrex S.A | | 29,039 | 17,772 | 11,267 | 20,178 | 16,812 | 3,366 |
| Jardín Plaza | | 111,422 | 54,608 | 56,814 | 13,616 | 11,419 | 2,197 |
| Ventas y Servicios S. A | | 80,065 | 61,170 | 18,895 | 76,435 | 74,927 | 1,508 |
| Cálidda S.A | | 1,871,655 | 1,186,129 | 685,526 | 652,973 | 603,326 | 49,647 |
| Gases del Caribe S.A | | 1,864,826 | 1,192,722 | 672,104 | 586,754 | 522,869 | 63,885 |
| Total | $ | 4,230,227 | 2,645,530 | 1,584,697 | 1,459,630 | 1,315,863 | 143,767 |

## Joint Ventures

| | | December 31, 2015 | | | | | |
|---|---|---|---|---|---|---|---|
| | | Assets | Liabilities | Equity | Income | Expenses | Earnings |
| A Toda Hora | $ | 36,369 | 29,039 | 7,330 | 10,312 | 10,147 | 165 |
| Concesionaria Ruta del Sol S.A.S. | | 3,189,078 | 2,344,326 | 844,752 | 868,929 | 868,929 | 0 |
| Concesionaria Vial del Pacifico S.A.S. | | 109,214 | 106,019 | 3,195 | 3,780 | 3,780 | 0 |
| Concesionaria Nueva Vía al Mar S.A.S. | | 58,195 | 42,656 | 15,539 | 3,019 | 3,019 | 0 |
| CFC SK Eldorado Latam Advisory Company S.A.S | | 538 | 339 | 199 | 1,330 | 1,132 | 198 |
| CFC SK El Dorado Latam Capital Partners Ltda. | | 117 | 11 | 106 | 13 | 92 | (79) |
| CFC SK El Dorado Latam Management Company Ltda. | | 3,488 | 36 | 3,452 | 3,495 | 169 | 3,326 |
| CFC SK Eldorado Latam Fund L.P. | | 787 | 166 | 621 | 3 | 6,692 | (6,689) |
| Fiduoccidente & other Fidufonpet consortia | | 12 | 12 | 0 | 7 | 7 | 0 |
| Consorcio Pensiones Ecopetrol 2011 | | 897 | 0 | 897 | 894 | 894 | 0 |
| Consorcio Porvenir – Fidubogotá - Fonpet 2012 | | 8,876,968 | 992 | 8,875,976 | 337,735 | 0 | 337,735 |
| Consorcio Porvenir – Fidubogotá - Emcali | | 284 | 284 | 0 | 0 | 0 | 0 |
| UT Porvenir – Fiduciaria BBVA - Fonpet 2012 | | 1,022 | 3 | 1,019 | 0 | 0 | 0 |
| UT Porvenir – Fidugan - EVM-APEV, being liquidated | | 26 | 0 | 26 | 3 | 0 | 3 |
| UT Porvenir – Fiduciaria BBVA - EVM-APEV | | 206 | 8 | 198 | 81 | 0 | 81 |
| Total | $ | 12,277,201 | 2,523,891 | 9,753,310 | 1,229,601 | 894,861 | 334,740 |

(Continued)

| | June 30, 2015 | | | | | |
|---|---|---|---|---|---|---|
| | Assets | Liabilities | Equity | Income | Expenses | Earnings |
| A Toda Hora | $ 54,370 | 47,023 | 7,347 | 892 | 866 | 26 |
| Concesionaria Ruta del Sol S.A.S. | 2,627,092 | 2,030,376 | 596,716 | 526,024 | 421,445 | 104,579 |
| Concesionaria Vial del Pacifico S.A.S. | 63,936 | 60,908 | 3,028 | 28,696 | 27,716 | 980 |
| Concesionaria Nueva Vía al Mar S.A.S. | 36,807 | 22,549 | 14,258 | 3,880 | 3,622 | 258 |
| CFC SK Capital S.A.S | 963 | 538 | 425 | 1,146 | 722 | 424 |
| CFC SK El Dorado Latam Capital Partners Ltda. | 85 | 0 | 85 | 288 | 11 | 277 |
| CFC SK El Dorado Latam Management Company Ltda. | 657 | 0 | 657 | 3 | 14 | (11) |
| Consorcio Porvenir – Fidubogotá - Fonpet 2012 | 2,669 | 2,669 | 0 | 2,587 | 2,587 | 0 |
| Consorcio Porvenir – Fidubogotá - Emcali | 409 | 409 | 0 | 325 | 325 | 0 |
| UT Porvenir – Fiduciaria BBVA - Fonpet 2012 | 1,104 | 3 | 1,101 | 366 | 366 | 0 |
| UT Porvenir – Fidugan - EVM-APEV, being liquidated | 27 | 9 | 18 | 2 | 2 | 0 |
| UT Porvenir – Fiduciaria BBVA - EVM-APEV | 181 | 13 | 168 | 88 | 88 | 0 |
| Total | $ 2,788,300 | 2,164,497 | 623,803 | 564,297 | 457,764 | 106,533 |

The Group had no contingent assets in income receivable at December 31 and June 30, 2015 due to contractual differences with any concession, apart from recognition of rates. Nor were there any contingent liabilities for fines or penalties imposed by the government for possible breach of contract during the fulfillment of concession arrangements.

**NOTE 17 – Property, plant and equipment**

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

| | December 31, 2015 | | | |
|---|---|---|---|---|
| | Cost | Accumulated depreciation | Impairment | Net |
| Land | $ 726,146 | 0 | 0 | 726,146 |
| Buildings and constructions | 1,660,170 | (241,111) | 0 | 1,419,059 |
| Moving machinery and equipment | 462,702 | (18,206) | (695) | 443,801 |
| Vehicles | 71,237 | (30,834) | (57) | 40,346 |
| Furniture, fixtures and office equipment | 710,937 | (433,218) | 0 | 277,719 |
| Computer equipment | 1,075,100 | (729,589) | 0 | 345,511 |
| Networks, lines and cables | 354,773 | (32,740) | 0 | 322,033 |
| Gas pipelines | 439,866 | (104,028) | 0 | 335,838 |
| Improvement to rental property | 266,858 | (131,356) | 0 | 135,502 |
| Ongoing construction | 303,434 | 0 | 0 | 303,434 |
| Imports in progress | 1,266 | 0 | 0 | 1,266 |
| Total assets | $ 6,072,489 | (1,721,082) | (752) | 4,350,655 |

| | June 30, 2015 | | | |
|---|---|---|---|---|
| | Cost | Accumulated depreciation | Impairment | Net |
| Land | $ 672,461 | 0 | 0 | 672,461 |
| Buildings and constructions | 1,515,323 | (234,075) | 0 | 1,281,248 |
| Moving machinery and equipment | 542,412 | (22,337) | (695) | 519,380 |
| Vehicles | 59,821 | (27,012) | 0 | 32,809 |
| Furniture, fixtures and office equipment | 558,609 | (303,271) | 0 | 255,338 |
| Computer equipment | 750,637 | (444,332) | 0 | 306,305 |
| Networks, lines and cables | 326,579 | (30,230) | 0 | 296,349 |
| Gas pipelines | 439,493 | (105,975) | 0 | 333,518 |
| Improvements to rental property | 108,622 | (7,428) | 0 | 101,194 |
| Ongoing construction | 166,282 | 0 | 0 | 166,282 |
| Imports in progress | 1,274 | 0 | 0 | 1,274 |
| Total assets | $ 5,141,513 | (1,174,660) | (695) | 3,966,158 |

(Continued)

The following are details on activity in the cost of property, plant and equipment:

| | | Balance at June 30, 2015 | Exchange difference | Additions | Disposals | Reclassifications (1) | Balance at December 31, 2015 |
|---|---|---|---|---|---|---|---|
| Land | $ | 672,461 | 37,869 | 13,498 | (765) | 3,083 | 726,146 |
| Buildings and constructions | | 1,515,323 | 84,998 | 85,953 | (6,527) | (19,577) | 1,660,170 |
| Moving machinery and equipment | | 542,412 | 0 | 50,850 | (4,999) | (125,561) | 462,702 |
| Vehicles | | 59,821 | 12,040 | 2,731 | (3,798) | 443 | 71,237 |
| Furniture, fixtures and office equipment | | 558,609 | 66,262 | 52,876 | (20,555) | 53,745 | 710,937 |
| Computer equipment | | 750,637 | 105,807 | 62,892 | (35,714) | 191,478 | 1,075,100 |
| Networks, lines and cables | | 326,579 | 0 | 41,454 | (13,260) | 0 | 354,773 |
| Gas pipelines | | 439,493 | 0 | 5,953 | (5,580) | 0 | 439,866 |
| Improvements to rental property | | 108,622 | 42,621 | 24,881 | (3,941) | 94,675 | 266,858 |
| Ongoing construction | | 166,282 | (8,491) | 160,463 | (14,620) | (200) | 303,434 |
| Imports in progress | | 1,274 | 0 | 43 | (51) | 0 | 1,266 |
| Total assets | $ | 5,141,513 | 341,106 | 501,594 | (109,810) | 198,086 | 6,072,489 |

| | | Balance at June 30, 2015 | Exchange difference | Additions | Disposals | Reclassifications (1) | Balance at December 31, 2015 |
|---|---|---|---|---|---|---|---|
| Land | $ | 664,005 | 15,814 | 399 | (4,141) | (3,616) | 672,461 |
| Buildings and constructions | | 1,430,448 | 37,638 | 55,120 | (1,578) | (6,305) | 1,515,323 |
| Moving machinery and equipment | | 433,799 | 2,304 | 55,239 | (33,034) | 84,104 | 542,412 |
| Vehicles | | 94,293 | 3,963 | 2,605 | (12,173) | (28,867) | 59,821 |
| Furniture, fixtures and office equipment | | 505,486 | 39,313 | 33,578 | (13,919) | (5,849) | 558,609 |
| Computer equipment | | 690,307 | 25,938 | 52,549 | (19,384) | 1,227 | 750,637 |
| Networks, lines and cables | | 338,453 | 0 | 0 | (12,915) | 1,041 | 326,579 |
| Gas pipelines | | 439,570 | 0 | 0 | (77) | 0 | 439,493 |
| Improvements to rental property | | 94,733 | 15,949 | 3,548 | (6,727) | 1,119 | 108,622 |
| Ongoing construction | | 180,796 | (14,180) | 29,061 | (13,071) | (16,324) | 166,282 |
| Imports in progress | | 23,947 | 0 | 0 | 0 | (22,673) | 1,274 |
| Total assets | $ | 4,895,837 | 126,739 | 232,099 | (117,019) | 3,857 | 5,141,513 |

(1) These reclassifications include $4,792 transferred from investment properties, $13,657 from non-current assets held for sale and, $118,257 from property, plant and equipment to concessions, $315 to sundry items and $78 to investment properties. In addition, $237,755 in fully depreciated assets were reactivated and $60,532 in measurement adjustments were made.

The following shows the activity in depreciation of property, plant and equipment:

| | | Balance at June 30, 2015 | Exchange difference | Additions | Disposals | Reclassifications (1) | Balance at December 31, 2015 |
|---|---|---|---|---|---|---|---|
| Buildings and constructions | $ | 234,075 | 17,061 | 31,665 | (6,697) | (34,993) | 241,111 |
| Moving machinery and equipment | | 22,337 | 0 | 24,621 | (8,350) | (20,402) | 18,206 |
| Vehicles | | 27,012 | 4,909 | 2,255 | (2,591) | (751) | 30,834 |
| Furniture, fixtures and office equipment | | 303,271 | 38,794 | 32,914 | (1,089) | 59,328 | 433,218 |
| Computer equipment | | 444,332 | 74,372 | 52,535 | (24,359) | 182,709 | 729,589 |
| Networks, lines and cables | | 30,230 | 0 | 4,889 | (2,379) | 0 | 32,740 |
| Gas pipelines | | 105,975 | 0 | 0 | (2,185) | 238 | 104,028 |
| Improvements to property of others | | 7,428 | 19,595 | 10,482 | (1,176) | 95,027 | 131,356 |
| Total | $ | 1,174,660 | 154,731 | 159,361 | (48,826) | 281,156 | 1,721,082 |

(Continued)

| | | Balance at June 30, 2015 | Exchange difference | Additions | Disposals | Reclassifications (1) | Balance at December 31, 2015 |
|---|---|---|---|---|---|---|---|
| Buildings and constructions | $ | 212,929 | 2,018 | 25,583 | (4,127) | (2,328) | 234,075 |
| Moving machinery and equipment | | 32,959 | 20 | 1,473 | (131) | (11,984) | 22,337 |
| Vehicles | | 35,370 | 1,770 | 4,116 | (3,909) | (10,335) | 27,012 |
| Furniture, fixtures and office equipment | | 263,809 | 10,538 | 28,094 | (4,195) | 5,025 | 303,271 |
| Computer equipment | | 406,079 | 24,604 | 46,699 | (17,856) | (15,194) | 444,332 |
| Networks, lines and cables | | 15,186 | 0 | 2,371 | 0 | 12,673 | 30,230 |
| Gas pipelines | | 19,934 | 0 | 3,453 | 0 | 82,588 | 105,975 |
| Improvements in rental property | | 4,974 | 0 | 7,204 | 0 | (4,750) | 7,428 |
| Total | $ | 991,240 | 38,950 | 118,993 | (30,218) | 55,695 | 1,174,660 |

(1) Includes the balance of depreciation registered as a higher cost value of $24,198 for the non-financial entities of Corficolombiana S.A.

(2) Pertains to $17,337 in transfers from property, plant and equipment to concessions, $237,755 in reactivation of fully depreciated assets, and $60,738 in measurement adjustments.

There were no restrictions on ownership of property, plant and equipment at December 31, and June 30, 2015.

A qualitative impairment analysis that took into account internal and external sources of information was done on December 31 and June 30, 2015. Based on those sources, it was determined that certain assets might be somewhat impaired.

The Group then proceeded to calculate their recoverable value based on the fair value determined through a technical assessment done by independent appraiser.

**NOTE 18 – Biological assets**

The following is the balance of biological assets for the six months ended at December 31, and June 30, 2015:

| | | December 31, 2015 | June 30, 2015 |
|---|---|---|---|
| African palm | | | |
| Producing (at fair value less cost of selling) | $ | 81,916 | 71,734 |
| Under cultivation (at cost) | | 2,775 | 2,079 |
| Rubber plantations | | | |
| Producing (at fair value less cost of selling) | | 118,169 | 124,273 |
| Under cultivation (at cost) | | 27,561 | 7,214 |
| Others (1) | | 9,791 | 9,731 |
| Total | $ | 240,212 | 215,031 |

(1) The Group's short-cycle rice and cotton crops and livestock.

The activity in biological assets during the six months ended at December 31 and June 30, 2015 is shown below:

| | | Biological assets |
|---|---|---|
| **Balance at December 31, 2014** | $ | **202,399** |
| Capitalized acquisitions or expenses (net) | | 21,071 |
| Disposals/Sales (net) | | (8,765) |
| Changes in fair value | | 326 |

(Continued)

| | | Biological assets |
|---|---|---|
| **Balance at June 30, 2015** | | **215,031** |
| Capitalized acquisitions or expenses (net) | | 14,194 |
| Disposals /Sales (net) | | (11,609) |
| Changes in fair value | | 22,596 |
| **Balance at December 31, 2015** | $ | **240,212** |

There are no limits or constraints on the foregoing amounts.

**African Palm**

The account listing the Group's biological assets in the form of African palm plantations does not include the land where these trees are planted, nor the plants or the equipment used in harvesting. The biological process begins with preparation of the soil and planting; it ends with harvesting and shipment of the fruit to oil production plants where crude palm oil is extracted from the fruit. The cultivation process up to the time a palm bears fruit lasts approximately 3 to 4 years. From then on, the palm produces fruit for approximately 30 years.

The main assumptions on unobservable market data used to value the Group's biological assets in African palm plantations are outlined in Note 6.

The following table lists the hectares planted by the Group that were under cultivation and those that were producing at December 31 and June 30, 2015:

| | | December 31, 2015 | June 30, 2015 |
|---|---|---|---|
| Planted areas, in hectares | | | |
| Producing (1) | $ | 9,984 | 5,389 |
| Under cultivation (2) | | 3,984 | 7,215 |
| Total | $ | 13,968 | 12,604 |
| Annual production, in tons | | | |

(1) The following is a breakdown according to anticipated production at December 31, 2015:

| | | December 31, 2015 | June 30, 2015 |
|---|---|---|---|
| Number of hectares planted in African palm | | | |
| Less than 1 year | $ | 506 | 127 |
| Between 1 and 5 years | | 1,612 | 1,938 |
| Between 5 and 10 years | | 5,598 | 1,626 |
| More than 10 years | | 2,268 | 1,698 |
| Total | $ | 9,984 | 5,389 |

(2) The following is a breakdown at December 31, 2015 of the time anticipated for production to begin.

| | | December 31, 2015 | June 30, 2015 |
|---|---|---|---|
| Number of hectares planted in African palm | | | |
| Less than 1 year | $ | 147 | 2,302 |
| 2 years | | 0 | 937 |
| Between 2 and 4 years | | 93 | 232 |
| More than 4 years | | 3,744 | 3,744 |
| Total | $ | 3,984 | 7,215 |

(Continued)

The Group registered the following revenue and costs for biological assets in its statement of income at December 31, and June 30, 2015:

| | | December 31, 2015 | June 30, 2015 |
|---|---|---|---|
| Income from sales | $ | 46,784 | 60,571 |
| Changes in the fair value of biological assets | | 22,596 | 326 |
| Subtotal | | 69,380 | 60,897 |
| Costs and expenses | | (37,045) | (26,329) |
| Cultivation and maintenance costs | | (7,640) | (7,574) |
| General overhead and sales expenses | | (2,866) | (8,891) |
| Financial expenses | | (278) | (1,753) |
| Subtotal | | (47,829) | (44,547) |
| Total income, net | $ | 21,551 | 16,350 |

## NOTE 19 – Investment properties

The following is a breakdown of the Group's investment properties:

| | | December 31, 2015 | | | June 30, 2015 | | |
|---|---|---|---|---|---|---|---|
| | | Land | Buildings | Total | Land | Buildings | Total |
| Cost | $ | 252,220 | 40,696 | 292,916 | 166,014 | 29,323 | 195,337 |
| Accumulated depreciation | | 0 | 0 | 0 | 0 | (2,110) | (2,110) |
| Impairment | | (14) | 0 | (14) | 0 | 0 | 0 |
| Total | $ | 252,206 | 40,696 | 292,902 | 166,014 | 27,213 | 193,227 |

The following shows the changes in the cost of investment property:

| | | Land | Buildings | Total |
|---|---|---|---|---|
| Balance at December 31, 2014 | $ | 119,056 | 63,084 | 182,140 |
| Additions | | 19,168 | 0 | 19,168 |
| Reclassifications | | 28,806 | (32,970) | (4,164) |
| Disposals | | (1,016) | (791) | (1,807) |
| Balance at June 30, 2015 | | 166,014 | 29,323 | 195,337 |
| Additions | | 9,824 | 4,178 | 14,002 |
| Changes in accounting policy – Fair value | | 63,899 | 2,672 | 66,571 |
| | | Land | Buildings | Total |
| Reclassifications (1) | | 14,162 | 4,729 | 18,891 |
| Disposals | | (1,679) | (206) | (1,885) |
| Balances at December 31, 2015 | $ | 252,220 | 40,696 | 292,916 |

(1) Banco de Bogota transferred $23,605 in non-current assets held for sale; it also transferred $1,774 to property, plant and equipment. Porvenir transferred $2.939 to property, plant and equipment.

