

Banco de Bogota S.A.
Notes to the Separate Financial Statements at December 31, 2015
(With comparative figures at June 30, 2015)
(In millions of Colombian pesos, except the exchange rate and net earnings per share)

Note 1 – Reporting Entity

Banco de Bogota S.A. (the Bank) is a private institution headquartered in the city of Bogota D.C. at Calle 36 No. 7-47. It was incorporated by means of Public Document No. 1923, drawn up and notarized on November 15, 1870 at the Office of the Second Notary Public in Bogota D.C. The Financial Superintendence of Colombia renewed the Bank's operating license indefinitely, as per Resolution 3140 dated September 24, 1993. The duration of the institution, according to the bylaws, extends to June 30, 2070; however, that 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 authorized for commercial banking establishments, subject to the requirements and limitations existing under Colombian law.

At December 31, 2015 the Bank's operating structure was comprised of ten thousand, two hundred seventy-seven seven (10,277) direct employees; two thousand, five hundred eighty-three (2,583) employees on fixed-term contracts; and four hundred fifty-one (451) apprentices from the National Vocational Training Service (SENA). This amounts to a total of thirteen thousand three hundred eleven (13,311) employees. Additionally, the Bank provides a broad range of services for its customers, based on seven hundred eleven (711) offices; fifty-one (51) payment and collection centers; seven thousand eight hundred sixty-six (7,866) correspondent banks; and one thousand, seven hundred forty-seven (1,747) ATMs for a total of ten thousand three hundred seventy-five (10,375) channels in Colombia. This is in addition to its two agencies in the United States: one in Miami and another in New York, which are licensed to carry out banking activities abroad, and a bank branch in Panama City, which has a general license for banking on the local market.

Banco de Bogotá S.A. is a subordinate of Grupo Aval Acciones y Valores S.A.

Note 2 – Restatement of Previous Financial Statements

At June 2015 the Bank recognized a deferred tax liability of \$665,055 from the adjustment for converting the financial statements of its foreign subsidiaries; \$211,037 of this amount was charged to other comprehensive income in the first half of 2015 and \$454,018 in the second half of 2014. This was done pursuant to application of the accounting principles applicable to investments in foreign subsidiaries, as described 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.

When it issued its financial statements at June 30, 2015, the Bank analyzed new technical positions on accounting recognition of deferred tax liabilities on the adjustment for converting the financial statements of foreign subsidiaries, specifically in terms of applying the exception outlined in paragraph 39 of IAS 12 on non-recognition of deferred tax liabilities for temporary differences associated with investments in subsidiaries when the following conditions are jointly met: (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) that temporary difference is not likely to be reversed in the foreseeable future. Inasmuch as realization of these investments in the foreseeable future of one year it is not considered highly likely, the Bank decided to reverse this deferred tax liability of \$ 665,055 and credit it to the accounts where it was recognized previously; namely, under other comprehensive income and retained earnings.

In addition, after preparing its 2014 income tax return, the Bank recorded a tax credit of \$90,393 with the idea of eventually taking certain deductions for expenses on its 2014 income tax return. However, in light of a subsequent analysis of the recovery of this tax credit, the Bank decided, under the current circumstances, to reverse the entry of \$90,393 under receivables, charged to retained earnings.

Banco de Bogota S.A.

Notes to the Separate Financial Statements at December 31, 2015

(With comparative figures at June 30, 2015)

(In millions of Colombian pesos, except the exchange rate and net earnings per share)

As a result, the Bank retroactively restated its financial statements at June 30 and January 1, 2015 in line with the allowances described in paragraph 42 of IAS 8. Therefore, the financial statements at those dates differ from the financial statements published previously, as explained in the paragraph below.

The following is a breakdown of the accounts that were affected when the financial statements at June 30 and January 1, 2015 were restated retroactively.

Detail	June 30, 2015		
	Previously presented balances	Adjustment made	Restated balances
Statement of Financial Position			
Assets			
Accounts receivable	\$ 630,232	(90,393)	539,839
Liabilities			
Deferred income tax liability	862,337	(665,055)	197,282
Equity			
Other comprehensive income	2,551,985	211,038	2,763,023
Income from previous periods	68,554	363,624	432,178
Total restated balances in equity	\$ 2,620,539	574,662	3,195,201
January 1, 2015			
Detail	Previously presented balances	Adjustment made	Restated balances
Statement of Financial Position			
Assets			
Current income tax asset	\$ 0	62,415	62,415
Liabilities			
Current income tax liability	364,349	(301,210)	63,139
Equity			
Income from previous periods	870,133	363,625	1,233,758
Total restated balances in equity	\$ 870,133	363,625	1,233,758

In preparing the cash flow statement for the six months ended at December 31, 2015, the variation in investments available for sale and derivative hedging instruments is being presented under operating activities. It is felt this new presentation better reflects the transactions related to ordinary activities that constitute the main source of revenue for the Bank. Up to June 30, 2015, these transactions were shown as investment activities.

According to the above, the Bank proceeded to restate its cash flow statement for the six months ended at June 30, 2015. The following is a summary of the effect of that restatement.

	Previous presentation	Adjustments	Current presentation
Operating activities	\$ (908,661)	317,400	(591,261)
Investment activities	\$ 408,780	(317,400)	91,380

Note 3 – Statement of Compliance with the Financial Reporting Standards Accepted in Colombia

The accompanying separate financial statements have been prepared in accordance with the financial reporting standards accepted in Colombia (NCIF). These include the International Financial Reporting Standards (IFRS) compiled in Decree 2420/2014 issued by the Colombian government, apart from the provisions on classification and valuation of investments under IAS 39 and IFRS 9, the loan portfolio and its impairment, recognition of impairment of foreclosed or repossessed assets, regardless of their accounting classification, for which the accounting

Banco de Bogota S.A.
Notes to the Separate Financial Statements at December 31, 2015
(With comparative figures at June 30, 2015)
(In millions of Colombian pesos, except the exchange rate and net earnings per share)

provisions issued by the Financial Superintendence of Colombia, included in the Basic Accounting and Financial Circular, shall apply, and the option for annual accrual of the wealth tax charged to capital reserves or earnings, as established in Law 1739 / December 2014. Partial implementation of the International Financial Reporting Standards (IFRS) for public-interest entities, such as banks, was required under Decree 2784 issued by the Colombian government in December 2012 and is mandatory for accounting management and preparation of the financial statements of public-interest entities as of January 1, 2015.

The Board of Directors and the Legal Representative authorized the separate financial statements on March 1, 2016 to be presented for approval at the General Meeting of Shareholders.

Note 4 – Significant Accounting Policies

The accounting policies listed below have been applied consistently during the six-month periods presented, except as indicated in Note 2.

a) Measurement Base

The separate financial statements were prepared on the basis of historic costs, apart from the following items, which were measured using an alternative base at each balance sheet date:

Item	Measurement base
Derivative financial instruments	Fair value through profit or loss Fair value through profit or loss
Financial instruments classified at fair value	For equity instruments designated in initial recognition, at fair value through in other comprehensive income
Non-current assets held for sale	Fair value less sale cost
Investment properties	Fair value through profit or loss

b) Use of Accounting Estimates and Judgements with a Significant Effect on the Financial Statements

The Bank makes estimates and assumptions that affect the amounts recognized in its financial statements and the book value of assets and liabilities during the accounting period. These judgments and estimates are evaluated continuously and are based on the Bank's experience and other factors, including the expectation of future events that are believed to be reasonable.

In the process of applying account policies, the Bank also makes certain judgments other than those that involve estimates. The following are the judgments that have the most important impact on the amounts recognized in the financial statements and the estimates that occasion a significant adjustment in the book value of assets and liabilities during the coming year.

i. Business Model

In Chapter I-1 of its Basic Accounting and Financial Bulletin, the Financial Superintendence of Colombia classified investments according to the business model established by the Bank. For this reason, when making an assessment as to whether or not the objective of a business model is to maintain assets to collect contractual cash flows, the Bank considers at what level of commercial activity that assessment should be made. Generally speaking, a business model is something that can be illustrated by the way the business is managed and the information that is provided to management. However, in some circumstances, more judgment may be required to determine whether a particular activity involves a business model with certain infrequent sales of assets or if the anticipated sales indicate there are two separate business models.