The following shows the changes in the depreciation of investment property:

| | | Investment properties |
|---|---|---|
| **Balance at December 31, 2014** | $ | **1,215** |
| Depreciation | | 424 |
| Disposals/Sales | | (79) |
| Transfer to non-current assets held for sale | | 550 |
| **Balance at June 30, 2015** | | **2,110** |
| Changes in the accounting estimate – Fair value | | (2,110) |
| **Balance at December 31, 2015** | $ | **0** |

(Continued)

The following is a breakdown of the figures included in income for the period:

| | | December 31, 2015 | June 30, 2015 |
|---|---|---|---|
| Rental income from investment properties | $ | 5,865 | 5,233 |
| Direct operating expenses for investment properties that generate rental income | | (1,746) | (1,093) |
| Total | $ | 4,119 | 4,140 |

• There were no contractual obligations registered during the aforementioned periods to purchase investment properties or for repairs, maintenance and improvements

• There are no restrictions on the sale of investment properties.

• There were no changes in the fair value of investment properties during the aforementioned periods.

## NOTE 20 – Goodwill

### i. Impairment Assessment of Cash-generating Units with Allocated Goodwill

The Group's management assesses impairment of the goodwill listed on its consolidated financial statements, doing so annually and bearing in mind that goodwill has an indefinite useful life. This assessment is based on studies done to that effect by independent experts who were engaged for that purpose and developed their work in light of IAS 36 - Impairment of Assets.

These studies are based on valuations of the cash-generating units to which goodwill is allocated upon its acquisition. In this case, valuation is done by the discounted cash flow method and considers a number of factors, such as the economic situation in the country and in the sector where the acquired entity operates, historical financial information, and projections on growth of the company's revenues and expenses in the next five years and, subsequently, growth in perpetuity, taking into account its profit capitalization rates, discounted at risk-free interest rates that are adjusted by the required risk premiums, given the circumstances of each company.

The methodologies and assumptions used to value the various cash-generating units to which goodwill is allocated were reviewed by management. Based on that review, it was concluded there was no need to record impairment at December 31, 2015, inasmuch as the recoverable amounts are significantly higher than the respective book values.

The value of goodwill registered in the Group's financial statements was calculated subsequent to the following acquisitions:

| Entity | | December 31, 2015 | June 30, 2015 |
|---|---|---|---|
| **Megabanco** | $ | **465,905** | **465,905** |
| **AFP Horizonte** | | **436,096** | **436,096** |
| Acquired directly by the Bank | | 90,162 | 90,162 |
| Acquired through Porvenir | | 345,934 | 345,934 |
| **Acquisitions through Corficolombiana** | | **296,263** | **296,263** |
| Episol – Panamericana | | 119,915 | 119,915 |
| Hoteles Estelar | | 6,661 | 6,661 |
| Promigas S.A & Subsidiaries | | 128,819 | 128,819 |
| Corficolombiana – Promigas | | 40,868 | 40,868 |
| **Leasing Bogotá S.A Panamá:** | | **4,945,656** | **4,080,743** |
| BAC Credomatic | | 3,086,354 | 2,546,602 |
| BBVA Panamá | | 1,000,821 | 825,794 |
| Banco Reformador | | 722,935 | 596,506 |
| Transcom Bank | | 135,546 | 111,841 |
| **Total goodwill** | **$** | **6,143,920** | **5,279,007** |

(Continued)

The variation in goodwill between June 2015 and December 2015 pertains to the exchange difference.

**ii. Breakdown of Goodwill, by Acquired Company**

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

Goodwill was generated by the acquisition of ninety-four point ninety-nine percent (94.99%) of the shares of stock in Banco de Crédito y Desarrollo Social – MEGABANCO S.A. This operation was authorized by the Financial Superintendence of Colombia in Resolution No. 917 issued on June 2, 2006.

The goodwill in question was allocated to the groups of cash-generating units that are involved in the following lines of business:

| | Share (%) | | Valor |
|---|---|---|---|
| Commercial | 32.7% | $ | 152,539 |
| Consumer | 30.8% | | 143,287 |
| Payroll loans | 27.0% | | 125,934 |
| Vehicles | 6.7% | | 31,304 |
| Microcredit | 2.8% | | 12,841 |
| Total | 100.0% | $ | 465,905 |

The most recent valuation update for the business lines of the groups of cash-generating units with allocated goodwill was done by Incorbank S. A. The respective assessment is outlined in its January 2016 report and is based on the Bank's financial statements at November 30, 2015, considering the merger with the acquired company. It was concluded there are no situations whatsoever that would indicate possible impairment, since $9,479,653 in fair value resulting from that assessment exceeds $5,502,572 in book value for the CGI groups.

The following table shows the main premises that were used for the latest impairment study on the groups of cash-generating units with allocated goodwill. The study was conducted at December 31 and June 30, 2015:

| | December 31, 2015 | | | | |
|---|---|---|---|---|---|
| | 2015 | 2016 | 2017 | 2018 | 2019 |
| Lending rates on the loan portfolio and investments | 10.7% | 10.7% | 11.0% | 11.2% | 11.2% |
| Borrowing rates | 4.1% | 3.8% | 3.7% | 3.6% | 3.6% |
| Growth in income from commissions | 26.7% | 25.0% | 12.3% | 12.4% | 15.1% |
| Growth in expenses | 32.6% | 12.7% | 15.0% | 16.9% | 15.4% |
| Inflation | 5.0% | 3.6% | 3.0% | 3.0% | 3.0% |
| Discount rate after taxes | 13.9% | | | | |
| Growth rate after five years | 3.0% | | | | |

| | June 30, 2015 | | | | |
|---|---|---|---|---|---|
| | 2015 | 2016 | 2017 | 2018 | 2019 |
| Lending rates on the loan portfolio and investments | 10.0% | 10.5% | 10.8% | 10.8% | 10.9% |
| Borrowing rates | 3.5% | 3.7% | 3.8% | 3.8% | 3.8% |
| Growth in income from commissions | 16.5% | 15.7% | 15.5% | 15.6% | 15.6% |
| Growth in expenses | 19.0% | 19.6% | 18.2% | 15.8% | 15.1% |
| Inflation | 3.6% | 3.2% | 3.0% | 3.0% | 3.0% |
| Discount rate after taxes | 12.3% | | | | |
| Growth rate after five years | 3.0% | | | | |

(Continued)

A 10-year projection was done to estimate goodwill, based on macroeconomic assumptions and those related to the businesses listed above. The following is a description of that process.

- The lending rates on loans and investments were projected based on the Bank's past earnings and the projected fixed-term deposit rate (DTF).
- The borrowing rates were projected according to the Bank's historical earnings and the influence the fixed-term deposit rate (DTF) could have on those rates.
- The estimate for growth in commissions and expenses is based on the increase in loans and other operations estimated by the Bank and takes into account the current structure of each line of business, so as to maintain its respective level of efficiency.
- 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.
- The growth rate used for the terminal value was 3%, which is the rate employed in the latest studies.

The discount rate after taxes that was used to discount dividend flows reflects the specific risks facing each cash-generating unit. If the 13.9% estimated discount rate had been 0.5% higher than the rate estimated in the independent studies, it would not be necessary to reduce the book value of goodwill, since the fair value of the groups of cash-generating units with this sensitivity would be $ 8,904,691. This is well above their book value, which comes to $ 5,502,572.

- **AFP Horizonte Pensiones y Cesantías**

Sixteen point seventy-five percent (16.75%) of the shares of AFP Horizonte Pensiones y Cesantías S.A. were acquired by the Bank, directly, and sixty-four point twenty-eight percent (64.28%) were acquired indirectly through its subsidiary Porvenir, as authorized by the Financial Superintendence of Colombia. This acquisition generated $ 91,746 and $ 352,081 in initial goodwill. The value of that goodwill, net of amortization up to December 31, 2013, came to $ 90,162 and $ 345,934, respectively. This is the deemed cost at January 1, 2014.

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 make up Porvenir.

The latest update in the value 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 January 19, 2016 and concluded there are no situations indicative of possible impairment, since $3,139,880 in fair value exceeds $1,276,932 in book value for the cash-generation units to which the goodwill was allocated.

The following are the main premises on which the impairment report is based:

| | December 31, 2015 | | | | |
|---|---|---|---|---|---|
| | 2016 | 2017 | 2018 | 2019 | 2020 |
| Lending rates on the loan portfolio and investments | 51.4% | 50.7% | 52.1% | 52.6% | 52.3% |
| Borrowing rates | 6.1% | 5.9% | 5.9% | 5.9% | 5.9% |
| Growth in income from commissions | 6.6% | 7.9% | 7.1% | 7.0% | 6.9% |
| Growth in expenses | (3.0%) | 7.4% | 5.1% | 6.2% | 5.6% |
| Inflation | 5.0% | 3.4% | 3.0% | 3.0% | 3.0% |
| Discount rate after taxes | 13.49% | | | | |
| Growth rate after five years | 4.0% | | | | |

(Continued)

| | June 30, 2015 | | | | |
|---|---|---|---|---|---|
| | 2015 | 2016 | 2017 | 2018 | 2019 |
| Lending rates on the loan portfolio and investments | 53.4% | 51.7% | 51.7% | 51.2% | 50.9% |
| Borrowing rates | 6.3% | 6.3% | 6.3% | 6.3% | 6.3% |
| Growth in income from commissions | 3.2% | 6.6% | 6.8% | 7.1% | 7.0% |
| Growth in expenses | (4.3%) | 4.5% | 3.1% | 5.1% | 6.3% |
| Inflation | 3.4% | 3.0% | 3.0% | 3.0% | 3.0% |
| Discount rate after taxes | 11.5% | | | | |
| Growth rate after five years | 4.0% | | | | |

A 20-year projection was done to estimate goodwill based on macroeconomic assumptions and those related to the business of Porvenir, as indicated in the foregoing tables. The following is a description of that process.

- The 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 Porvenir.
- The inflation rate used in the projections was taken from several domestic and international sources, and from the analysis done by the firm doing the appraisal.
  .
- The growth rate used for the terminal value was 4%, which is the rate employed in the latest studies.

The discount rate after taxes that was used to discount dividend flows reflects the specific risks facing 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 groups of cash-generating units with assigned goodwill would be $2,787,092 with this sensitivity, compared to $1,276,932 in book value.

**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 Corficolombiana S.A. acquired one hundred percent (100%) the shares of stock in Concesionaria Panamericana S.A. on June 24, 2011. The goodwill in question 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 impairment tests used to value the goodwill allocated to Episol-Panamericana's 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 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 value 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, in addition to 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 and $ 2,278,109 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.

- **Leasing Bogotá S.A Panamá:**

Banco de Bogota S.A. acquired control of BAC COM on December 9, 2010 through its subsidiary Leasing Bogota S.A. Panama (LBP), which is the Panamanian company that executed the purchase agreement. BAC Credomatic Inc. (BAC COM), which is incorporated to do business under the laws of the British Virgin Islands, owns Banco BAC International Bank, Inc. and the operations of BAC Credomatic Inc. (BAC) in Central America.

As a result of the acquisition of BAC COM through Leasing Bogota Panama, BAC's corporate structure now is controlled by Banco de Bogota 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 Superintendence of Colombia to make the purchase, through its subsidiary Leasing Bogotá Panama, as indicated in Official Notice 2010073017- 048 dated December 3, 2010.

Subsequently, Banco de Bogotá acquired ninety-eight point ninety-two percent (98.92%) of the shares of Banco Bilbao Vizcaya Argentaria Panama S.A. (BBVA Panama, now BAC de Panama) through its subsidiary Leasing Bogotá Panama, as authorized by the Financial Superintendence of Colombia in Official Notice 2013072962-052 dated December 12, 2013.

One hundred percent (100.00%) of the shares of Banco Reformador de Guatemala and of Transcom Bank Limited in Barbados were acquired as well, and both banks were declared as Grupo Financiero Reformador de Guatemala. The Financial Superintendence of Colombia 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

Initially, separate impairment tests were done for each item of goodwill generated by these acquisitions (BAC COM, BBVA Panama, Reformer and Transcom). This was the policy up to June 30, 2015. However, as of the second half of 2015, and after several mergers, the subsidiary Leasing Bogotá S.A. Panama now includes this goodwill in its consolidated financial statements, inasmuch as it consolidates with these companies both operationally and financially. Accordingly, Banco de Bogota concluded the goodwill generated with the acquisition of BAC COM, BBVA Panama, Reformer and Transcom, through Leasing Bogota S.A. Panama, should be assigned to the consolidated level in Leasing Bogotá S.A. Panama for the purpose of assessing its impairment. Therefore, a single impairment test was done at that level at the end of December 2015.

Ernst and Young conducted the latest valuation update for the groups of cash.-generating units to which goodwill was allocated. The report it submitted in February 2016, which is based on the financial statements of BAC Credomatic at November 30, 2015, indicates there are no situations involving possible deterioration, since the use value ($ 15,190,545) exceeds the book value ($10,036,507) of the groups of cash-generating units to which the goodwill was allocated.

The following table shows the averages of the main premises applied in the impairment reports on the cash-generating units with allocated goodwill, using the impairment assessments done on the indicated dates as a basis:

| | December 31, 2015 | | | | |
|---|---|---|---|---|---|
| | 2016 | 2017 | 2018 | 2019 | 2020 |
| Lending rates on the loan portfolio and investments | 14.4% | 14.6% | 14.8% | 15.0% | 15.1% |
| Borrowing rates | 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 five years | 3.5% | | | | |

(Continued)

| | June 30, 2015 | | | | |
|---|---|---|---|---|---|
| | 2015 | 2016 | 2017 | 2018 | 2019 |
| Lending rates on the loan portfolio and investments | 15.3% | 15.3% | 15.4% | 15.5% | 15.7% |
| Borrowing rates | 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 five years | 3.0% | | | | |

A 10-year projection was done to evaluate goodwill impairment in light of the fact that the business will have matured and the flow of funds will have stabilized once that time has elapsed. Macroeconomic assumptions and 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 each market provides to the CGUs as a whole. The averages of the main premises used are listed in the foregoing tables, combining the variables for all the countries where BAC Credomatic operates. The following is a description of that process.

- Lending rates on the loan portfolio and investments were projected based on historical data and on the expectations of management in the countries where BAC Credomatic operates, taking into account the competitiveness of the different services in their respective markets and the growth strategies for each segment. The projection on the 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 gradually reduce this type of revenue, 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 that particular portfolio. Therefore, its projection contemplates growth based on higher credit card billing.

- Although the functional currency of the business is that of each country in the region where BAC subsidiaries operate, future flows of funds have been converted into nominal US dollars in each projected period and discounted at a nominal rate in US dollars, net of income tax, which is estimated as "Ke". A discount rate in US dollars is used, since a consistent discount rate in the different local currencies cannot be estimated for lack of the necessary data.

- The discount rate was 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 was projected in perpetuity and adjusted according to expectations for its growth. This projection does not exceed the average long-term rate of growth for the economies in each of the countries where BAC operates. Consequently, 3.5% annual growth was estimated for the long term.

The discount rate after taxes that was used to discount the dividend flows reflects the specific risks facing each CGU and the markets where BAC Credomatic operates, as mentioned earlier. Had the estimated discount rate of 12.9% been 1.0% higher than the estimated rate; that is, 13.9%, it would not be necessary to reduce the book value of goodwill, since the use value of the cash-generating units to which the goodwill was allocated would be $12,888,595. This exceeds their book value, which is $10,036,507.

(Continued)

## NOTE 21 – Service assets in concession arrangements

The following is a breakdown of the activity in financial assets in concession arrangements, at cost and fair value:

| | | At fair value | At amortized cost | Total |
|---|---|---|---|---|
| **Balance at December 31, 2014** | **$** | **1,738,599** | **119,337** | **1,857,936** |
| Additions or new concession arrangements | | 0 | 151,599 | 151,599 |
| Partial payments received during the year | | 0 | (174,930) | (174,930) |
| Adjustment to fair value credited (charged) to income | | 76,546 | 0 | 76,546 |
| Accrued interest | | 0 | 36,592 | 36,592 |
| **Balance at June 30, 2014** | **$** | **1,815,145** | **132,598** | **1,947,743** |
| Additions or new concession arrangements | | 0 | 218,384 | 218,384 |
| Partial payments received during the year | | 0 | (225,773) | (225,773) |
| Adjustment to fair value credited (charged) to income | | 76,547 | 0 | 76,547 |
| Reclassification – Change in estimate | | 0 | (111,432) | (111,432) |
| Accrued interest | | 0 | 29,087 | 29,087 |
| **Balance at December 31, 2015** | **$** | **1,891,692** | **42,864** | **1,934,556** |

The balance of intangible rights and financial assets in concession arrangements at December 31 and June 30, 2015 includes the following:

| | | Promigas S.A. | Concesionaria Vial de los Andes S.A | Proyectos de Infraestructura S.A. | Estudios y Proyectos del sol S.A.S. Episol | Total |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| **At December 31, 2014** | **$** | **1,389,660** | **291,209** | **259,382** | **72,391** | **2,012,642** |
| Additions | | 82,388 | 39,205 | 2,322 | 0 | 123,915 |
| **At June 30, 2015** | | **1,472,048** | **330,414** | **261,704** | **72,391** | **2,136,557** |
| Additions | | 412,427 | 108,484 | 14,580 | 0 | 535,491 |
| Reclassification – Change in estimate | | 0 | 115,139 | (13,878) | 0 | 101,261 |
| **At December 31, 2015** | | **1,884,475** | **554,037** | **262,406** | **72,391** | **2,773,309** |
| **Cumulative amortization** | | | | | | |
| **At December 31, 2014** | | **(52,735)** | **(93,643)** | **(9,057)** | **(1,557)** | **(156,992)** |
| Amortization during the period | | (30,550) | (45,074) | (4,826) | (759) | (81,209) |
| **At June 30, 2015** | | **(83,285)** | **(138,717)** | **(13,883)** | **(2,316)** | **(238,201)** |
| Amortization during the period | | (66,458) | (71,940) | (5,088) | (921) | (144,407) |
| **At December 31, 2015** | | **(149,743)** | **(210,657)** | **(18,971)** | **(3,237)** | **(382,608)** |
| **Total intangible assets** | | | | | | |
| **Net balance at December 31, 2014** | | **1,336,925** | **197,566** | **250,325** | **70,834** | **1,855,650** |
| Cost | | 1,472,048 | 330,414 | 261,704 | 72,391 | 2,136,557 |
| Amortization | | (83,285) | (138,717) | (13,883) | (2,316) | (238,201) |
| **Net balance at June 30, 2015** | | **1,388,763** | **191,697** | **247,821** | **70,075** | **1,898,356** |
| Cost | | 1,884,475 | 554,037 | 262,406 | 72,391 | 2,773,309 |
| Amortization | | (149,743) | (210,657) | (18,971) | (3,237) | (382,608) |
| **Net balance at December 31, 2015** | **$** | **1,734,732** | **343,380** | **243,435** | **69,154** | **2,390,701** |

(Continued)

The following is additional information on the concession agreements that are in the construction stage.

| | | Promigas S.A. | Concesionaria Vial de los Andes S.A | Proyectos de Infraestructura S.A. | Estudios y Proyectos del sol S.A.S. Episol | Total |
|---|---|---|---|---|---|---|
| **December 31, 2015** | | | | | | |
| Accumulated concession costs registered in income | $ | 0 | 288,368 | 13,874 | 0 | **302,242** |
| Recognized intangibles pertaining to rights in concession agreements | | 0 | 343,380 | 13,874 | 0 | **357,254** |
| **June 30, 2015** | | | | | | |
| Accumulated concession costs registered in income | | 26,289 | 192,532 | 0 | 0 | **218,821** |
| Recognized concession profits registered in income | | 0 | 0 | 0 | 14,608 | **14,608** |
| Withholding on payments | | 0 | 0 | 49,367 | 0 | **49,367** |
| Accounts receivable from the national infrastructure grantor | | 0 | 110,201 | 0 | 22,397 | **132,598** |
| Intangibles pertaining to recognized rights in concession arrangements | $ | 150,918 | 191,697 | 12,388 | 0 | **355,003** |

The following is additional information on the income and costs incurred in the construction stage of concession arrangements:

| | | Promigas S.A. | 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 assets or financial assets recorded in the statement of income** | | | | | | |
| **Balance at December 31, 2014** | **$** | **71,835** | **229,729** | 0 | **8,437** | **310,001** |
| Income from concession arrangements accrued during the period | | 26,289 | 192,532 | 0 | 18,699 | 237,520 |
| Accrual of financial yield | | 0 | 35,989 | 0 | 603 | 36,592 |
| **Balance at June 30, 2015** | | **26,289** | **228,521** | **0** | **19,302** | **274,112** |
| Income from concession arrangements accrued during the period | | 12,970 | 288,369 | 13,874 | 34,098 | 349,311 |
| Accrual of financial yield | | 35,863 | 27,573 | 0 | 619 | 64,055 |
| **Balance at December 31, 2015** | **$** | **48,833** | **315,942** | **13,874** | **34,717** | **413,366** |

Accumulated concession costs registered in the statement of income:

| | | | | | | |
|---|---|---|---|---|---|---|
| **Balance at December 31, 2014** | **$** | **71,835** | **219,083** | 0 | **12,311** | **303,229** |
| Project construction costs incurred during the period | | 26,289 | 192,532 | 0 | 14,608 | 233,429 |
| Financial costs incurred during the period | | 0 | 0 | 0 | 4,082 | 4,082 |
| **Balance at June 30, 2015** | | **26,289** | **192,532** | **0** | **18,690** | **237,511** |
| Construction costs incurred during the period | | 12,970 | 288,369 | 13,874 | 30,504 | 345,717 |
| Financial costs incurred during the period | | 35,863 | 18,814 | 0 | 3,594 | 58,271 |
| **Balance at December 31, 2015** | **$** | **48,833** | **307,183** | **13,874** | **34,098** | **403,988** |

(Continued)

**Promigas S.A and Subordinates**

Promigas and its transport controllers, with their concession and non-concession infrastructure, currently transport 50% of the natural gas consumed in Colombia by thermal, industrial, commercial and residential customers. The country's transport infrastructure is comprised of approximately 7,000 km of pipeline, including 2896 that pertain to Promigas in conjunction with the transporters in its portfolio, with 2371 km operated by Promigas under a concession arrangement.

With the concessions, Promigas has a contractual commitment to build and operate pursuant to international standards. This is why its natural gas facilities are developed with engineering intended to satisfy the required operating conditions, according to established designs and specifications, so to guarantee the quality its customers expect. The focus in terms of design and construction is on high levels of integrity, the idea being to ensure that operation and maintenance are safe and reliable.

All the phases that require Promigas and its subordinates to provide natural gas transport and distribution services over the years, from the construction of infrastructure and its improvement to its maintenance and operation, are compensated with charges based on rates set by the government, through the Energy and Gas Regulatory Commission (CREG).

The concession arrangements Promigas has with the government, in which the latter grants Promigas the right to build, operate, maintain, work and manage a public-service gas pipeline to transport hydrocarbons, are within the scope of IFRIC 12 – Service Concession Agreements. Therefore, the right to charge users a rate for construction services is recognized as an intangible asset and the obligation to sell the facility at a fair price at the end of the concession arrangement and extensions thereof, if any, is recognized as a financial asset.

**Proyectos de Infraestructura S.A. (Pisa)**

Pisa was granted Concession No. 01/1993 in the Cauca Valley region of Colombia through Resolution No. 0832 / December 30, 1993. The initial term was fifteen (15) years, but it was extended to twenty (20), as per Official Document No. 14 / December 20, 1995. Under the concession arrangement, Pisa must build and maintain a new carriageway and improve and maintain the existing one from Buga to Tuluá and on to La Paila, in the sector between abscissas K67 + 100 and K128 + 100.

Concesiones CCFC S.A. is a Pisa subordinate. Currently, it is operating Concession No. 937 / 1995 entered into with the National Highway Authority (INVIAS) on June 30, 1995. Under that arrangement, the concessionaire is responsible for developing all studies and final designs, refurbishing, building, operating and maintaining the Bogotá (Fontibón) - Facatativá - Los Alpes Highway in Section 8 of Route 50, in the Department of Cundinamarca. The concession is due to expire in March 2024.

**Concesionaria Vial de los Andes S.A. - Coviandes S.A.S**

Coviandes S.A. has recognized a financial asset measured initially at the fair value of its construction services. In this case, the fair value represents the present value of the minimum annual payments contractually guaranteed receivable from the grantor, discounted at a rate of 9.18% E.A. An Intangible asset has been recognized as well; it represents the difference between the fair value of the construction services and the fair value of the financial asset.

The objective of this arrangement is to develop, on concession, all respective studies and final designs for the highway from Bogota to Puente Real, in addition to renovation and construction work, operation and maintenance of that facility. The concession also includes maintaining and operating the section of the highway from Puente Real to Villavicencio.

**Estudios y Proyectos del Sol S.A.S**

**Concesionaria Panamericana S.A.S**

In pursuit of its corporate purpose, Concesionaría Panamericana S.A.S. entered into Concession Arrangement OJ 121-97 with the Office of the Governor of Cundinamarca on December 16, 1997.

Under that arrangement, the concessionaire is obliged to carry out, on concession and pursuant to the provisions stipulated in Article 32, Paragraph 4 of Law 80 / 1993 and Law 105 / 1994, the work offered in the successful bid presented in response to Public Tender SV-01-97, pursuant to the respective specifications and said arrangement; namely, the studies and final designs, renovation and construction work, maintenance and operation of the Corredor Vial del Centro Occidente de Cundinamarca (West Central Cundinamarca Highway Corridor Project), comprised of the Los Alpes - Villeta and Chuguacal - Cambao segments, including access roads to the municipalities of Guayabal de Síquima, Bituima, Vianí and San Juan de Rioseco.

Work supervision and auditing are being done by an inspector who was contracted by the Office of the Governor of Cundinamarca, through the Cundinamarca Concessions Institute (ICCU).

Twenty-eight additional arrangements to Concession Arrangement OJ-121-97 had been signed by December 31, 2014. Additional arrangements No. 7 and 28 are ongoing. Legalization of the respective work completion certificates is pending for the others.

At December 31 and June 30, 2015, the corporation and its subordinates had no contingent assets in receivable income originating with any contractual difference in any concession, other than recognition of the rates to be charged. Nor were there contingent liabilities in fines or penalties imposed by the government for possible breach of contract during the course of these arrangements.

**Concesionaria Vial del Oriente S.A.S COVIORIENTE S.A.S.**

In developing its line of business, Covioriente S.A.S. entered into a concession arrangement with the National Infrastructure Agency (ANI) on July 23, 2015 as part of Public-private Partnership No 010, under the terms of Law 1508/ 2012. The objective of this concession is to develop and maximize a major highway that connects the capital of Meta Department (Villavicencio) to the capital of Casanare (Yopal), and to improve mobility along the route.

The corporate objective includes signature, implementation, development, termination, settlement and reversal of the partnership contract entered into under the PPP scheme in response to public tender vj-ve-ip-lp-015-2013 issued by the National Infrastructure Agency (ANI). The concessionaire must secure financing and develop the necessary construction studies and designs to renovate, improve, operate and maintain the Villavicencio-Yopal corridor, provide social, land and environmental management, and return the facility at the end of the concession arrangement.

Neither Covioriente nor its subordinates had contingent assets at December 31 and June 30, 2015 in receivable income as a result of any contractual dispute with any concession, other than recognition of the

rate. Nor were there contingent liabilities in the form of fines or penalties imposed by the government for possible breach of contract during the course the concession arrangement.

**Concesionaria Vial Andina S.A.S COVIANDINA S.A.S.**

Concession No. 005 is a private initiative entered into on June 9, 2015 pursuant to the public-private partnership scheme provided for in Law 1508/ 2012. The concessionaire agrees to build, operate and maintain, at its own expense and risk, a new carriageway between Chirajara and the Fundadores intersection, and is responsible for all respective studies and designs, financing and social, land and environmental management. It also must maintain and operate the entire Bogota-Villavicencio corridor.

Coviandina and its subordinates had no contingent assets in receivable income that might have originated with a contractual difference with any concession, apart from recognition of rates. Nor are there contingent liabilities involving fines or penalties imposed by the government for possible breach of contract during the course of the concession arrangement.

Currently, there are constraints to the assets on concession.

## NOTE 22 – Other intangible assets

The following table shows the changes in the cost of intangible assets other than those developed internally:

| | Balance at June 30, 2015 | Acquisitions/ Additions | Disposals | Exchange difference | Transfers (increase/decrease) | Balance at December 31, 2015 |
|---|---|---|---|---|---|---|
| Intellectual property rights, patents and other industrial property, service and operating rights | $ 16,286 | 42,695 | (3,904) | (1,250) | 0 | 53,827 |
| Other rights | 4,395 | 2,612 | 0 | 0 | 0 | 7,007 |
| Licenses | 62,094 | 28,513 | (121) | 0 | 905 | 91,391 |
| Computer software and applications | 27,416 | 8,061 | (340) | 217 | 0 | 35,354 |
| Intangible assets related to customers | 27,393 | 1,618 | 0 | 5,758 | 0 | 34,769 |
| Other intangible assets | 18,045 | 0 | (549) | 0 | 5,276 | 22,772 |
| | $ 155,629 | 83,499 | (4,914) | 4,725 | 6,181 | 245,120 |

| | Balance at December 31, 2014 | Acquisitions/ Additions | Disposals | Exchange difference | Transfers (increase/decrease) | Balance at June 30, 2015 |
|---|---|---|---|---|---|---|
| Intellectual property rights, patents and other industrial property, service and operating rights | $ 15,152 | 1,134 | 0 | 0 | 0 | 16,286 |
| Other rights | 4,395 | 206 | (206) | 0 | 0 | 4,395 |
| Licenses | 57,252 | 5,254 | (412) | 0 | 0 | 62,094 |
| Computer software and applications (1) | 32,725 | 4,269 | (1,854) | 89 | (7,813) | 27,416 |
| Intangible assets related to customers | 26,105 | 0 | 0 | 1,288 | 0 | 27,393 |
| Other intangible assets | 9,350 | 890 | 0 | (8) | 7,813 | 18,045 |
| | $ 144,979 | 11,753 | (2,472) | 1,369 | 0 | 155,629 |

1) $804 pertaining to other assets at December 31, 2014

The following shows the activity in amortization of intangible assets other than assets developed internally:

| | Balance at June 30, 2015 | Amortization (1) | Disposals | Exchange difference | Transfers (increase/decrease) | Balance at December 31, 2015 |
|---|---|---|---|---|---|---|
| Rights to intellectual property, patents and other industrial property, service and operating rights | $ 759 | 1,380 | (146) | 186 | (451) | 1,728 |
| Other rights | 43 | 0 | (36) | 0 | 436 | 443 |
| Licenses | 3,450 | 10,379 | (121) | 0 | 5,437 | 19,145 |
| Computer software and applications | 5,614 | 9,286 | (112) | 31 | (3,097) | 11,722 |
| Intangible assets related to customers | 12,666 | 2,847 | 0 | 2,630 | 0 | 18,143 |
| Other intangible assets | 848 | 423 | (48) | 0 | 171 | 1,394 |
| | $ 23,380 | 24,315 | (463) | 2,847 | 2,496 | 52,575 |

| | Balance at December 31, 2014 | Amortization (1) | Disposals | Exchange difference | Transfers (increase/decrease) | Balance at June 30, 2015 |
|---|---|---|---|---|---|---|
| Rights to intellectual property, patents and other industrial property, service and operating rights | $ 449 | 453 | 0 | 0 | (143) | 759 |
| Other rights | 41 | 205 | (206) | 0 | 3 | 43 |
| Licenses | 4,234 | 9,632 | (139) | 0 | (10,277) | 3,450 |
| Computer software and applications | 4,767 | 4,106 | (613) | 17 | (2,663) | 5,614 |
| Intangible assets related to customers | 5,334 | 6,567 | 0 | 765 | 0 | 12,666 |
| Other intangible assets | 282 | 391 | 0 | 0 | 175 | 848 |
| | $ 15,107 | 21,354 | (958) | 782 | (12,905) | 23,380 |

(1) Amortization charged to expenses for intangibles pertaining to the parent company came to $ 10,262 and $ 2,579 at December 31 and June 30, 2015. These amounts are registered under amortization of intangible assets (software and applications) and “sundry items” ($ 680 and $ 679, respectively).

## Intangible Assets Developed Internally

The following shows the activity in the cost of intangibles developed internally by the Group:

| | Balance at June 30, 2015 | Amortization (1) | Disposals | Exchange difference | Transfers (increase/decrease) | Balance at December 31, 2015 |
|---|---|---|---|---|---|---|
| Licenses | $ 1,089 | 5,525 | 0 | 0 | 242 | 6,856 |
| Computer software and applications | 329,543 | 72,383 | (11,824) | 41,513 | (5,518) | 426,097 |
| | $ 330,632 | 77,908 | (11,824) | 41,513 | (5,276) | 432,953 |

| | Balance at December 31, 2014 | Amortization (1) | Disposals | Exchange difference | Transfers (increase/decrease) | Balance at June 30, 2015 |
|---|---|---|---|---|---|---|
| Licenses | $ 0 | 0 | 0 | 0 | 1,089 | 1,089 |
| Computer software and applications | 252,463 | 64,224 | 0 | 13,945 | (1,089) | 329,543 |
| | $ 252,463 | 64,224 | 0 | 13,945 | 0 | 330,632 |

(Continued)

The following shows the amortization of intangible assets developed internally by the Group:

| | Balance at June 30, 2015 | Amortization | Disposals | Exchange difference | Balance at December 31, 2015 |
|---|---|---|---|---|---|
| Licenses | 0 | 83 | 0 | 0 | 83 |
| Computer software and applications | 122,580 | 55,733 | (33,105) | 29,116 | 174,324 |
| $ | 122,580 | 55,816 | (33,105) | 29,116 | 174,407 |

| | Balance at December 31 2014 | Amortization | Exchange difference | Balance at June 30, 2015 |
|---|---|---|---|---|
| Computer software and applications | 98,455 | 13,699 | 10,426 | 122,580 |
| $ | 98,455 | 13,699 | 10,426 | 122,580 |

Impairment of intangible assets came to $ 0, $ 12 and $ 12 at December 31 and June 30, 2015 and December 31, 2014, in that order.