Banco de Bogota S.A.
Notes to the Separate Financial Statements at December 31, 2015
(With comparative figures at June 30, 2015)
(In millions of Colombian pesos, except the exchange rate and net earnings per share)

The Bank takes the following into consideration when determining if its business model for financial asset management is to maintain assets to collect contractual cash flows:

- The policies and procedures indicated by management for the loan portfolio and how those policies operate in practice.
- How management assesses loan performance.
- Whether or not the strategy for management is focused on obtaining income from contract interest.
- The frequency of any expected sale of assets.
- The reason for any sale of assets.
- If assets for sale are held for a prolonged period in relation to their contract maturity, or if they are sold soon after being acquired or a long time prior to their maturity.

In particular, the Bank exercises judgment to determine the objective of the business model for loans that are maintained for liquidity purposes. Its central treasury maintains certain debt instruments in a separate loan portfolio to obtain a long-term return and as a liquidity reserve. These instruments may be sold to resolve unexpected liquidity deficits, but such sales are not expected to be more frequent. The Bank considers these instruments as part of a business model that is intended to hold assets to collect contractual cash flows. It maintains other debt instruments in separate loan portfolios for the purpose of managing short-term liquidity. Sales of this portfolio are executed frequently to meet constant commercial needs. The Bank determines these instruments are not maintained within a business model bent on maintaining assets to collect contractual cash flows.

When a business model involves a transfer to third parties of contract rights to the cash flows from financial assets and the transferred assets are derecognized, the Bank reviews the agreements to determine the impact when assessing the objective of the business model. In this assessment, the Bank considers if, under the agreements, it will continue to receive cash flows from the assets, either directly from the issuer or indirectly from the receiver, including whether or not the assets will be repurchased from the receiver.

In the case of contractual cash flows from financial assets, the Bank uses its judgment when determining whether the contract terms of the financial assets it generates or acquires lead to cash flows on specific dates that are only payments on the principal and outstanding interest on the principal and that qualify for measurement at amortized cost.

In this assessment, the Bank takes into account all the contract terms, including any term or prepayment allowance to extend the maturity of the assets, terms that change the amount and timing of the cash flows, and whether the contract terms contain leveraging.

In cases where the Bank's rights to financial assets are limited to specific assets of the debtor (non-resource assets), the Bank evaluates whether the contract terms of those financial assets limit cash flows in a way that is inconsistent with the payments that represent principal and interest. When the Bank invests in contractually linked instruments (tranches), it exercises its judgment to ascertain whether the exposure to credit risk in the acquired tranche is equal to or less than the exposure to credit risk in the corresponding group of financial instruments. If so, the acquired tranche would qualify for measurement at amortized cost.

Banco de Bogota S.A.
 Notes to the Separate Financial Statements at December 31, 2015
 (With comparative figures at June 30, 2015)
 (In millions of Colombian pesos, except the exchange rate and net earnings per share)

ii. Financial Asset Impairment

Loan Portfolio Allowance

Pursuant to the standards established by the Financial Superintendence of Colombia, the Bank regularly reviews its loan portfolio to assess whether or not impairment should be recorded and charged to income for the period, pursuant to the guidelines established in Chapter II of the Basic Accounting and Financial Bulletin. In the case of commercial loans and commercial leasing, the Bank makes judgements in determining their credit risk rating according to the debtor's ability to pay, based its financial statements and the fair value of the collateral granted, so as to determine whether or not there is observable data that points to a decline in the customer's estimated cash flow. In the case of consumer leasing and consumer loans, the Bank uses internal scoring models that assign a rating to the level of risk. The rating is then adjusted, essentially taking into account the historical performance of these loans, the collateral that supports them, the debtor's performance with other entities and the debtor's financial information. The risk rating for the mortgage portfolio is based essentially on the number of days the customer is in arrears.

Once the loan portfolios are risk rated, the respective allowances are calculated using the tables with percentages for each type of loan established specifically for that purpose by the Financial Superintendence of Colombia. These percentages are also indicated in Section 3e - "Loan Portfolio and Capital Leasing Operations".

In addition, and as instructed by the Financial Superintendence of Colombia, the Bank makes a general allowance for home mortgages equal to 1% of the total portfolio, charged to earnings.

The Bank considers the loan portfolio allowances at December 31 and June 30, 2015 are sufficient to cover the possible losses that could materialize in its portfolio of loans outstanding on those dates.

The following table contains a sensitivity analysis of the principal variables that affect calculation of the allowance for loan portfolio impairment, on a variation of 10%.

	December 31, 2015		
	Sensitivity	Increase	Decrease
Individually assessed loans:			
Probability of impairment in future estimated cash flows	10%	\$ 110,546	(110,546)
Collectively assessed loans			
Probability of impairment	10%	52,037	(52,932)
Severity in estimating the loss	10%	34,507	(38,435)
Period in which the loss is identified	1 month	50,023	(50,023)
Subtotal	\$	<u>145,484</u>	<u>(132,271)</u>
	June 30, 2015		
	Sensitivity	Increase	Decrease
Individually assessed loans:			
Probability of impairment in future estimated cash flows	10%	\$ 107,836	(142,847)
Collectively assessed loans			
Probability of impairment	10%	48,543	(49,446)
Severity in estimating the loss	10%	33,598	(37,405)
Period in which the loss is identified	1 month	46,717	(46,717)
Subtotal	\$	<u>137,180</u>	<u>(125,049)</u>

Banco de Bogota S.A.
Notes to the Separate Financial Statements at December 31, 2015
(With comparative figures at June 30, 2015)
(In millions of Colombian pesos, except the exchange rate and net earnings per share)

• Investment Allowance:

For the allowance on its investments, the Bank makes judgments, based on the issuers' financial information and on a review of its creditworthiness and other macroeconomic variables, and then issues an internal rating. This rating is examined in light of the ratings issued by the risk rating agencies, if such ratings exist. When there is a likelihood of impairment, the allowances to be made are estimated according to Chapter I-1 of the Basic Accounting and Financial Bulletin, as per the percentages indicated in Paragraph d - Financial Instruments.

iii. Fair Value of Financial Derivatives

Note 6 – “Determining Fair Value” contains information on the fair values of Level 2 financial instruments. These are different from the quoted prices included in Level 1, which are directly or indirectly observable for assets or liabilities. Fair value is determined and the value of financial instruments is appraised according to the three levels in the hierarchy of fair value, which reflect the importance of the variables used in this measurement.

The Bank defines “observable” data as market data that are available already, are regularly updated or distributed, verifiable, and reflect the assumptions the market players will use to set the price of the asset or liability in question.

iv. Deferred Income Tax

The Bank evaluates the possibility of building 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 insofar as the relative tax benefits are considered to be probable. Future tax income and the amount of tax benefits considered to be probable in the future are based on mid-term plans prepared by management. The business plan is based on management's expectations that are believed to be reasonable under the circumstances.

The Bank estimates that deferred income tax asset entries at December 31 and June 30, 2015 will be recoverable, based on estimates of future taxable income. Deferred tax liabilities are recognized on temporary differences associated with profits not distributed by the subsidiaries, except when the Bank controls the dividend policy of the subsidiary and it is likely the temporary difference will not be reversed in the foreseeable future. See Note 18.

v. Assessment of Impairment in the Cash-generating Units with Allocated Goodwill

The Bank's management annually assesses impairment of the groups of cash-generating units to which the goodwill recorded in its financial statements has been allocated and when there are signs that some of these groups be impaired. This assessment is founded on studies to that effect done by independent experts who are hired for that purpose.

Developed in accordance with IAS 36 - Impairment of Assets, these studies are based on valuations of the groups of cash-generating units that have been assigned the respective goodwill in their acquisition. This is done by the discounted cash flow method, taking into account factors such as the economic situation of the country and the sector where the Bank operates, historical financial information, forecasts for growth in income and costs over the next five years and, later, growth in perpetuity, considering their profit capitalization rates, discounted at risk-free interest rates that are adjusted by the risk bonuses required under the circumstances of each company.

Banco de Bogota S.A.
Notes to the Separate Financial Statements at December 31, 2015
(With comparative figures at June 30, 2015)
(In millions of Colombian pesos, except the exchange rate and net earnings per share)

The methods and assumptions used to assess the value of the cash-generating units to which goodwill is allocated were reviewed by management. Based on that review, management concluded there was no need to record any impairment at December 31 and June 30, 2015, inasmuch as the recoverable amounts of these units are significantly higher than their book value.

vi. Estimate for Legal Processes

The Bank estimates and records an allowance for legal processes. The idea, in this respect, is to be able to cover possible losses in labor cases, civil suits, mercantile or tax cases, and other circumstances. This estimate is based on management's opinion, supported by the opinions of outside legal advisors, when necessary and when losses are considered probable and can be reasonably quantified. Due to the nature of these claims, lawsuits and/or processes, it is not possible, in some cases, to make an accurate prediction or to reasonably quantify the amount of the loss. Therefore, the differences between the actual amount effectively disbursed and the initial estimates and allowances are recorded in the period when they are identified.