## NOTE 23 – Income tax

### a) Income Tax Allowance

#### i. Components of the Income Tax Expense

The income tax expense during the six months ended at December 31 and June 30, 2015 includes the following.

| | | Six months ended at | |
|---|---|---|---|
| | | December 31, 2015 | June 30, 2015 |
| **Current tax** | $ | **646,462** | **680,377** |
| **Adjustment – previous periods** | | **622** | **2,545** |
| **Allowance for uncertain tax positions** | | **15,451** | **(1,936)** |
| Net deferred taxes for the current period | | (34,460) | (34) |
| Deferred tax assets considered unrecoverable | | 19,324 | 0 |
| **Subtotal: deferred tax** | | **(15,136)** | **(34)** |
| **Total income tax** | $ | **647,399** | **680,952** |

For tax purposes pursuant to Article 165 in Law 1607 / 2012 and Regulatory Decree 2548 / 2014, the remissions contained in the tax law on accounting standards will remain in force during a period of four (4) years once the International Financial Reporting Standards take effect. Consequently, from 2015 through 2018, the tax bases for the entries that are included in the tax returns will remain unchanged, and the liability for current income tax and equity tax (CREE) will be determined based on the tax laws that are in force. In some cases, these refer to the previous GAAP up to December 31, 2014 (Decree 2649 / 1993 and related provisions).

Accordingly, the tax base for income tax and CREE in the six months ended at December 31 and June 30, 2015 was based on the applicable tax provisions.

#### ii. Reconciliation between the Nominal Tax Rate and the Effective Tax Rate

The following are the basic parameters in effect for income tax.

<u>In Colombia</u>

- The levy on taxable income is 25% in the case of income and supplementary taxes.

- Since January 1, 2013, the so-called "income tax for equality" (CREE) was created in December 2012 through Law 1607. It is a contribution from companies, legal entities and other taxpayers who are required to file an income and supplementary tax return. CREE is intended to benefit workers, generate employment and promote social investment. The CREE tax rate for 2014, 2015 and thereafter is 9%.
- An additional CREE surcharge is applicable as of 2015. It amounts to 5% for 2015, 6% for 2016, 8% for 2017 and 9% for 2018.
- The tax base used to calculate income tax and CREE may be no less than 3% of the taxpayer's net worth on the last day of the immediately preceding tax period.

In other countries

The income tax rates in Guatemala were revised in 2012 and the following percentages were established for earnings on lucrative activities: 31% in 2013; 28% in 2014 and 25% thereafter. The so-called simplified optional tax on earnings from lucrative activities is 6% for 2013 and 7% for the years thereafter.

The income tax rate is 30% in Costa Rica, El Salvador, Honduras and Mexico, and 25% in Panama.

The following is a breakdown of the reconciliation between the Group's total income tax expense calculated at the tax rates currently in effect and the tax expense actually recorded in the statement of income for the six months ended at June 30, 2015 and December 31, 2015.

**Reconciliation of the Effective Income Tax Rate**

| | | Six months ended at | |
|---|---|---|---|
| | | **December 31, 2015** | **June 30, 2015** |
| Profit before income tax | **$** | **2,059,818** | **2,084,142** |
| Theoretical tax expense at the rate of 39% | | 803,329 | 812,815 |
| More or (less) taxes that increase (decrease) the theoretical tax: | | | |
| Non-deductible expenses | | 99,948 | 84,770 |
| Difference in surplus presumptive income and tax losses that did not generate deferred tax | | 28,603 | (3) |
| Equity or wealth tax | | 6 | 938 |
| Received dividends not constituting income | | (6,857) | (4,067) |
| Non-income receipts by the equity method | | (44,758) | (33,336) |
| Loss (gain) on sale or valuation of non-income or non-deductible investments | | 6,774 | (2,018) |
| Interest and other non-taxable income | | (20,463) | (2,196) |
| Exempt income | | (43,686) | (31,321) |
| Tax benefit on acquisition of productive assets (1) | | (34,649) | (18,107) |
| Profits from foreign subsidiaries with different tax rates | | (82,241) | (41,161) |
| Effect on deferred tax of tax rates other than 39% | | (55,462) | (14,010) |
| Adjustment from previous periods | | (4,805) | 2,545 |
| Allowances for uncertain tax positions | | 15,450 | (1,936) |
| Deferred tax assets considered unrecoverable | | 19,324 | 1,137 |
| Other items | | (33,114) | (73,098) |
| **Total tax expense for the period** | **$** | **647,399** | **680,952** |

(1) Promigas S.A and Coviandes S.A, subsidiaries of Corficolombiana, have legal stability contracts. Consequently, they continue to enjoy the tax benefit that permits a special deduction for the acquisition of productive real fixed assets.

### iii. Unrecognized Deferred Taxes

**Deferred Taxes on Subsidiaries, Associates and Joint Ventures**

Pursuant to IAS 12, the Group did not record a differed tax liability for the majority of the temporary differences on investments in subsidiaries. This is because: i) it controls the subsidiaries and, consequently, can decide when to reverse those temporary differences; and ii) it has no plans to do so in

the medium term. Hence, these temporary differences are not likely to be reversed in the foreseeable future.

The temporary differences for which no deferred tax liabilities were recognized at December 31 and June 30, 2015 came to $ 4,617,875 and $ 2,603,326, respectively. These amounts pertain to earnings that were not remitted to Colombia and to an adjustment for conversion of the financial statements of those subsidiaries, which were registered in the OCI account under equity. The deferred tax for this item, recorded at $ 38,210 and $ 27,233 for the six months ended at December 31 and June 30, 2015, refers to dividends these subsidiaries may declare in the near future.

**Deferred Tax Losses, Presumptive Income Tax Surpluses and Other Items**

The following is a breakdown at December 31 and June 30, 2015 of tax losses and surplus presumptive income tax pertaining to companies in the Group. Respectively, these items amount to $210,709 and $ 83,268. They have not been used and the Group has no deferred tax assets registered for them, due to the uncertainty of their recovery:

| | | December 31, 2015 | June 30, 2015 |
|---|---|---|---|
| **Tax losses expired or due to expire on :** | | | |
| December 31, 2015 | $ | 0 | 1,052 |
| December 31, 2016 | | 0 | 1,575 |
| December 31, 2017 | | 1,772 | 165 |
| December 31, 2018 | | 169 | 5 |
| December 31, 2019 | | 243 | 0 |
| No expiration date | | 78,292 | 73,923 |
| **Subtotal** | | **80,476** | **76,720** |
| **Surplus presumptive income tax expired or due to expire on:** | | | |
| December 31, 2015 | | 0 | 307 |
| December 31, 2016 | | 1,070 | 1,165 |
| December 31, 2017 | | 1,622 | 1,614 |
| December 31, 2018 | | 7,141 | 3,461 |
| December 31, 2019 | | 77,056 | 0 |
| December 31, 2020 | | 43,344 | 0 |
| **Subtotal** | | **130,233** | **6,547** |
| **Total** | **$** | **210,709** | **83,268** |

Moreover, no deferred tax assets were recognized on temporary differences related to subsidiaries that have concession arrangements. These came to $ 341,926 and $ 241,746 at December 31 and June 30, 2015, respectively.

### iv. Deferred Taxes by Type of Temporary Difference

Differences between the book value of assets and liabilities and their tax base resulted in the following differences. These generated deferred taxes, calculated and recorded for the six months ended at December 31 and June 30, 2015 based on the tax rates in force as references for the years when such temporary differences will be reversed.

| | | Balance at June 30, 2015 (1) | Credited (charged) to income | Credited (charged) to OCI | Reclassifications | Balance at December 31, 2015 |
|---|---|---|---|---|---|---|
| **Deferred tax assets** | | | | | | |
| Lower value of the accounting valuation versus the tax valuation of fixed-income investments | $ | 9,482 | 52,671 | (21,611) | 0 | 40,542 |
| Lower value of the accounting valuation versus the tax valuation of equity investments | | 626 | 410 | 0 | 0 | 1,036 |

| | Balance at June 30, 2015 (1) | Credited (charged) to income | Credited (charged) to OCI | Reclassifications | Balance at December 31, 2015 |
|---|---|---|---|---|---|
| Unrealized valuation loss on derivatives | 296,882 | (11,962) | (15,892) | 3,463 | 272,491 |
| Lower value of the accounting valuation versus tax valuation of the loan portfolio | 6,256 | (2,174) | 0 | 0 | 4,082 |
| Higher accounting allowance versus the tax allowance for the loan portfolio | 39,815 | 15,668 | 473 | 0 | 55,956 |
| Higher accounting allowance versus the tax allowance for accounts receivable | 145 | 22 | 0 | 0 | 167 |
| Lower value of an intangible asset in concession arrangements versus the tax value | 14,570 | (2,641) | 0 | 0 | 11,929 |
| **Deferred tax assets** | | | | | |
| Lower value of the accounting base versus the tax base for foreclosed assets | 23,886 | (23,886) | 0 | 0 | 0 |
| Higher allowance for foreclosed assets | 8,865 | (4,821) | 0 | 0 | 4,044 |
| Lower accounting cost versus the tax value of property, plant and equipment | 25,486 | 16,569 | 0 | 0 | 42,055 |
| Lower value of the accounting valuation versus the tax valuation for depreciation of property, plant and equipment | 8,422 | (5,567) | 0 | 0 | 2,855 |
| Lower value of the accounting valuation of biological assets versus the tax valuation | 7,061 | (6,692) | 0 | 0 | 369 |
| Lower value of the accounting base versus the tax base for deferred charges and intangible assets | 41,084 | 24,746 | 0 | 0 | 65,830 |
| Tax losses | 86,647 | (491) | 440,997 | 0 | 527,153 |
| Presumptive income tax surplus | 102,478 | (17,971) | 81,609 | 0 | 166,116 |
| Non-deductible allowances | 84,436 | 9,133 | 0 | 0 | 93,569 |
| Value of employee benefits higher than the taxable value | 62,949 | 4,972 | (4,304) | (328) | 63,289 |
| Goodwill | 7,180 | (233) | 0 | 0 | 6,947 |
| Deferred income | 10,517 | 25,339 | 0 | 0 | 35,856 |
| Leasing arrangements | 4,538 | 3,876 | 0 | 0 | 8,414 |
| Others | 142,859 | (38,114) | 0 | (4,575) | 100,170 |
| **Subtotal** | **984,184** | **38,854** | **481,272** | **(1,440)** | **1,502,870** |
| | | | | | |
| **Deferred tax liabilities** | | | | | |
| Lower value of the accounting valuation versus the tax valuation of fixed-income investments | (2,996) | (1,315) | 0 | 0 | (4,311) |
| Higher value of the accounting valuation versus the tax valuation of equity investments | (83,207) | 6,924 | 1,139 | (69) | (75,213) |
| Valuation of unrealized gain on derivatives | (104,695) | 32,120 | 0 | 0 | (72,575) |
| Higher value of the accounting valuation versus the tax valuation of the loan portfolio | (17,307) | (19,832) | 0 | 0 | (37,139) |
| Lower value of the accounting allowance versus the tax allowance for loan portfolio | (154,900) | (5,026) | (6,025) | 0 | (165,951) |
| Higher value of the accounting base for foreclosed assets versus the tax base | (40,310) | (25,734) | 0 | 0 | (66,044) |
| Lower value of the allowance for foreclosed assets | (4,314) | (2,149) | 0 | 0 | (6,463) |
| Higher value of the accounting cost of property, plant and equipment versus the tax cost | (209,788) | 36,378 | 0 | 0 | (173,410) |
| Higher value of the accounting valuation of depreciation in property, plant and equipment versus the tax valuation | (102,676) | (22,851) | 0 | 0 | (125,527) |
| Higher value of the accounting base for deferred charges and intangible assets versus the tax base | (61,973) | 15,422 | 0 | 0 | (46,551) |
| Retained (unremitted) earnings on investments in foreign subsidiaries | (27,233) | (10,977) | 0 | 0 | (38,210) |
| Non-deductible liability allowances | (553) | 50 | 0 | 0 | (503) |
| Lower accounting value of employee benefits versus the tax value | (10) | (736) | 0 | 0 | (746) |
| Goodwill | (23,238) | (12,185) | 0 | 0 | (35,423) |
| Trust rights | (9,579) | (425) | 0 | 0 | (10,004) |
| Other deferred income | (19,549) | (7,384) | 0 | 0 | (26,933) |
| Other items | (67,686) | 25,290 | 7 | (513) | (42,902) |
| Higher value of financial assets in concession arrangements versus the tax value | (451,798) | (46,582) | 0 | 0 | (498,380) |

(Continued)

| | Balance at June 30, 2015 (1) | Credited (charged) to income | Credited (charged) to OCI | Reclassifications | Balance at December 31, 2015 |
|---|---|---|---|---|---|
| **Deferred tax liabilities** | | | | | |
| Higher value of intangibles in concession arrangements versus the tax value | (145,750) | 16,464 | 0 | 0 | (129,286) |
| Higher book value of biological assets versus tax value | (16,558) | (1,021) | 0 | 0 | (17,579) |
| Leasing agreements | (65) | (149) | 0 | 0 | (214) |
| **Subtotal** | **(1,544,185)** | **(23,718)** | **(4,879)** | **(582)** | **(1,573,364)** |
| **Total** | **$ (560,001)** | **15,136** | **476,393** | **(2,022)** | **(70,494)** |

(1) Restated values. See Note 2.

| | Balance at December 31, 2014 (1) | Credited (charged) to income | Credited (charged ) to OCI | Reclassifications | Balance at June 30, 2015 |
|---|---|---|---|---|---|
| **Deferred tax assets** | | | | | |
| Lower value of the accounting valuation of fixed-income investments versus the tax valuation | $ 3,508 | (7,604) | 13,578 | 0 | 9,482 |
| Lower value of the accounting valuation of equity investments versus the tax valuation | 378 | 248 | 0 | 0 | 626 |
| Valuation from unrealized loss on derivatives | 462,930 | (100,521) | (65,527) | 0 | 296,882 |
| Lower value of accounting valuation of the loan portfolio versus the tax valuation | 29,828 | (23,572) | 0 | 0 | 6,256 |
| Higher value of the accounting allowance for the loan portfolio versus the tax allowance | 44,831 | (24,273) | 19,257 | 0 | 39,815 |
| Higher value of the accounting allowance for accounts receivable versus the tax allowance | 1,897 | (1,752) | 0 | 0 | 145 |
| Lower value of financial assets in concession arrangements versus the tax value | 1,429 | (1,429) | 0 | 0 | 0 |
| Lower value of intangibles in concession arrangements versus the tax value. | 9,912 | 4,658 | 0 | 0 | 14,570 |
| Lower value of accounting bases for foreclosed assets versus tax bases | 18,476 | 5,410 | 0 | 0 | 23,886 |
| Lower value of the allowance for foreclosures | 6,238 | 2,627 | 0 | 0 | 8,865 |
| Lower value of the accounting cost versus the tax cost of property, plant and equipment | 20,094 | 5,392 | 0 | 0 | 25,486 |
| Lower value of the accounting valuation of depreciation of property, plant and equipment versus the tax valuation | 5,086 | 3,336 | 0 | 0 | 8,422 |
| Lower accounting value of biological assets versus the tax value | 4,580 | 2,481 | 0 | 0 | 7,061 |
| Lower value of the accounting base for deferred charges and biological assets versus the tax base | 31,051 | 10,033 | 0 | 0 | 41,084 |
| Tax losses | 45,601 | 3,511 | 37,535 | 0 | 86,647 |
| Presumptive income tax surpluses | 16,147 | 4,722 | 81,609 | 0 | 102,478 |
| Non-deductible allowances | 75,247 | 9,189 | 0 | 0 | 84,436 |
| Hither accounting value of employee benefits versus the tax value | 69,972 | (7,505) | 482 | 0 | 62,949 |
| Goodwill | 6,947 | 233 | 0 | 0 | 7,180 |
| Deferred income | 5,310 | 5,207 | 0 | 0 | 10,517 |
| Leasing agreements | 7,315 | (2,777) | 0 | 0 | 4,538 |
| Others | 175,039 | (32,180) | 0 | 0 | 142,859 |
| **Subtotal** | **1,041,816** | **(144,566)** | **86,934** | **0** | **984,184** |
| **Deferred tax liabilities** | | | | | |
| Higher value of the accounting valuation of fixed income investments versus the tax valuation | 20,815 | (23,811) | 0 | 0 | (2,996) |
| Higher value of the accounting valuation of equity investments versus the tax valuation | (85,451) | 18,203 | (6,073) | (9,886) | (83,207) |
| Valuation from unrealized profit on derivatives | (258,206) | 153,511 | 0 | 0 | (104,695) |
| Higher value of the accounting valuation of the loan portfolio versus the tax valuation | (18,300) | 993 | 0 | 0 | (17,307) |
| Lower value of the accounting allowance for the loan portfolio versus the tax allowance | (187,396) | 40,891 | (8,395) | 0 | (154,900) |

(Continued)

| | Balance at December 31, 2014 (1) | Credited (charged) to income | Credited (charged ) to OCI | Reclassifications | Balance at June 30, 2015 |
|---|---|---|---|---|---|
| **Deferred tax liabilities** | | | | | |
| Lower value of the accounting allowance for accounts receivable versus the tax allowance | (2) | 2 | 0 | 0 | 0 |
| Higher value of the accounting base versus the tax base for foreclosures | (40,125) | (185) | 0 | 0 | (40,310) |
| Lower value of the allowance for foreclosures | (3,371) | (943) | 0 | 0 | (4,314) |
| Higher value of the accounting cost versus the tax cost of property, plant and equipment | (261,448) | 51,660 | 0 | 0 | (209,788) |
| Higher accounting value versus the tax value of depreciation of property, plant and equipment | (101,920) | (756) | 0 | 0 | (102,676) |
| Higher value of the accounting base versus the tax base for deferred charges and intangible assets | (29,114) | (32,859) | 0 | 0 | (61,973) |
| Retained (unremitted) profits on investments in subsidiaries | (17,974) | (9,259) | 0 | 0 | (27,233) |
| Other non-deductible allowances | (24,468) | 23,915 | 0 | 0 | (553) |
| Lower accounting value of employee benefits versus the tax value | (119) | 109 | 0 | 0 | (10) |
| Goodwill | (15,441) | (7,797) | 0 | 0 | (23,238) |
| Trust rights | (7,965) | (1,614) | 0 | 0 | (9,579) |
| Other deferred income | (19,879) | 330 | 0 | 0 | (19,549) |
| Other items | (119,598) | 51,912 | 0 | 0 | (67,686) |
| Higher value of financial assets in concession arrangements versus the tax value | (342,841) | (108,957) | 0 | 0 | (451,798) |
| Higher value of intangible assets in concession arrangements versus the tax value | (141,264) | (4,486) | 0 | 0 | (145,750) |
| Higher book value of biological assets versus the tax value | (10,098) | (6,460) | 0 | 0 | (16,558) |
| Leasing agreements | (266) | 201 | 0 | 0 | (65) |
| **Subtotal** | **(1,664,431)** | **144,600** | **(14,468)** | **(9,886)** | **(1,544,185)** |
| **Total** | **$ (622,615)** | **34** | **72,466** | **(9,886)** | **(560,001)** |

(1) Restated values – See Note 2.)