vii. Employee Benefits

The measurement of pensions and other long-term obligations depends on a wide variety of long-term assumptions and premises that are based on actuarial findings, including estimates of the present value of projected future payments of employee benefits, considering the likelihood of potential future events, such as increases in the minimum 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 determine future cash flows at present value on the measurement date. The Bank establishes a long-term rate that represents the market rate of 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 payments of employee benefits, for which it has selected the rate on government bonds.

c) The Functional or Reporting Currency

The Bank's primary activities consist of granting loans to customers in Colombia and investing in securities issued by the government of Colombia or by national entities, regardless of whether they are listed in the National Registry of Securities and Issuers (RNVE) in Colombian pesos. These activities also include, but to a lesser extent, the granting of loans to Colombian residents in foreign currency and investments in securities issued by banking entities abroad; securities issued by foreign companies in the non-financial sector that are listed on one or more internationally recognized stock exchanges; and bonds issued by multilateral lenders, foreign governments or public entities. These loans and investments are financed essentially with customer deposits and borrowing in Colombia, also in Colombian pesos.

According to International Accounting Standard 21 – The Effects of Changes in Foreign Exchange Rates, the Bank considers the Colombian peso as its reporting currency, since it is the currency of the primary economic environment where the Bank operates. It also is the currency that affects the cost and income structure.

Therefore, all balances and transactions denominated in currencies other than the Colombian peso are deemed to be "foreign currency" balances and transactions.

Banco de Bogota S.A.
Notes to the Separate Financial Statements at December 31, 2015
(With comparative figures at June 30, 2015)
(In millions of Colombian pesos, except the exchange rate and net earnings per share)

d) Presentation of the Financial Statements

The accompanying financial statements are presented taking into account the following aspects:

i. Statement of Financial Position

The statement of financial position is presented showing the different asset and liability accounts. These are ordered according to liquidity, in the case of sale, or their enforceability, since this type of presentation provides more relevant reliable information for a financial institution. Therefore, the amount expected to be recovered or paid within twelve months and after twelve months is presented in each of the notes on financial assets and liabilities, in accordance with IAS 1 - Presentation of Financial Statements.

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

These items are presented separately in two statements, as permitted under IAS 1 - Presentation of Financial Statements. Moreover, the income statement is broken down according to the nature of the expenses. This is the model used by financial institutions, because it provides more appropriate and relevant information.

e) Statement of Cash Flow

The statement of cash flow is presented using the indirect method. In this case, the net cash flow from operating activities is determined by adjusting profits, before income tax, for the effects of items that do not generate cash flows, the net changes in assets and liabilities derived from operating activities, and for any other item whose monetary effects are regarded as cash flows from investment or financing. Interest income and interest expenses received and paid are part of operating activities.

The following items are taken into consideration when preparing the cash flow statement:

- Operating activities: These are activities that result in changes in the size and composition of equity and in borrowing by the Bank.
- Investment activities: These concern the acquisition, sale or disposal by any other means of long-term assets and other investments that are not included in cash and cash equivalents.
- Financing activities: These are activities that produce changes in the size and composition of net equity and liabilities that are not part of operating activities or investment activities.

f) Transactions in Foreign Currency

Transactions in foreign currency are converted into Colombian pesos using the exchange rate that is in effect on the date of the transaction. Monetary assets and liabilities in foreign currency are converted into the reporting currency, using the exchange rate that is in effect on the closing of the statement of financial position, while non-monetary assets in foreign currency are measured at the historical exchange rate. The rates at December 31 and June 30, 2015 were \$3,149.47 (in pesos) and \$2,598.68 (in pesos), respectively.

Banco de Bogota S.A.
Notes to the Separate Financial Statements at December 31, 2015
(With comparative figures at June 30, 2015)
(In millions of Colombian pesos, except the exchange rate and net earnings per share)

g) Cash and Cash Equivalents

Cash and cash equivalents include ready cash, bank deposits and other short-term investments in active markets that have original maturities of three months or less and arise as part of the routine management of cash surpluses. If a financial investment is to qualify as a cash equivalent, it must be held to fulfill short-term payment commitments, more than for investment purpose or the like. It also must be readily convertible to a specific amount of cash, and be subject to an insignificant risk of changes in value.

h) Investments in Subsidiaries, Associate Companies and Joint Ventures

The separate financial statements of the Bank are the unconsolidated financial statements in which investments in subsidiaries, in associate companies and in joint ventures are recorded as follows.

i. Investments in Subsidiaries

Investments in subsidiaries are recorded by the equity method, pursuant to Article 35 in Law 222/1995 and Chapter I-1 in the Basic Accounting and Financial Circular, which was included by means of External Bulletin 034 / 2015. With the equity method, investments in subsidiary companies are recorded at their book value at December 31, 2014, including their valuations. Afterwards, they are adjusted regularly to account for changes in the parent company's ownership interest in the subsidiary's net assets, less the dividends received in cash. The Bank recognizes its interest in the subsidiary's income for the period in its statement of income, while its interest in the subsidiary's other comprehensive income account is recognized under other comprehensive income (OCI).

Considering the change in accounting policy brought about by application of the equity method as of January 1, 2015, and with authorization from the Financial Superintendence of Colombia for one time only, income generated by the subsidiaries during the fiscal year ended at December 31, 2014 was recognized under income for the period, up to the balance of the valuations.

Until December 31, 2014, these investments were recorded, as instructed by the Financial Superintendence of Colombia, as investments available for sale. This was done at cost, in the case of investments with low turnover, and at trading value with a change in income in the case of investments with medium and high turnover. For investments classified as low turnover, valuations or devaluations were recorded and charged to the valuation account or credited to the devaluation account in assets, with a balancing entry in the equity account for a surplus or deficit due to valuation and/or devaluation.

Valuation or devaluation was determined by applying the percentage of the parent company's interest in the variations in the subsidiary's equity during the period. The dividends received in cash or in shares of said investments were recorded in the income for the period in which they were declared.

As a result of prospective application, the Bank recorded income from dividends declared by its subsidiaries during the first half of 2015 in its statement of income. As of January 1, 2015, changes in equity are recognized under investments. Accordingly, application of the Standards on Accounting and Financial Information accepted in Colombia affects comparability in relation to the previous period.

Banco de Bogota S.A.
Notes to the Separate Financial Statements at December 31, 2015
(With comparative figures at June 30, 2015)
(In millions of Colombian pesos, except the exchange rate and net earnings per share)

ii. Investments in Associates

An associate is an entity over which the Bank has significant influence, which does not constitute interest in a joint venture.

Investments in associates were recorded up to December 31, 2014 as investments available for sale. This was done in the same way as investments in subsidiaries described in the previous section.

Investments in associates are recorded by the cost method and dividends received in cash or in shares are recorded in income for the period when they were incurred.

iii. Joint Agreements

A joint agreement is one whereby two or more parties maintain joint control of the agreement. It exists only when decisions on relevant activities require the unanimous consent of the parties that share control.

In turn, a joint agreement is divided into a joint operation among the parties that have collective control of the agreement and are entitled to the assets and obligations with respect to related liabilities, and a joint venture in which the parties are entitled to the net assets and liabilities of the agreement.

A joint operation is included in the Bank's separate financial statements based on its proportional and contractual share of each asset, income and expenses, according to the terms of the agreement.

For its part, the Bank records joint ventures by the cost method in the same way as the investments in associates described in the previous paragraph.

i) Financial Instruments

Investments are classified according to the business model approved by the Bank's Board of Directors. Investments may be classified as investments for trading, investments held to maturity or investments available for sale.

i. Financial Investment Assets

This account includes investments acquired by the Bank to maintain a secondary liquidity reserve and to comply with legal or regulatory requirements, so as to maximize the risk-return ratio of portfolios and / or managed assets and to take advantage of opportunities that arise in the markets where it operates.

The Bank values most of its investments using the information supplied by INFOVALMER S.A., which is a pricing service. INFOVALMER S.A. supplies the information required to value investments (prices, rates, curves, margins, etc.) and has valuation methods approved in accordance with Decree 2555 / 2010 and with the instructions outlined in the Basic Legal Circular issued by the Financial Superintendence of Colombia.