## v. Effects of Current and Deferred Taxes on Each Component of Other Comprehensive Income in Equity

The following is a breakdown of the effects of current and deferred taxes on each component of other comprehensive income:

| | December 31, 2015 | | | | June 30, 2015 | | | |
|---|---|---|---|---|---|---|---|---|
| | Amount before taxes | Current tax | Deferred tax | Net | Amount before taxes | Current tax | Deferred tax | Net |
| **Items that can be reclassified later to income for the period** | | | | | | | | |
| Cash flow hedges | $ 14,125 | 0 | 3,604 | 17,729 | 1,315 | 0 | 0 | 1,315 |
| Exchange difference on foreign currency derivatives | (1,263,104) | (51,159) | 503,110 | (811,153) | (420,244) | 121,286 | 53,617 | (245,341) |
| Exchange difference on bonds in foreign currency | (472,945) | 187,666 | 0 | (285,279) | (204,776) | 79,862 | 0 | (124,914) |
| Conversion adjustment for foreign subsidiaries | 1,772,940 | 0 | 0 | 1,772,940 | 596,751 | 0 | 0 | 596,751 |
| Unrealized profit on measurement of financial assets at fair value through OCI | 119,739 | 0 | (20,465) | 99,274 | (8,934) | 0 | 14,916 | 5,982 |
| Stake in OCI of associates and adjustment for exchange difference in foreign branches | 152,969 | 0 | 0 | 152,969 | (17,082) | 0 | 6,073 | (11,009) |
| Loan allowance adjustment for consolidated financial statements | 18,398 | 0 | (5,552) | 12,846 | (17,591) | 0 | 612 | (16,979) |
| Others | 235 | 0 | 0 | 235 | 0 | 0 | 0 | 0 |
| **Subtotals** | **342,357** | **136,507** | **480,697** | **959,561** | **(70,561)** | **201,148** | **75,218** | **205,805** |

(Continued)

| | December 31, 2015 | | | | June 30, 2015 | | | |
|---|---|---|---|---|---|---|---|---|
| | Amount before taxes | Current tax | Deferred tax | Net | Amount before taxes | Current tax | Deferred tax | Net |
| **Items that will not be reclassified later to income for the period** | | | | | | | | |
| New actuarial measurements in defined benefit plans | 5,130 | 0 | (4,304) | 826 | 8,095 | 0 | (2,752) | 5,343 |
| **Subtotals** | **5,130** | **0** | **(4,304)** | **826** | **8,095** | **0** | **(2,752)** | **5,343** |
| **Total other comprehensive income during the period** | **$ 347,487** | **136,507** | **476,393** | **960,387** | **62,466** | **201,148** | **72,466** | **211,148** |

(1) Restated amounts. (See Note 2.)

### vi. Uncertainties in Open Tax Positions

Tax uncertainties came to $104,825 and $72,268 at December 31 and June 30, 2014, in that order. They are expected to be used entirely or released when the tax authority's right to review tax returns expires.

### NOTE 24 – Other comprehensive income

The following shows the balances and activity for "other comprehensive income" accounts in equity during the periods ended at December 31 and June 30, 2015.

| | Hedge accounting | Equity instruments at fair value through OCI | Adjustment for conversion of financial statements of branches | Equity method in associates | Cash flow hedging | Adjustments to loan allowance | Employee benefits | Deferred tax | Others | Controlling interest | Non-controlling interest | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Balance at January 1, 2015** | **$ 6,298** | **(15,486)** | **0** | **11,133** | **(5,643)** | **(22,609)** | **97** | **458,476** | **0** | **432,266** | **0** | **432,266** |
| Adjustment for conversion of financial statements | 596,751 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 596,751 | 0 | 596,751 |
| Unrealized net gains or loss on hedging foreign operations | (420,244) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (420,244) | 0 | (420,244) |
| Hedging foreign business with financial liabilities | (204,776) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (204,776) | 0 | (204,776) |
| Variation in held-for-sale investments in equity securities | 0 | (8,934) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (8,934) | 0 | (8,934) |
| Other comprehensive income recorded by the equity method | 0 | 0 | 0 | (17,082) | 0 | 0 | 0 | 0 | 0 | (17,082) | 0 | (17,082) |
| Cash flow hedges | 0 | 0 | 0 | 0 | 1,315 | 0 | 0 | 0 | 0 | 1,315 | 0 | 1,315 |
| Surplus or shortfall in loan portfolio allowance under IFRS | 0 | 0 | 0 | 0 | 0 | (17,591) | 0 | 0 | 0 | (17,591) | 0 | (17,591) |
| Actuarial gains or losses on employee retirement plans | 0 | 0 | 0 | 0 | 0 | 0 | 8,095 | 0 | 0 | 8,095 | 0 | 8,095 |
| Income tax related to OCI components | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 273,614 | 0 | 273,614 | 0 | 273,614 |

(Continued)

| | Hedge accounting | Equity instruments at fair value through OCI | Adjustment for conversion of financial statements of branches | Equity method in associates | Cash flow hedging | Adjustments to loan allowance | Employee benefits | Deferred tax | Others | Controlling interest | Non-controlling interest | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Participación de intereses no controlantes en los componentes de otros resultados integrales | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 22,365 | 22,365 |
| **Balance at June 30, 2015** | **$ ( 21,971)** | **(24,420)** | **0** | **(5,949)** | **(4,328)** | **(40,200)** | **8,192** | **732,090** | **0** | **643,414** | **22,365** | **665,779** |
| Adjustment for conversion of financial statements | 1,758,633 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1,758,633 | 0 | 1,758,633 |
| Unrealized net gain or loss on hedging foreign operations | (1,263,104) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (1,263,104) | 0 | (1,263,104) |
| Hedging foreign business with financial liabilities | (472,945) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (472,945) | 0 | (472,945) |
| Variation in held-for-sale investments in equity securities | 0 | 23,999 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 23,999 | 0 | 23,999 |
| Exchange adjustment for foreign branches | 0 | 0 | 137,331 | 5,819 | 0 | 0 | 0 | 0 | 0 | 143,150 | 0 | 143,150 |
| Cash flow hedges | 0 | 0 | 0 | 0 | 1,614 | 0 | 0 | 0 | 0 | 1,614 | 0 | 1,614 |
| Surplus or shortfall in loan portfolio allowance under IFRS | 0 | 0 | 0 | 0 | 0 | 17,329 | 0 | 0 | 0 | 17,329 | 0 | 17,329 |
| Other movement | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (21) | (21) | 0 | (21) |
| Actuarial gains or losses on employee retirement plans | 0 | 0 | 0 | 0 | 0 | 0 | 3,334 | 0 | 0 | 3,334 | 0 | 3,334 |
| Income tax related to OCI components | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 610,458 | 0 | 610,458 | 0 | 610,458 |
| Non-controlling interest in OCI components | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 115,577 | 115,577 |
| **Balance at December 31, 2015** | **$ 613** | **(421)** | **137,331** | **(130)** | **(2,714)** | **(22,871)** | **11,526** | **1,342,548** | **(21)** | **1,465,861** | **137,942** | **1,603,803** |

## NOTE 25 – Other assets

The following is a breakdown of other assets.

| | December 31, 2015 | June 30, 2015 |
|---|---|---|
| Stationary and office supplies in warehouse and plastic CD & DC | $ 86,833 | 58,239 |
| Works of art | 20,366 | 15,311 |
| Activities in joint ventures | 6,274 | 5,623 |
| Remodeling | 3,503 | 4,746 |
| Expenses paid in advance | 23,428 | 24,144 |
| Continuous contributions | 16 | 15,262 |
| Deferred banking commissions | 0 | 26,630 |
| Outstanding installment correspondent banks -letters of credit | 1,161 | 0 |
| Assets from BRP's | 24,649 | 0 |
| Ongoing credit card operations | 34,406 | 0 |

(Continued)

| | December 31, 2015 | June 30, 2015 |
|---|---|---|
| Fondo Panama management – not managed by the Bank | 18,056 | 0 |
| Inventories | 153,558 | 134,679 |
| Others | 18,200 | 16,883 |
| | $ 390,450 | 301,517 |

## NOTE 26 – Deposits

- **Customer Deposits**

The following is a breakdown of customer deposits received by the Group in the development of its operations.

| | December 31, 2015 | June 30, 2015 |
|---|---|---|
| **By Classification** | | |
| At amortized cost | $ 92,047,659 | 82,058,186 |
| **By nature** | | |
| **Sight** | | |
| Checking accounts | 24,877,931 | 20,207,680 |
| Savings account | 28,120,083 | 25,398,052 |
| Special savings accounts | 45,240 | 35,231 |
| **Term** | | |
| Term deposit certificates | 38,742,835 | 36,245,554 |
| **Others** | 261,570 | 171,669 |
| | 92,047,659 | 82,058,186 |
| **By currency** | | |
| In Colombian pesos | 43,004,443 | 42,464,873 |
| In US dollars | 49,043,216 | 39,593,313 |
| **Total** | $ 92,047,659 | 82,058,186 |

The following shows the maturities of the term deposits in effect at December 31 and June 30, 2015.

| **Year** | **December 31** | **June 30** |
|---|---|---|
| 2016 | $ 29,204,511 | 19,985,018 |
| 2017 | 4,755,356 | 9,497,062 |
| 2018 | 1,364,268 | 2,503,589 |
| 2019 | 487,521 | 519,613 |
| After 2019 | 2,931,179 | 3,740,272 |
| **Total** | **$** 38,742,835 | 36,245,554 |

### Customer Deposits – Interest Rates

The following is a summary of the annual effective interest rates on customer deposits.

| | December 31, 2015 | | | | June 30, 2015 | | | |
|---|---|---|---|---|---|---|---|---|
| | Domestic currency | | Foreign currency | | Domestic currency | | Foreign currency | |
| | Rate | | Rate | | Rate | | Rate | |
| | Min % | Max % | Min % | Max % | Min % | Max % | Min % | Max % |
| Checking accounts | 0.00% | 6.35% | 0.00% | 3.75% | 0.00% | 4.96% | 0.00% | 0.55% |
| Savings accounts | 0.00% | 6.43% | 0.00% | 3.75% | 0.00% | 4.80% | 0.00% | 0.75% |
| Other demand deposits | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 3.80% | 0.00% | 0.00% |
| Term certificates of deposit | 0.05% | 11.50% | 0.00% | 13.04% | 1.02% | 9.27% | 0.00% | 4.00% |

(Continued)

- **Deposits, by Sector**

The following shows the concentration of customer deposits, by economic sector.

| | | December 31, 2015 | | June 30, 2015 | |
|---|---|---|---|---|---|
| | | Valor | % | Valor | % |
| Colombian government or entities thereof | $ | 6,711,638 | 7% | 7,098,429 | 9% |
| Colombian cities and departments | | 2,579,505 | 3% | 348,231 | 0% |
| Foreign governments | | 1,388,081 | 2% | 287,245 | 0% |
| Manufacturing | | 8,845,143 | 10% | 2,045,691 | 3% |
| Real estate | | 6,235,286 | 7% | 714,558 | 1% |
| Commerce | | 21,372,696 | 23% | 11,291,629 | 14% |
| Agriculture and cattle ranching | | 2,286,553 | 2% | 781,115 | 1% |
| Persons | | 18,273,753 | 20% | 25,300,654 | 31% |
| Others | | 24,355,004 | 26% | 34,190,634 | 41% |
| Total | $ | 92,047,659 | 100% | 82,058,186 | 100% |

The Group reported $57,413,004 and $40,458,923 in deposits at December 31 and June 30, 2015. These deposits came from 54,222 and 12,862 customers with more than $250, respectively.

There were $199,276 and $24,903 in customer deposits in the form of guaranteed irrevocable commitments under letters of credit at December 31 and June 30, 2015.

**NOTE 27 – Financial obligations**

- **Short-term financial obligations**

The following is a summary of the Group's short-term financial obligations.

| | | December 31, 2015 | June 30, 2015 |
|---|---|---|---|
| Colombian pesos | | | |
| Interbank funds purchased | $ | 425,733 | 462,861 |
| Commitment to sell investments in closed repo operations | | 150,023 | 1,972,126 |
| Transfer commitments in simultaneous operations | | 81,238 | 644,025 |
| Commitments to transfer investments in simultaneous operations | | 5,270,862 | 3,577,589 |
| Bank current account discounts | | 627 | 881 |
| Correspondent banks | | 3,058 | 1,385 |
| Subtotal in Colombian pesos | | 5,931,541 | 6,658,867 |
| Foreign currency | | | |
| Interbank funds purchased | | 0 | 116,946 |
| Commitment to sell investments in open repo operations | | 274,874 | 273,270 |
| Bank current account discounts | | 68,719 | 86,581 |
| Letters of credit with deferred payment | | 0 | 4,575 |
| Correspondent banks | | 628 | 99,921 |
| Subtotal in foreign currency | | 344,221 | 581,293 |
| Total | $ | 6,275,762 | 7,240,160 |

(Continued)

- **Short-term Financial Obligations – Effective Interest Rates**

The following is a summary of the effective interest rates on short-term financial obligations.

| | December 31, 2015 | | | |
|---|---|---|---|---|
| | In Colombian pesos | | In foreign currency | |
| | Rate Minimum % | Rate Maximum % | Rate Minimum% | Rate Maximum % |
| Interbank funds and repo and simultaneous operations | 1.00% | 5.80% | 0.00% | 9.25% |
| | June 30, 2015 | | | |
| | In Colombian pesos | | In foreign currency | |
| | Rate Minimum % | Rate Maximum % | Rate Minimum% | Rate Maximum % |
| Interbank funds and repo and simultaneous operations | 4.35% | 4.56% | 0.00% | 0.35% |

- **Long-term Financial Obligations**

| Entity | December 31, 2015 | June 30, 2015 | Effective interest rates |
|---|---|---|---|
| Banco de Comercio Exterior - BANCOLDEX (1) | $ 333,145 | 248,469 | Between 1.26% and 19.21% |
| Fondo para el Financiamiento del Sector Agropecuario - FINAGRO | 151,437 | 164,001 | Between 0.89% and 13.64% |
| Financiera de Desarrollo Territorial S.A "FINDETER | 736,931 | 582,358 | Between 1.01% and 10.8% |
| Foreign Banks | 6,411,859 | 7,117,157 | Between 0.00% and 15.00% |
| Others | 4,240,007 | 1,116,767 | Entre 3.43% and 29.00% |
| Current portion (2) | 10,118,086 | 6,292,683 | |
| | $ 21,991,465 | 15,521,435 | |

(1) These are rediscount operations. The Colombian government has established credit programs to promote the development of specific sectors in the economy, such as foreign trade, agriculture, tourism, home building and other industries.

(2) The maturity bands for short-term and long-term obligations are in listed in the note on liquidity risk.