Banco de Bogota S.A.
 Notes to the Separate Financial Statements at December 31, 2015
 (With comparative figures at June 30, 2015)
 (In millions of Colombian pesos, except the exchange rate and net earnings per share)

The way in which the different types of investments are classified, valued and recorded, according to the business model defined by the Bank, is described below:

Trading Securities		
Characteristics	Valuation	Entered on the Books
<p>This portfolio is used to manage fixed-income and variable-income investments other than shares, primarily to obtain profits as a result of variations in the market value of the different instruments and the purchase and sale of securities.</p> <p>Leads to the purchase and sale of assets.</p>	<p>The investments represented in debt stocks or securities are valued at fair value based on the price determined by the valuation pricing service.</p> <p>For exceptional cases where an established fair value does not exist on the day of valuation, these securities or bonds are valued exponentially at the internal rate of return.</p> <p>This procedure is performed daily.</p> <p>Holdings in collective investment funds, private capital funds, hedge funds and mutual funds, among others, and the securities issued in the development of securitization processes are to be valued taking into account the unit value calculated by the management company on the day immediately prior to the measurement date. However, holdings in collective investment funds, private capital funds, hedge funds, market funds and mutual funds, among others, that are listed on securities exchanges that mark to the secondary market are to be valued according to the procedure described above.</p>	<p>These investments are to be recorded in the respective "Investments at Fair Value through Changes in Income" accounts described in the Unitary Catalog of Financial Information for Supervisory Purposes.</p> <p>The difference between the current fair value and the value immediately prior is recorded as a greater or lesser value of the investment, thereby affecting income for the period.</p> <p>This procedure is performed daily.</p>

Held to Maturity		
Characteristics	Valuation	Entered on the Books
<p>These are securities for which the Bank has the intent and the legal, contractual, financial and operational capacity to hold until maturity or redemption, considering the structure of the financial instruments eligible for this portfolio involves only principal and interest payments.</p> <p>These investments may not be used for money market transactions (simultaneous repurchase agreements or transactions involving a temporary transfer of securities), except in the case of forced or mandatory</p>	<p>They are valued exponentially, based on the internal rate of return calculated at the moment of acquisition, based on a 365-day year.</p> <p>This procedure is performed daily.</p>	<p>These investments are to be recorded in the respective "Investments at Amortized Cost" accounts described in the Unitary Catalog of Financial Information (CUIF) for Supervisory Purposes.</p> <p>The difference between the actual fair value and that immediately preceding the respective value is recorded as a greater value of the investment, affecting income for the period.</p>

Banco de Bogota S.A.
Notes to the Separate Financial Statements at December 31, 2015
(With comparative figures at June 30, 2015)
(In millions of Colombian pesos, except the exchange rate and net earnings per share)

Held to Maturity		
Characteristics	Valuation	Entered on the Books
<p>investments subscribed in the primary market and provided the counterpart in the transaction is the Central Bank of Colombia, the General Office of Public Credit and the National Treasury or entities supervised by the Financial Superintendence of Colombia.</p> <p>Similarly, they may be delivered as collateral in a central counterparty risk clearing house to support compliance with the transactions accepted for clearing and settlement and/or as collateral for money market transactions.</p>	<p>For fixed-income investments at a floating rate, the internal rate of return is recalculated once the value of the facial indicator changes.</p> <p>In the case securities that include the prepayment option, the internal rate of return is recalculated once the future flows and the payment date change.</p>	<p>Receivable returns pending collection are recorded as a greater value of the investment. Consequently, the collection of said returns is entered on the books as a lesser value of the investment. This procedure is performed daily.</p>

Available for Sale - Debt Securities		
Characteristics	Valuation	Entered on the Books
<p>These include stocks or securities and, in general, any kind of investment that is not classified as a trading security or as an investment held to maturity.</p> <p>According to the business model, fixed income investments are managed in this portfolio primarily for the purpose of obtaining contractual flows and making sales when required by circumstances to maintain an optimum combination of profitability, liquidity and coverage that provides the kind of profitability support relevant to the Bank's balance.</p> <p>Securities classified as investments available for sale can be furnished as collateral in a central counterparty risk clearing house to back compliance with transactions accepted by the clearing house for clearing and settlement.</p> <p>Likewise, these investments can be used in money market transactions (simultaneous repurchase agreements, or transactions involving the temporary transfer of securities) and furnished collateral for this kind of transaction.</p>	<p>Investments represented in debt stocks or securities are to be valued based on the valuation price determined by the pricing service.</p> <p>For exceptional cases where an established fair value does not exist on the day of valuation, these securities or bonds are valued exponentially at the internal rate of return.</p> <p>This procedure is performed daily.</p>	<p>These investments must be recorded in the respective "Investments at Fair Value with Changes in Other Comprehensive Income" accounts described in the Unitary Catalog of Financial Information for Supervisory Purposes.</p> <p>The difference between the present value on reappraisal day and the day immediately prior (calculated at the internal rate of return at the time of purchase, based on a 365-day year) must be recorded as a greater value of the investment, with credit to the income accounts.</p> <p>The difference between the fair value and the present value calculated according to the preceding paragraph must be recorded in the respective unrealized gain or loss account (OCI).</p> <p>This procedure is performed daily.</p>