The following is a breakdown, by year, of the maturity on financial obligations at December 31, 2015.

| Year | December 31, 2015 | June 30, 2015 |
|---|---|---|
| 2015 | $ 0 | 5,489,087 |
| 2016 | 10,118,087 | 3,489,269 |
| 2017 | 2,922,295 | 1,222,607 |
| 2018 | 1,860,841 | 1,172,325 |
| 2019 | 1,078,610 | 841,175 |
| After 2019 | 6,011,632 | 3,306,972 |
| Total | $ 21,991,465 | 15,521,435 |

(Continued)

- **Outstanding Investment Securities – Bonds**

**Colombian pesos**

| Issuer | Issue date | | December 31, 2015 | June 30, 2015 | Maturity date | Interest rate |
|---|---|---|---|---|---|---|
| **Banco de Bogotá S.A.** | | | | | | |
| 2010 subordinated bonds | 23/02/2010 | **$** | 236,761 | 225,427 | Between 23/02/2017 and 23/02/2020 | CPI + 5.33% AA UVR + 5.29% AA CPI + 5.45% AA UVR + 5.45% SA |
| **Total Banco de Bogotá S.A.** | | | 236,761 | 225,427 | | |
| **Corporación Financiera Colombiana S.A.** | | | | | | |
| Fondo de Garantías de Instituciones Financieras | 19/06/2010 | | 1,053 | 1,053 | 28/11/2017 | DTF E,A |
| Proyectos de infraestructura S,A, | 20/05/2009 | | 22,925 | 22,600 | 20/05/2016 | 12.87% |
| Proyectos de infraestructura S,A, | 20/05/2009 | | 58,226 | 57,400 | 20/05/2019 | 13.20% |
| Promigas | 27/08/2009 | | 81,212 | 80,000 | 27/08/2016 | CPI + 4,95% |
| Promigas | 27/08/2009 | | 152,272 | 150,000 | 27/08/2019 | CPI + 5,40% |
| Promigas | 27/08/2009 | | 172,575 | 170,000 | 27/08/2024 | CPI + 5,99% |
| Promigas | 29/01/2013 | | 101,333 | 99,821 | 29/01/2020 | CPI + 3,05% |
| Promigas | 29/01/2013 | | 152,454 | 150,179 | 29/01/2023 | CPI + 3,22% |
| Promigas | 29/01/2013 | | 253,787 | 250,000 | 29/01/2033 | CPI + 3,64% |
| Promigas | 11/03/2015 | | 106,591 | 105,000 | 11/03/2019 | CPI + 2,55% |
| Promigas | 11/03/2015 | | 121,818 | 120,000 | 11/03/2022 | CPI + 3,34% |
| Promigas | 11/03/2015 | | 177,651 | 175,000 | 11/03/2030 | CPI + 4,37% |
| Gases de Occidente | 23/07/2009 | | 24,294 | 32,950 | 23/07/2016 | CPI + 5,39% |
| Gases de Occidente | 23/07/2009 | | 100,206 | 100,206 | 23/07/2019 | CPI + 5,89% |
| Gases de Occidente | 11/12/2012 | | 110,382 | 110,382 | 11/12/2022 | CPI + 3,75% |
| Gases de Occidente | 11/12/2012 | | 89,618 | 89,618 | 11/12/2032 | CPI + 4,13% |
| Fiducuaria Colombiana de Comercio Exterior | 25/10/2012 | | 75,000 | 0 | 25/10/2027 | DTF E,A |
| Surtigas | 12/02/2013 | | 130,000 | 130,000 | 12/02/2023 | CPI + 3,25% |
| Surtigas | 12/02/2013 | | 70,000 | 70,000 | 12/02/2033 | CPI + 3,64% |
| **Total Corporación Financiera Colombiana S.A.** | | | 2,001,397 | 1,914,209 | | |
| **Total domestic currency** | | $ | 2,238,158 | 2,139,636 | | |

(Continued)

**Foreign currency**

| Issuer | Issue date | December 31, 2015 | June 30, 2015 | Maturity date | Interest rate |
|---|---|---|---|---|---|
| **Banco de Bogotá S.A.** | | | | | |
| Ordinary bonds abroad (due in 2017) | 19/12/2011 | $ 1,924,852 | 1,584,898 | 15/01/2017 | 5.00% SA |
| Subordinated bonds abroad (due in 2023) | 19/02/2013 | 1,599,293 | 1,319,061 | 19/02/2023 | 5.375% SA |
| **Total Banco de Bogotá S.A.** | | 3,524,145 | 2,903,959 | | |
| **BAC Credomatic** | | | | | |
| El Salvador | 16/12/2011 | 12,621 | 10,395 | 16/12/2016 | 4.25% |
| | 06/02/2012 | 6,318 | 5,197 | 06/02/2017 | 4.25% |
| | 27/03/2012 | 12,448 | 10,265 | 27/03/2017 | 4.25% |
| | Between 02/05/2012 and 24/05/2012 | 18,466 | 15,194 | Between 02/05/2017 and 24/05/2017 | 4.25% |
| | Between 11/02/2013 and 27/02/2013 | 94,688 | 77,960 | Between 11/02/2020 and 27/02/2020 | 5.50% |
| | 30/05/2014 | 63,009 | 51,974 | 30/05/2019 | 5.80% |
| | 26/06/2014 | 31,525 | 25,987 | 26/06/2019 | 5.80% |
| | 31/07/2014 | 62,999 | 51,974 | 31/07/2019 | 5.80% |
| | Between 22/10/2014 and 31/10/2014 | 63,067 | 51,974 | Between 22/10/2019 and 31/10/2019 | 5.80% |
| | Between 19/12/2014 and 31/12/2014 | 31,551 | 25,987 | 19/12/2016 | 5.00% |
| | 02/02/2015 | 32 | 26 | 02/02/2017 | 5.50% |
| | 16/04/2015 | 31,564 | 25,987 | 16/04/2017 | 5.00% |
| | 09/06/2015 | 0 | 16,732 | 31/07/2015 | 4.50% |
| | 30/07/2015 | 63,009 | 0 | 30/07/2020 | 5.80% |
| | Between 02/12/2015 and 31/12/2015 | 39,998 | 0 | Between 01/01/2016 and 31/01/2016 | 4.50% |
| | | 531,295 | 369,652 | | |
| Guatemala | 27/06/2014 | 0 | 103 | 02/07/2015 | Between 6.75% and 7.00% |
| | Between 03/07/2014 and 31/07/2014 | 0 | 34,578 | Between 03/07/2015 and 31/07/2015 | Between 6.00% and 8.25% |
| | Between 01/08/2014 and 29/08/2014 | 0 | 42,599 | Between 10/07/2015 and 07/09/2015 | Between 6.00% and 8.50% |
| | Between 01/09/2014 and 30/09/2014 | 0 | 16,193 | Between 31/08/2015 and 30/09/2015 | Between 6.00% and 8.25% |
| | Between 02/10/2014 and 31/10/2014 | 0 | 32,100 | Between 02/10/2015 and 03/11/2015 | Between 6.00% and 8.25% |
| | Between 04/11/2014 and 28/11/2014 | 0 | 24,267 | Between 04/11/2015 and 30/11/2015 | Between 6.00% and 8.50% |
| | Between 01/12/2014 and 26/12/2014 | 866 | 23,871 | Between 10/03/2016 and 20/06/2016 | 8.25% |
| | Between 05/01/2015 and 30/01/2015 | 38,554 | 32,690 | Between 05/01/2016 and 21/07/2016 | Between 5.89% and 8.50% |
| | Between 02/02/2015 and 27/02/2015 | 46,076 | 36,463 | Between 05/01/2016 and 17/06/2016 | Between 5.84% and 8.50% |
| | Between 02/03/2015 and 27/03/2015 | 39,646 | 33,648 | Between 01/03/2016 and 08/04/2016 | Between 5.84% and 8.25% |
| | Between 06/04/2015 and 30/04/2015 | 44,823 | 37,342 | Between 06/04/2016 and 09/05/2016 | Between 5.84% and 8.50% |

(Continued)

**Foreign currency**

| Issuer | Issue date | December 31, 2015 | June 30, 2015 | Maturity date | Interest rate |
|---|---|---|---|---|---|
| **BAC Credomatic** | | | | | |
| Guatemala | Between 04/05/2015 and 29/05/2015 | 49,069 | 40,202 | Between 04/05/2016 and 06/06/2016 | Between 5.84% and 8.50% |
| | Between 01/06/2015 and 26/06/2015 | 51,259 | 41,619 | Between 12/04/2016 and 17/10/2016 | Between 5.84% and 8.50% |
| | Between 02/07/2015 and 31/07/2015 | 55,655 | 0 | Between 14/01/2016 and 02/08/2016 | Between 4.75% and 8.50% |
| | Between 03/08/2015 and 31/08/2015 | 60,650 | 0 | Between 03/02/2016 and 18/10/2016 | Between 5.40% and 8.25% |
| | Between 01/09/2015 and 30/09/2015 | 48,480 | 0 | Between 25/02/2016 and 12/12/2016 | Between 5.84% and 8.50% |
| | Between 02/10/2015 and 29/10/2015 | 39,198 | 0 | Between 06/04/2016 and 02/11/2016 | Between 4.75% and 8.25% |
| | Between 03/11/2015 and 30/11/2015 | 35,423 | 0 | Between 13/05/2016 and 30/11/2016 | Between 5.84% and 8.50% |
| | Between 01/12/2015 and 29/12/2015 | 30,121 | 0 | Between 01/06/2016 and 18/12/2017 | Between 5.37% and 8.50% |
| | | 539,820 | 395,675 | | |
| Honduras | Between 21/12/2012 and 26/12/2012 | 0 | 14,177 | 21/12/2015 | 14.00% |
| | Between 07/01/2013 and 31/01/2013 | 0 | 3,646 | 21/12/2015 | 14.00% |
| | 13/02/2013 | 0 | 18 | 21/12/2015 | 14.00% |
| | Between 07/03/2013 and 13/03/2013 | 0 | 3,293 | 21/12/2015 | 14.00% |
| | Between 03/04/2013 and 26/04/2013 | 0 | 9,495 | 21/12/2015 | 14.00% |
| | Between 09/05/2013 and 31/05/2013 | 17,609 | 27,396 | Between 13/05/2016 and 30/05/2016 | 6.00% |
| | Between 03/06/2013 and 27/06/2013 | 7,772 | 9,887 | 30/05/2016 | 6.00% |
| | Between 01/07/2013 and 31/07/2013 | 13,817 | 13,674 | Between 30/05/2016 and 23/07/2018 | 6.00% |
| | Between 01/08/2013 and 30/08/2013 | 5,674 | 8,251 | 22/08/2016 | 5.50% |
| | Between 05/09/2013 and 16/09/2013 | 1,030 | 845 | 22/08/2016 | 5.50% |
| | 24/10/2013 | 852 | 699 | 22/08/2016 | 5.50% |
| | 19/11/2013 | 1,695 | 1,390 | 22/08/2016 | 5.50% |
| | Between 06/12/2013 and 27/12/2013 | 11,820 | 9,988 | Between 12/12/2016 and 27/12/2016 | 5.50% |
| | Between 02/01/2014 and 16/01/2014 | 6,974 | 5,751 | 27/12/2016 | 5.50% |
| | 07/03/2014 | 0 | 1,458 | 21/12/2015 | 14.00% |
| | Between 15/05/2014 and 29/05/2014 | 8,833 | 7,237 | 15/05/2017 | 5.50% |
| | Between 09/06/2014 and 19/06/2014 | 10,197 | 8,355 | 15/05/2017 | 5.50% |
| | 23/09/2014 | 3,166 | 2,599 | 30/05/2016 | 6.00% |
| | 16/10/2014 | 18,347 | 15,114 | 16/10/2017 | 10.92% |
| | 12/01/2015 | 0 | 59 | 21/12/2015 | 14.00% |

(Continued)

**Foreign currency**

| Issuer | Issue date | December 31, 2015 | June 30, 2015 | Maturity date | Interest rate |
|---|---|---|---|---|---|
| **BAC Credomatic** | | | | | |
| Honduras | Between 19/03/2015 and 26/03/2015 | 27,675 | 23,284 | Between 27/12/2016 and 26/03/2018 | Between 5.50% and 10.31% |
| | 17/04/2015 | 32 | 26 | 13/05/2016 | 6.00% |
| | Between 20/07/2015 and 29/07/2015 | 506 | 0 | 30/05/2016 | 6.00% |
| | 31/08/2015 | 4,762 | 0 | 13/05/2016 | 6.00% |
| | Between 20/10/2015 and 28/10/2015 | 1,453 | 0 | Between 13/05/2016 and 22/08/2016 | Between 5.50% and 6.00% |
| | 04/11/2015 | 8,234 | 0 | 30/05/2016 | 6.00% |
| | 08/12/2015 | 126 | 0 | 27/12/2016 | 5.50% |
| | | 150,574 | 166,642 | | |
| Nicaragua | Between 09/10/2013 and 30/10/2013 | 0 | 5,860 | Between 09/10/2015 and 30/10/2015 | Between 5.00% and 5.25% |
| | Between 07/11/2013 and 20/11/2013 | 0 | 4,535 | 30/10/2015 | 5.00% |
| | Between 06/12/2013 and 26/12/2013 | 1,416 | 1,052 | 04/11/2016 | 5.10% |
| | 24/01/2014 | 1,052 | 780 | 06/11/2017 | 5.25% |
| | 22/04/2014 | 3,505 | 2,599 | 06/11/2017 | 5.25% |
| | 09/06/2014 | 70 | 52 | 06/11/2017 | 5.25% |
| | 31/07/2014 | 2,629 | 1,949 | 06/11/2017 | 5.25% |
| | 01/09/2014 | 203 | 151 | 06/11/2017 | 5.25% |
| | Between 10/10/2014 and 29/10/2014 | 3,606 | 14,371 | Between 04/11/2016 and 06/11/2017 | Between 5.10% and 5.25% |
| | 10/12/2014 | 701 | 520 | 06/11/2017 | 5.25% |
| | 13/01/2015 | 165 | 122 | 06/11/2017 | 5.25% |
| | 02/02/2015 | 1,988 | 1,473 | 06/11/2017 | 5.25% |
| | | 15,335 | 33,464 | | |
| Panamá | Between 06/10/2011 and 27/10/2011 | 0 | 13,381 | Between 06/10/2021 and 27/10/2021 | 5.25% |
| | 14/03/2012 | 0 | 3,898 | 14/03/2020 | 4.75% |
| | | 0 | 17,279 | | |
| **Total BAC Credomatic** | | 1,237,024 | 982,712 | | |
| **Total in Colombian pesos** | | 4,761,169 | 3,886,671 | | |
| | | $ 6,999,327 | 6,026,307 | | |

The following is a breakdown of the investment securities outstanding at December 31 and June 30, 2015:

| Year | December 31, 2015 | June 30, 2015 |
|---|---|---|
| 2015 | | 260,140 |
| 2016 | $ 829,299 | 510,947 |
| 2017 | 2,158,524 | 1,788,059 |
| 2018 | 37,221 | 31,106 |
| 2019 | 637,895 | 537,114 |
| After 2019 | 3,336,388 | 2,898,941 |
| Total | $ 6,999,327 | 6,026,307 |

(Continued)

## NOTE 28 – Employee benefits

The following shows the balances for employee benefit allowances at December 31, and June 30, 2015.

| | | December 31, 2015 | June 30, 2015 |
|---|---|---|---|
| Short-term benefits | $ | 279,591 | 285,768 |
| Post-employment benefits | | 163,000 | 164,366 |
| Other long-term benefits | | 94,225 | 98,380 |
| | $ | 536,816 | 548,514 |

### Short-term Benefits

The short-term benefits the Group provides to its employees include salaries, paid vacation time, vacation bonuses, mandatory and discretionary bonuses, various types of assistance, payroll taxes, severance pay and interest on severance pay covered by Law 50/1990.

### Post-employment Benefits

- In Colombia, pensions for employees who retire after reaching a certain age and completing a specific period of service are assumed by public or private pension funds, based on defined contribution plans in which the company and the employee pay monthly amounts determined by law. The objective is for the employee to have access to a pension upon retirement. However, in the case of 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.

- The Group recognizes an additional bonus, either discretionary or stipulated in collective bargaining agreements, for employees who retire after complying with the prerequisites of pension funds in terms of age and years of service required to be granted a retirement pension.

- The Group has a number of employees with severance pay benefits that were legally 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 the employee might have received against the new benefit.

The following table shows the activity in retirement benefits and other long-term employee benefits during the six months ended at 31 December and 30 June 2015.

| | | **Post-employment benefits** | | **Other long-term benefits** | |
|---|---|---|---|---|---|
| | | December 31, 2015 | June 30, 2015 | December 31, 2015 | June 30, 2015 |
| **Opening balance** | **$** | **164,366** | **161,710** | **98,380** | **99,000** |
| Costs incurred during the period | | 1,719 | 3,344 | 4,363 | 4,171 |
| Interest costs | | 4,898 | 4,813 | 3,228 | 3,181 |
| Cost of past services | | 1,575 | 0 | (8,319) | 0 |
| | | 8,192 | 8,157 | (728) | 7,352 |
| Changes in actuarial assumptions | | 1,720 | (119) | 7,021 | (146) |
| (Gain)/loss on changes in mortality tables | | 0 | 0 | (1,254) | 0 |
| (Gain)/loss on changes in interest rates, inflation rates and wage adjustments | | (7,800) | 14 | (3,064) | 75 |
| (Gain)/loss from actuarial assumptions on employee turnover | | 84 | 0 | 532 | 0 |
| | | (5,996) | (105) | 3,235 | (71) |

(Continued)

| | Post-employment benefits | | Other long-term benefits | |
|---|---|---|---|---|
| | December 31, 2015 | June 30, 2015 | December 31, 2015 | June 30, 2015 |
| Exchange difference | 5,669 | 2,567 | 0 | 0 |
| Payments to employees | (9,231) | (7,963) | (6,662) | (7,901) |
| **Balance at end of period** | **$ 163,000** | **164,366** | **94,225** | **98,380** |

### Actuarial Assumptions

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

| | December 31, 2015 | June 30, 2015 |
|---|---|---|
| Discount rate | 7.73% | 7.60% |
| Inflation rate | 3.50% | 3.00% |
| Wage rate increase | 3.50% | 3.00% |
| Pension rate increase | 3.50% | 3.00% |
| Employee turnover rate | 3.98% | 3.55% |

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

Employee life expectancy is estimated according to the mortality tables published by the Financial Superintendence of Colombia. These tables are constructed on the basis of mortality experiences provided by the various insurance companies that operate in Colombia.

The discount rate is assigned according to the duration of the plan. Those with a longer horizon have a higher rate than short-term plans.

### Other Long-term 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).

The compensation for key management personnel in each benefit category is disclosed in Note 38 - Related Parties.

The Group is exposed to a number of risks (interest rate and operational risks) through its employee benefit plans. It tries to minimize these risks through the implementation of risk policies and management procedures.

(Continued)

## Sensitivity Analysis

The following is a sensitivity analysis of post-employment liabilities. It is based on the financial and actuarial variables applied by the Group, with all other variables remaining constant.

| **Post-employment Benefits** | Change in the variable | Increase in the variable | Decline in the variable |
|---|---|---|---|
| | | +50 points | -50 points |
| Discount rate | 0.50% | 3.21% decline | 3.40% increase |
| Wage growth rate | 0.50% | 3.69% increase | 3.47% decline |
| Pension growth rate | 0.50% | 3.69% increase | 3.47% decline |

| **Other Long-term Benefits** | Change in the variable | Increase in the variable | Decline in the variable |
|---|---|---|---|
| | | +50 Points | -50 Points |
| Discount rate | 0.50% | 2.53% decline | 2.68% increase |
| Wage growth rate | 0.50% | 2.92% increase | 2.73% decline |
| Pension growth rate | 0.50% | 2.92% increase | 2.73% decline |

## Expected Payments of Future Benefits

Future benefits are expected to be paid as follows. They reflect service according to each case.

| Year | | Post-employment benefits | Other long-term benefits |
|---|---|---|---|
| 2016 | $ | 17,851 | 8,539 |
| 2017 | | 16,725 | 12,878 |
| 2018 | | 16,231 | 14,934 |
| 2019 | | 50,885 | 16,502 |
| 2020 | | 17,550 | 16,930 |
| Years 2021–2025 | $ | 85,264 | 76,756 |

## NOTE 29 - Provisions

The following is the activity in allowances:

| | | **Tax uncertainties** | **Other provisions provided for by law** | **Total provisions stipulated by law** | **Other allowances** | **Total allowances** |
|---|---|---|---|---|---|---|
| **Balance at December 31, 2014** | **$** | **3,970** | **107,898** | **111,868** | **479,531** | **591,399** |
| Increase in provisions during the period | | 202 | 5,682 | 5,884 | 12,158 | 18,042 |
| Use of provisions | | 0 | (13,415) | (13,415) | (24,618) | (38,033) |
| Amount reversed for unused provisions | | (703) | 703 | 0 | 0 | **0** |
| Variation in the foreign currency exchange rate | | 0 | 0 | 0 | 6,513 | 6,513 |
| **Balance at June 30, 2015** | | **3,469** | **100,868** | **104,337** | **473,584** | **577,921** |
| Increase in provisions during the period | | 1,275 | 2,385 | 3,660 | 9,260 | 12,920 |
| Use of provisions | | 0 | (1,614) | (1,614) | (12,120) | (13,734) |
| Amount reversed for unused provisions | | (367) | (3,280) | (3,647) | (366) | (4,013) |
| Variation in the foreign currency exchange rate | | 0 | 0 | **0** | 72 | 72 |
| Reclassifications | | 0 | 0 | **0** | (87,933) | (87,933) |
| **Balance at December 31, 2015** | **$** | **4,377** | **98,359** | **102,736** | **382,497** | **485,233** |

(1) Includes $183,983 in other provisions reclassified to the income tax and CREE account payable at June 30, 2015.

(Continued)

The provisions for lawsuits brought against the Group pertain to the following.

- **Administrative Cases**

Main Tax Uncertainties:

The parent company registered an provision of $7,477 at June 30, 2015 for a penalty on additional income tax owed due to an amendment to the 2013 income tax return. This is in addition to an allowance of $3,830 estimated for tax uncertainties at December 31, 2015. The balance at December 31, 2015 is expected to be used fully or released when the tax authority's rights to inspect returns expires, as follows.

| Year | | December 31, 2015 | June 30, 2015 |
|---|---|---|---|
| 2015 | $ | 0 | 3,198 |
| 2016 | | 497 | 231 |
| 2017 | | 2,602 | 40 |
| 2018 | | 1,268 | 0 |
| 2019 | | 10 | 0 |
| **Total** | **$** | **4,377** | **3,469** |

- Leasing Bogotá Panama, a subsidiary of the Group, maintained 98,317 and $ 69,939 in fiscal positions on the balance sheet at December 31 and June 30, 2015. These include all interest and penalties.

- Corficolombiana, through its subsidiary Promigas S.A., reported $ 35,471 and $ 32,107 in allowances at December 31 and June 30, 2015 for alleged breach of contract in construction of the Gibraltar-Bucaramanga Pipeline.

- **Labor Cases**

- The parent company reported $4,494 and $4,093 in allowances at December 31 and June 30, 2015 for labor suits.

- **Other Allowances**

- Porvenir S.A. presented $15,274 and $14,945 in allowances for pension claims (surviving, disability and old age pensions, return of balances, etc.) at December 31 and June 30, 2015.

- Corficolombiana presented $23,590 and $24,088 in allowances at December 31 and June 30, 2015 for a ruling against the subsidiary Hoteles Estelar involving a violation of rights through occupation of public space in the city of Cartagena.

**NOTE 30 – Accounts payable and other liabilities**

The following are the accounts payable and other liabilities for the six months ended at December 31 and June 30, 2015:

| | | December 31, 2015 | June 30, 2015 |
|---|---|---|---|
| Payments to suppliers and for services | $ | 571,646 | 628,864 |
| Liabilities payable for services – collections | | 437,508 | 377,603 |
| Dividends and surpluses payable | | 316,778 | 288,469 |
| Acquisitions of domestic goods and services | | 259,327 | 0 |
| Income received in advance | | 247,525 | 104,787 |
| Withholding and other employee contributions | | 240,469 | 170,589 |

| | December 31, 2015 | June 30, 2015 |
|---|---|---|
| Transactions in the ATH automatic teller network | 200,626 | 75,029 |
| Services | 194,354 | 156,494 |
| Other accounts payable | 136,705 | 171,686 |
| Affiliated establishments | 122,364 | 50,161 |
| Cash surpluses – clearing | 117,403 | 95,568 |
| Compensation for Grupo Aval entities | 107,780 | 83,342 |
| Electronic transfers – ACH | 93,151 | 0 |
| Prepayments and advances received | 91,565 | 80,028 |
| Other costs and expenses payable | 81,788 | 96,099 |
| Collection services | 72,849 | 28,722 |
| Other taxes | 69,789 | 79,024 |
| Commissions and fees | 68,402 | 65,779 |
| Sales tax payable | 57,366 | 97,839 |
| Checks drawn but not cashed | 48,013 | 19,902 |
| Insurance companies | 38,950 | 0 |
| Visa smart card payments – Visa Electron | 36,010 | 25,923 |
| Leasing Bogota Panamá – collections | 32,668 | 108,003 |
| Account payable for principal and interest on Peace Bonds | 29,010 | 29,216 |
| Unhedged forward accounts | 26,134 | 4,682 |
| Electronic purse for coffee growers | 25,245 | 13,124 |
| Term certificates of deposit due | 24,205 | 24,408 |
| Withdrawals from ATMs | 24,024 | 20,702 |
| Contributions and memberships | 21,186 | 7,833 |
| Contributions on financial transactions | 18,520 | 24,688 |
| Cancelled accounts | 18,505 | 18,128 |
| Intended buyers | 14,094 | 27,029 |
| Lien orders | 12,264 | 14,492 |
| Cardholders - to be applied | 11,487 | 2,245 |
| Accounts payable in joint ventures | 10,864 | 10,505 |
| Payments to settle loan operations | 9,024 | 7,975 |
| Security bonds | 7,375 | 7,363 |
| Accounts payable for loans or prepayment of fines | 5,712 | 8,508 |
| Balance in favor of paid loans | 5,264 | 6,721 |
| Rental fees | 5,071 | 7,737 |
| Distribution of funds pending credit to customers | 4,851 | 31,634 |
| Banking services | 4,829 | 4,388 |
| Insurance premium | 1,229 | 17,912 |
| Payroll payments and deductions | 883 | 3,557 |
| Other deferred credits | 203 | 10,034 |
| Wealth tax | 0 | 78,192 |
| $ | 3,923,015 | 3,184,984 |

## NOTE 31 – Equity

- **Subscribed and Paid-in Capital**

All authorized, issued and outstanding shares of stock in the Bank had a face value of $10.00 pesos each at December 31 and June 30, 2015. These shares were represented as follows.

| | | December 31, 2015 | June 30, 2015 |
|---|---|---|---|
| Number of authorized shares of stock | $ | 500,000,000 | 500,000,000 |
| Number of shares of stock subscribed and paid | | 331,280,555 | 331,280,555 |
| Total shares of stock | | 331,280,555 | 331,280,555 |
| Breakdown of total shares of stock subscribed and paid: | | | |
| Common stock | | 331,280,555 | 331,280,555 |
| **Subscribed and Paid-in Capital** | $ | 3,313 | 3,313 |

(Continued)

- **Reserves**

The following shows the composition of reserves at December 31 and June 30, 2015.

| | | December 31, 2015 | June 30, 2015 |
|---|---|---|---|
| **Legal** | | | |
| Appropriation of net profits | $ | 4,673,318 | 3,809,086 |
| **Statutory and discretional** | | | |
| At the disposal of the Board of Directors | | 62,996 | 40,951 |
| Tax provisions | | 247,354 | 205,134 |
| Others | | 699,726 | 626,371 |
| | | 1,010,076 | 872,456 |
| | $ | 5,683,394 | 4,681,542 |

**Legal Reserve**

By law, all lending institutions are required to establish a legal reserve by appropriating ten percent (10%) their net earnings, each year, until the reserve equals fifty percent (50.0%) of subscribed capital. This legal reserve may be reduced to less than fifty percent (50.0%) of subscribed capital, if needed to cover losses in excess of undistributed profits. However, it may not be used to pay dividends or to cover expenses or losses as long as the Bank has undistributed profits.

**Statutory and Discretionary Reserves**

These are decided at the shareholder meetings.

- **Declared Dividends**

Dividends are declared and paid to shareholders based on unconsolidated net profits from the immediately preceding half-year period. The following dividends were declared.

| | | December 31, 2015 | June 30, 2015 |
|---|---|---|---|
| Unconsolidated earnings from the immediately preceding period | $ | 1,281,676 | 770,734 |
| Dividends paid in cash | | $ 220.00 pesos per share payable in the first ten (10) days of each month between October 2015 and March 2016 (based on profits from the second half of 2015) | $210.00 pesos per share payable in the first ten (10) days of each month between April 2015 and September 2015 (based on profits from the second half of 2014) |
| Total outstanding common shares | | 331,280,555 | 331,280,555 |
| **Total declared dividends** | $ | 437,290 | 417,413 |

A dividend of $220 pesos per share, with respect to the year ended, was proposed at the General Assembly of Shareholders on September 29, 2015. This would imply a total dividend of $ 437,290. These financial statements do not reflect that dividend.

(Continued)

- **Earnings per Basic and Diluted Share**

The calculation of earnings per share in the six months ended at December 31 and June 30, 2015 is as follows.

| | | December 31, 2015 | June 30, 2015 |
|---|---|---|---|
| Earnings for the period | $ | 1,069,249 | 1,006,436 |
| Outstanding shares of common stock | | 331,280,555 | 331,280,555 |
| **Earnings per basic and diluted share** | $ | 3,228 | 3,038 |

(1) There are no rights or privileges on outstanding shares of common stock.

See the capital management policies described in Note 38.

The Bank had no transactions with diluted effects at December 31 and June 30, 2015. Consequently, basic earnings are equal to diluted earnings.

**Adjustments in First-time Application of IFRS**

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

Net positive differences generated when adopting IFRS for the first time may not be used to comply with prudent requirements on regulatory capital, which is understood as the minimum amount of capital required to operate, depending on the nature of each institution supervised by the Financial Superintendence of Colombia. If the first-time adoption of IFRS generates net negative differences, they are to be deducted from regulatory capital. As a result of partial IFRS application in the opening balance, the account in question had a balance of ($151,780).

**NOTE 32 – Non-controlling interest**

| | December 31, 2015 | | | | |
|---|---|---|---|---|---|
| | % Ownership interest | | Value share of equity | Share of profits | Dividends paid during the period |
| Almacenes Generales de Depósito Almaviva S.A. | 5.08 | $ | 3,306 | 0 | 0 |
| Fiduciaria Bogotá S.A. | 5.01 | | 13,562 | 1,663 | 0 |
| Corporación Financiera Colombiana S.A. | 61.81 | | 2,857,955 | 125,880 | 179,183 |
| Sociedad Administradora de Pensiones y Cesantías Porvenir S.A | 63.49 | | 810,726 | 58,904 | 77,333 |
| Megalinea S.A. | 5.10 | | 165 | 11 | 0 |
| Casa de Bolsa S.A. | 77.20 | | 21,267 | (614) | 0 |
| Others (1) | | | 500,026 | 157,326 | 0 |
| | | $ | 4,207,007 | 343,170 | 256,516 |

(1) This item pertains to non-controlling interest in the subsidiaries that subconsolidate; primarily, Corficolombiana, Leasing Bogotá Panamá and Porvenir.

(Continued)

| | June 30, 2015 | | | |
|---|---|---|---|---|
| | % Ownership interest. | Value share of equity | Share of profits | Dividends paid during the period |
| Almacenes Generales de Depósito Almaviva S.A. | 5.08 | $ 3,077 | 217 | 387 |
| Fiduciaria Bogotá S.A. | 5.01 | 10,425 | 1,642 | 1,441 |
| Corporación Financiera Colombiana S.A. | 61.81 | 2,643,788 | 161,228 | 247,270 |
| Sociedad Administradora de Pensiones y Cesantías Porvenir S.A | 63.49 | 795,303 | 92,714 | 75,006 |
| Megalinea S.A. | 5.1 | 154 | 33 | 0 |
| Casa de Bolsa S.A. | 77.20 | 21,916 | 408 | 278 |
| Others (1) | | 456,019 | 140,512 | 119,900 |
| | | $ 3,930,682 | 396,754 | 444,282 |

(2) This item pertains to non-controlling interest in the subsidiaries that subconsolidate; primarily, Corficolombiana, Leasing Bogotá Panamá and Porvenir.

## NOTE 33 – Income and expenses from fees and other services

The following shows the income and expenses for commissions and services in the six months ended at December 31, and June 30, 2015:

| | December 31, 2015 | June 30, 2015 |
|---|---|---|
| **Income from commissions and fees** | | |
| Commissions on bank drafts, checks and checkbooks | $ 20,336 | 20,936 |
| Pension and severance fund management | 392,866 | 393,163 |
| Commissions on banking services | 963,536 | 778,968 |
| Commissions on credit cards | 336,594 | 272,676 |
| Income from trust activities | 85,480 | 82,083 |
| Other commissions | 7,573 | 4,200 |
| Storage service | 58,175 | 54,702 |
| Services rendered to branch offices in the network | 12,536 | 12,521 |
| Subtotal | **1,877,096** | **1,619,249** |
| **Expenses for commissions and fees** | | |
| Commissions on banking services | 87,822 | 90,528 |
| Expenses for trust activities | 350 | 3,382 |
| Office network services | 19,254 | 18,978 |
| Management and brokerage services | 1,384 | 1,315 |
| Data processing services | 4,426 | 4,125 |
| Sales and services | 3,353 | 3,417 |
| Pension and severance fund management | 31,854 | 0 |
| Others | 48,465 | 31,615 |
| Subtotal | **196,908** | **153,360** |
| Total | $ **1,680,188** | **1,465,889** |

## NOTE 34 – Other income

Other income during the six months ended at December 31 and June 30, 2015 is as follows:

| | December 31, 2015 | June 30, 2015 |
|---|---|---|
| Dividends | $ 17,591 | 11,043 |
| Net gain from the exchange difference | 298,621 | 181,811 |
| Gain (loss) on financial derivatives for trading, net | 151,898 | 33,083 |
| Net gain on sale of investments | 5,074 | (184) |

(Continued)

| | December 31, 2015 | June 30, 2015 |
|---|---|---|
| Net gain on valuation of biological assets | 15,658 | 9,237 |
| Profit on sale of non-current assets held for sale | 8,712 | 14,192 |
| Income from sales of goods and services of non-financial companies | 2,781,491 | 2,384,496 |
| Share of profits in associate companies and joint ventures | 119,284 | 85,476 |
| Recovery of write-offs | 52,885 | 46,633 |
| Prescription of liabilities declared abandoned | 3,625 | 1,638 |
| Recovery of loans written-off | 15,714 | 12,469 |
| Recovery CREE 2014 allowance | 0 | 77,777 |
| Reversals – exempt GMF | 0 | 3,710 |
| Cash transport service | 2,999 | 3,936 |
| Prescription of dividends -shares in favor of the Bank | 3,995 | 0 |
| Recovery of allowances for employee benefits | 7,007 | 0 |
| Changes in fair value of investment properties | 55,289 | 0 |
| Recoveries | 432 | 8,902 |
| Adjustment in investments | 12,268 | 6,050 |
| Utilization – Corficolombiana | 4,918 | 8,953 |
| Profit from sale of property and equipment | 3,600 | 2,907 |
| Others | 133,486 | 81,466 |
| Total | $ **3,694,547** | **2,973,595** |

## NOTE 35 – Other expenses

The following are the “other expenses” registered during the six months ended December 31 and June 30, 2015.

| | December 31, 2015 | June 30, 2015 |
|---|---|---|
| Consumption of raw materials and secondary materials | $ 1,757,170 | 1,380,953 |
| Loss on sale of non-current assets held for sale | 3,461 | 1,880 |
| Compensation or damages | 21,741 | 16,600 |
| Expenses for employee benefits | 1,334,932 | 1,178,728 |
| Financial, tax, rates and operational expenses | 1,570,129 | 1,329,126 |
| Depreciation expenses | 135,062 | 112,213 |
| Expenses from amortization of intangible assets | 171,647 | 126,398 |
| Impairment loss on foreclosed assets | 7,674 | 14,029 |
| Donations | 7,241 | 9,168 |
| Administrative lawsuits, ongoing | 21,369 | 11,179 |
| Fines and penalties | 125 | 123 |
| Pension fund allowances | 15,527 | 5,380 |
| Loss on sale of property and equipment | 4,137 | 2,467 |
| Loss from credit card fraud | 13,712 | 10,122 |
| Others of lesser amounts | 8,314 | 8,669 |
| **Total** | $ 5,072,241 | 4,207,035 |

## NOTE 36 – Income from the sale of goods and services of non-financial companies

The following shows the reclassification of income and expenses of entities in the real sector, primarily the Corficolombia subsidiaries, to income from the sale of goods and services of entities in the non-financial sector. Income is presented net for the six months ended December 31 and June 30, 2015:

| | **December 31, 2015** | **June 30, 2015** |
|---|---|---|
| **Non-financial sector income** | | |
| Income from commissions and fees | $ 861 | 801 |
| Net gain on valuation of biological assets | 15,658 | 9,237 |
| Other income | 2,826,856 | 2,397,177 |
| **Total non-financial sector income** | **2,843,375** | **2,407,215** |

(Continued)

| | | December 31, 2015 | June 30, 2015 |
|---|---|---|---|
| **Non-financial sector expenses** | | | |
| **Impairment of financial assets** | | | |
| Loan portfolio and accounts receivable, net | | 10,293 | 7,831 |
| Investments in debt securities | | 17 | 141 |
| **Expenses for commissions and other services** | | 6,592 | 10,564 |
| **Other expenses** | | | |
| Employee benefits | | 143,314 | 138,181 |
| Depreciation | | 14,767 | 12,801 |
| Amortization of intangible assets | | 81,289 | 53,587 |
| Financial, tax, rates and operational expenses | | 180,159 | 189,180 |
| BRPS impairment | | 133 | 303 |
| Others | | 5,491 | 6,252 |
| Selling costs of non-financial companies | | 1,757,170 | 1,380,953 |
| **Total non-financial sector expenses** | | **2,199,225** | **1,799,793** |
| **Income from sale of goods and services of non-financial companies** | **$** | **644,150** | **607,422** |

## NOTE 37 – Commitments and contingencies

- **Loan Commitments**

The entities in the Group grant guarantees and letters of credit to their customers in the normal course of their operations. In doing so, they irrevocably commit to make payments to third parties in the event the customer does not comply with its obligations with those same third parties. These guarantees and letters of credit imply the same credit risk as the financial assets in the loan portfolio, and they are subject to the same authorization policies on loan disbursement in terms of the customer's credit rating. The collateral considered appropriate under the circumstances is obtained.

Commitments to extend loans represent unused portions of authorizations to extend credit in the form of loans, credit card use, overdraft limits and letters of credit. As for the credit risk involved in commitments to extend lines of credit, the Group is potentially exposed to losses in an amount equal to the total amount of the unused commitment, if the total unused amount were to be withdrawn in full. However, the amount of the loss is less than the total amount of the unused commitment, since most commitments to extend credit are contingent on the customer maintaining specific credit-risk standards. The Group monitors the maturities on its lines of credit, since long-term commitments imply more credit risk than short-term commitments.

The following is a breakdown of guarantees, letters of credit and loan commitments in unused lines of credit at December 31 and June 30, 2015.

| | | December 31, 2015 | | June 30, 2015 | |
|---|---|---|---|---|---|
| | | Notional amount | Fair value | Notional amount | Fair value |
| Collateral | $ | 2,896,458 | 2,341,086 | 2,332,401 | 2,226,128 |
| Unused letters of credit | | 805,632 | 795,964 | 522,981 | 466,265 |
| Overdraft limits | | 183,538 | 183,538 | 210,366 | 210,366 |
| Unused credit card limits | | 13,759,817 | 13,759,817 | 2,488,500 | 2,488,500 |
| Opened lines of credit | | 2,291,739 | 2,291,739 | 2,205,310 | 2,205,310 |
| Loans approved but not disbursed | | 178,671 | 178,671 | 35,000 | 35,000 |
| Others | | 355,154 | 355,154 | 385,494 | 385,494 |
| Total | **$** | 20,471,009 | 19,905,969 | 8,180,052 | 8,017,063 |

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

(Continued)

The following are the details on loan commitments, by type of currency.

**Loan Commitments, by Type of Currency**

| | | December 31, 2015 | June 30, 2015 |
|---|---|---|---|
| Colombian pesos | $ | 6,991,966 | 6,235,551 |
| US dollars | | 13,161,062 | 1,721,565 |
| Euros | | 21,911 | 24,569 |
| Others | | 296,070 | 198,367 |
| Total | $ | 20,471,009 | 8,180,052 |

**Commitments to Disburse Funds for Capital Expenditures**

The Group was committed under contract at December 31, 2015 to disburse $1,414 for capital expenditures ($1,559 at June 30, 2015). It has already earmarked the funds required to honor these commitments and believes its net profits and the funds will be sufficient to cover these and other commitments of a similar nature.

**Operating Lease Commitments**

In developing their operations, the subsidiaries of the Group sign agreements to receive property, plant and equipment and certain kinds of intangible assets under operating leases. The following are the details of the payment obligations in operating leases during the years ahead.

| | | December 31, 2015 | June 30, 2015 |
|---|---|---|---|
| Not more than one year | $ | 131,958 | 69,320 |
| More than one year and less than five | | 415,738 | 254,117 |
| More than five years | | 175,064 | 199,639 |
| Total | $ | 722,760 | 523,076 |

The Group holds a number of leases, mainly for the use of banking offices. The following are the main ones.

• The parent company had $ 405,501 and $ 522, 023 in operating capital leases on property, plant and equipment and intangibles at December 31 and June 30, 2015, respectively.

• Leasing Bogotá Panama leases an airplane and the respective disbursements came to $ 1,300 and $ 1,053 at December 31 and June 30, 2015. The expense for operating leases during the period ended at December 31 and June 30, 2015 includes $ 111,166 and $ 45,498 in rent, respectively.

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- **Contingencies**

**Legal Contingencies**

Claims are brought against the Group and some of its subsidiaries from time to time and in the normal course of business. Based on its own estimates and with the help of external consultants, the management of the Group has come to the conclusion that no major losses will be incurred because of such claims. Therefore, it has not registered an allowance in the consolidated financial statements.

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The following were the main legal contingencies at December 31 and June 30, 2015.

- Parent Company: $16,605 and $14,964 for labor claims, respectively. Historically speaking, lawsuits of this type usually are resolved in favor of the Bank.

- Fidubogotá has been involved in a labor suit since 2010. Specifically, Mr. Jorge Luis Mendez is seeking $1,400 in damages. He claims there was a labor relationship and declares himself to be severally liable with respect to the third-party equity of Mirador del Country-Fidubogotá S.A.

- Porvenir is facing $10,670 in labor claims and has provisioned $613 for possible disbursements. In addition, there were $15,274 and $14,945 in allowances at December 31 and June 30, 2015 for litigation with and without pension coverage.

**NOTE 38 – 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. The latter could have control or joint control over the reporting entity, exercise significant influence over it, or 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 who are 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 the Group, and post-employment plans that benefit the employees of the reporting entity or a related entity.

Therefore, the following are regarded as related parties.

1. An economically related party is a person or entity that is related to an entity in the Group through transactions such as the transfer of resources, services or obligations, regardless of whether or not a price is charged.

   The Group regards any economic undertaking or event with shareholders and entities of Grupo Aval as a transaction between related parties.

2. Shareholders with 10% or more individual ownership interest in the equity of the Bank (Grupo Aval Acciones y Valores) are regarded as related parties.

3. Key management personnel: These are persons with authority and responsibility for planning, managing and controlling the activities of the entity, either directly or indirectly, including any director or administrator of the Bank (executive or otherwise), the president, the vice presidents and the members of the Board of Directors.

4. Subordinate entities: These are entities in which the Bank exercises control, according to the definition of control outlined in the Commercial Code and in IFRS10 on consolidation.

5. Associate entities: These are entities in which the Group has significant influence, which generally is regarded as owning between 20% and 50% of the firm's equity.

6. Other related parties: These include Banco de Occidente and subordinates, Banco AV Villas and subordinates, Banco Popular and subordinates, Seguros de Vida Alfa S.A., Seguros Alfa S.A. and other related parties.

(Continued)

**Transactions with Related Parties**

The Group may enter into transactions, agreements or contracts with related parties, based on the understanding that such operations shall be conducted at fair value, taking into account market conditions and rates.

None of the following existed between the Bank and its related parties during the periods ended at December 31 and June 30, 2015.

- Loans that imply an obligation for 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 to third parties under similar terms with respect to risk, maturity, etc.
- Operations of a nature that is different from those conducted with third parties.

As per Banco de Bogotá's manual on agreements, specifically Chapter VI- "Special Agreements with Subsidiaries on Using the Bank's Network," the Bank has agreements with Fiduciaria Bogotá S.A. and Porvenir S.A. to allow them to use its network of offices.

The Colombian government has authorized trust companies to use bank offices. Accordingly, 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 defines 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 Law100/1993 (General and Comprehensive Social Security System), the Bank entered into an agreement with Sociedad Administradora de Fondos de Pensiones y Cesantías - Porvenir S.A., whereby the latter uses its offices as a support network to provide services related to the severance and mandatory pension funds Porvenir manages.

The fees paid to members of the Board of Directors for their attendance at Board and committee meetings during the six months ended at December 31 and June 30, 2015 came to $1,432 and $1,319, respectively.

The Bank registered the following loans and deposits with related entities and Bank directors and managers at December 31 and June 30, 2015:

| | | December 31, 2015 | June 30, 2015 |
|---|---|---|---|
| Loan portfolio | $ | 418,857 | 467,245 |
| Deposits and demand accounts | | 37,174 | 64,375 |
| Total | $ | 456,031 | 531,620 |

All transactions and disbursements were done at market prices. Credit card operations and overdrafts were conducted at the full rates for those products.

The following table shows the balances and operations with related parties organized into groups, including details on transactions with key management personnel.

| | December 31, 2015 | | | | |
|---|---|---|---|---|---|
| | | | | Related entities | |
| | Economically-related parties | Grupo Aval | Key management personnel | Non-subordinates | Subordinates |
| **Assets** | | | | | |
| Cash and cash equivalents | $ 0 | 0 | 0 | 25 | 12,697 |
| Investments in subsidiaries, associates and joint ventures | 0 | 58,299 | 0 | 1,415 | 14,708,329 |
| Investment allowance | 0 | 0 | 0 | 0 | 1,196 |
| Loan portfolio and capital leasing transactions | 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 |
| Financial investment 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** |
| **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 | 10,749 | 8,396 | 584 | 0 | 7,251 |
| Commissions and other services | 299 | 135 | 8 | 35 | 3,041 |
| Other income | 2,151 | 293,981 | 12 | 1,257 | 16,188 |
| **Total income** | **13,199** | **302,512** | **604** | **1,292** | **26,480** |
| **Expenses** | | | | | |
| Financial costs | 6,662 | 68,688 | 140 | 8 | 16,947 |
| Expenses for commissions and other services | 0 | 0 | 0 | 26 | 1,100 |
| Other expenses | 18,548 | 98,773 | 14,512 | 5,979 | 54,053 |
| **Total expenses** | **$ 25,210** | **167,461** | **14,652** | **6,013** | **72,100** |

| | June 30, 2015 | | | | |
|---|---|---|---|---|---|
| | | | | Related entities | |
| | Economically-related parties | Grupo Aval | Key management personnel | Non-subordinates | Subordinates |
| **Assets** | | | | | |
| Cash and cash equivalents | $ 0 | 0 | 0 | 8 | 9,465 |
| Investments in subsidiaries, associates and joint ventures | 0 | 58,279 | 0 | 1,415 | 12,514,637 |
| Investment allowance | 0 | 0 | 0 | 0 | 1,007 |
| Loan portfolio and capital leasing transactions | 378,454 | 130,103 | 18,394 | 4,236 | 180,053 |
| Other accounts receivable | 1,281 | 87,943 | 221 | 122 | 31,558 |
| Trading derivatives | 0 | 10,174 | 0 | 0 | 63 |
| Financial investment assets | 0 | 0 | 0 | 0 | 160 |
| Other assets | 1,235 | 0 | 0 | 0 | 0 |
| **Total assets** | **380,970** | **286,499** | **18,615** | **5,781** | **12,736,943** |
| **Liabilities** | | | | | |
| Financial liabilities at amortized cost | 154,275 | 3,525,657 | 13,165 | 3,399 | 390,586 |
| Hedging derivatives | 0 | 2,002 | 0 | 0 | 0 |

(Continued)

| | June 30, 2015 | | | | |
|---|---|---|---|---|---|
| | | | | Related entities | |
| | Economically-related parties | Grupo Aval | Key management personnel | Non-subordinates | Subordinates |
| **Liabilities** | | | | | |
| Accounts payable and other liabilities | 3,228 | 150,783 | 204 | 5,804 | 5,300 |
| **Total liabilities** | **153,503** | **3,678,442** | **13,369** | **9,203** | **395,886** |
| **Income** | | | | | |
| Interest | 12,424 | 2,889 | 634 | 0 | 6,955 |
| Commissions and other services | 1,423 | 121 | 0 | 41 | 3,944 |
| Other income | 278 | 128,510 | 14 | 1,292 | 230,102 |
| **Total income** | **14,125** | **131,520** | **648** | **1,333** | **241,001** |
| **Expenses** | | | | | |
| Financial costs | 1,472 | 52,805 | 158 | 37 | 3,722 |
| Expenses for commissions and other services | 0 | 0 | 0 | 53 | 1,137 |
| Other expenses | 4,198 | 139,987 | 9,505 | 4,516 | 47,337 |
| **Total expenses** | **$ 5,670** | **192,792** | **9,663** | **4,606** | **52,196** |

The outstanding amounts are guaranteed and there is no recognized expense in the current period or prior periods for uncollectible or doubtful accounts concerning amounts owed by related parties.

**Employee Benefits for Key Management Personnel**

The benefits for key management personnel during the six months ended at December 31 and June 30, 2015 include the following:

| | December 31, 2015 | June 30, 2015 |
|---|---|---|
| Short-term employee benefits | $ 18,528 | 11.349 |
| Post-employment benefits | 3 | 0 |
| Compensation for key management personnel and other long-term employee benefits | 1,824 | 1,912 |
| Termination benefits | 30 | 9 |
| Remuneration for key management personnel | 67,290 | 53,839 |
| | $ 87,675 | 67,109 |

**NOTE 39 – Capital management**

The objectives of the Group in terms of managing its capital focus on: a) complying with the capital requirements defined by the Colombian government for the Bank and its financial subsidiaries in Colombia and by foreign governments in countries where the Bank has financial subsidiaries; and b) maintaining an adequate equity structure that allows the Group to generate value for its shareholders.

There are specific capital requirements in Colombia applicable to the economic activity of each financial entity. In the case of credit institutions, (banks, financial corporations and finance companies), their total capital adequacy ratio, defined as the ratio of regulatory capital to risk-weighted assets, may be no less than nine percent (9.0%); and their core capital adequacy ratio, defined as the ratio of ordinary core capital to risk-weighted assets, may be no less than four point five percent (4.5%). These requirements are stipulated respectively in Articles 2.1.1.1.2 and 2.1.1.1.3 of Decree 2555/2010, which was amended by Decree 1771 / 2012 and Decree 1648 / 2014. The Financial Superintendence of Colombia issued the regulations on these requirement through external circulars 039/2014 and 006/2015. The principles established by the Panamanian Banking Association apply in the case of BAC Credomatic (8% minimum capital adequacy ratio).

(Continued)

For the purpose of capital management in Colombia, ordinary core equity primarily includes subscribed and paid shares of common stock, additional paid-in capital and the legal reserve created through the appropriation of profits. Regulatory capital includes ordinary core capital, but also takes into account unrealized gains on equity securities, subordinated bonds, discretionary reserves and a portion of net income, according to the commitment approved at the meeting of shareholders to appropriate net income for the legal reserve.

During the six months ended at December 31 and June 30, 2015, the Group adequately met its capital requirements for solvency purposes with respect to its separate and consolidated financial statements. These statements were prepared pursuant to the instructions of the Financial Superintendence of Colombia that are applicable to the Group

The following is the breakdown of the minimum amount of regulatory capital required within the Group.

| | | December 31, 2015 | June 30, 2015 |
|---|---|---|---|
| **Regulatory capital** | | | |
| **Ordinary core capital** | | | |
| Subscribed and paid-in capital | $ | 3,313 | 3,301 |
| Capital investments made by other financial institutions | | (23,493) | (46,989) |
| Deferred income tax | | (884,929) | 0 |
| Additional paid-in capital | | 5,721,621 | 5,721,621 |
| Legal reserve | | 4,585,221 | 3,793,592 |
| Intangible assets | | (2,630,447) | (1,970,237) |
| **Additional core capital** | | | |
| Subordinated debts | | 3,905,158 | 1,944,308 |
| Income in the current period | | 465,368 | 283,311 |
| Discretionary reserves | | 0 | 406,588 |
| Non-controlling interest | | 799,394 | 859,947 |
| 50% of the tax reserve | | 102,568 | 99,077 |
| 30% of asset valuation | | 149,734 | 146,967 |
| Mandatory convertible bonds | | (278) | (56,590) |
| Unrealized accumulated losses on equity instruments | | (18,220) | (37,762) |
| Unrealized accumulated losses on debt securities | | (373,646) | (113,824) |
| Impairment value (allowance), general | | 22,513 | 19,554 |
| Devaluation of investments available for sale | | (8,282) | (1,702) |
| Non-controlling interest | | 1,138,099 | 1,054,268 |
| **Total regulatory capital** | | **12,953,694** | **12,105,430** |
| **Risk-weighted assets** | | | |
| **Credit risk** | | | |
| Category II (Highly secure assets are weighted at 20% ) | | 1,482,712 | 1,307,124 |
| Category III (Highly secure but low liquidity assets are weighted at 50%) | | 5,525,773 | 4,516,420 |
| Category IV (Other assets at risk are weighted at 100%) + Special weights | | 105,229,131 | 93,811,546 |
| **Total credit risk** | | 112,237,616 | 99,635,090 |
| **Market risk** | | 9,432,463 | 9,807,881 |
| **Total risk-weighted assets** | $ | **121,670,079** | **109,442,971** |
| Total credit risk rate. | | **10.65%** | **11.06%** |
| Core solvency rate. | | **6.50%** | **7.77%** |

The Group invariably focuses its management on maintaining an adequate capital structure oriented towards generating value for the shareholder. To that end, it continuously monitors strategic management indicators such as return on equity (ROE), return on assets (ROA), efficiency, net interest margin, portfolio quality, etc.

(Continued)

**NOTE 40 – Statutory controls**

Statutory controls are the regulations the Financial Superintendence of Colombia has established for credit institutions (banks, financial corporations and finance companies) with respect to the required reserve ratio (see Note 7, Section e, Liquidity Risk), own position (see Note 7. Section d. Individual Risk Analysis), the capital adequacy ratio (see Note 36), and mandatory investments to be made in securities issued by the Agricultural Sector Financing Fund (FINAGRO). The Group complied with all these requirements during the six months ended at December 31 and June 30, 2015.

**NOTE 41 – Subsequent events**

Banco de Bogota and Corficolombiana signed an agreement with TransUnion Netherlands II B.V. to sell one hundred percent (100%) of their ownership interest in CIFIN S.A. (hereinafter the Company"). The latter is classified as a technical and administrative services company and is accredited as a financial, credit, commercial and service information operator.

The agreement was signed on February 8, 2016 and the sale of 75.1% of their ownership interest in CIFIN S.A. was finalized. Banco de Bogotá and Corficolombiana respectively transferred title and possession of 65,062 and 27,734 common shares of stock in CIFIN S.A. for $629,563.37 each.

**NOTE 42 – Approval to present the financial statements**

At a meeting on March 18, 2016, the Board of Directors gave its authorization for the consolidated financial statements at December 31, 2010 and the accompanying notes to be presented to the General Assembly of Shareholders for approval.

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