Banco de Bogota S.A.
Notes to the Separate Financial Statements at December 31, 2015
(With comparative figures at June 30, 2015)
(In millions of Colombian pesos, except the exchange rate and net earnings per share)

Available for Sale - Equity Securities		
Characteristics	Valuation	Entered on the Books
<p>According to Chapter 1-1 issued by the Financial Superintendence of Colombia, investments in subsidiaries, branches, associates and holdings in joint ventures that make the Bank a joint owner of the issuer are part of this category.</p>	<p>As per Article 35 in Law 222 / 1995, investments in subordinates must be entered on the books of the parent or controlling company by the equity method, in the separate financial statements.</p> <p>In cases where the regulations in the Commercial Code or other legal provisions do not foresee the accounting treatment of investments in subsidiaries, branches and associates, and holdings in joint ventures, they must comply with IAS 27, IAS 28 and IFRS 11, among others, as applicable.</p> <ul style="list-style-type: none"> • Equity securities in the National Registry of Securities and Issuers (RNVE): <p>Shares in collective investment funds, private capital funds, hedge funds and mutual funds, among others, and securities issued in the development of securitization processes shall be valued taking into account the value of the unit calculated by the managing company on the day immediately prior to the date of valuation.</p> <ul style="list-style-type: none"> • Equity securities listed only on foreign stock exchanges: <p>These are valued according to the price determined by the valuation pricing service authorized by the Financial Superintendence of Colombia. In the absence of a valuation method, the most recent closing price in the last 5 trading days shall be used, including the valuation day, or the simple average of the closing prices reported during the last 30 days.</p> <p>If traded on more than one foreign stock exchange, that of the market of origin will be used. The price of the security shall be converted into Colombian pesos.</p>	<p>The effect of valuation of the investor's share is recorded in the respective unrealized gain or loss account (OCI) and charged or credited to the investment.</p> <p>Dividends distributed in cash or kind must be registered as income, adjusting the respective unrealized gain or loss account (maximum up to its accumulated value), and, if necessary, also the value of the investment in surplus of that account.</p>

Banco de Bogota S.A.
 Notes to the Separate Financial Statements at December 31, 2015
 (With comparative figures at June 30, 2015)
 (In millions of Colombian pesos, except the exchange rate and net earnings per share)

Available for Sale - Equity Securities		
Characteristics	Valuation	Entered on the Books
	<ul style="list-style-type: none"> • Equity securities listed on foreign securities quoting systems authorized in Colombia: Valued according to the price supplied by the valuation pricing services authorized by the Financial Superintendence of Colombia. • Equity securities not listed on stock exchanges: Valued according to the valuation price determined by the pricing service designated as official for the respective segment. When the pricing service does not have a method for valuing these investments, the acquisition cost is increased or decreased by the percentage the investor holds of subsequent changes in the equity of the issuer, calculated on the basis of certified financial statements at June 30 and December 31 of each year, or the most recent statements, when known. 	

Equity Investments with Changes in Other Comprehensive Income (OCI)

The Bank uses the following to value these investments.

- The price determined by the pricing service designated as official for the corresponding segment may be used to in these cases.
- When the pricing service designated as the official for the corresponding segment does not have a method for valuing these investments, the Bank increases or decreases the acquisition cost according to the investor's ownership percentage of subsequent changes in the issuer's equity.

The change in the issuer's equity is calculated based on the certified financial statements at June 30 and December 31 of each year. However, when the most recently certified financial statements are made known, they are used to determine the change in question.

- In the case of investments in equity securities other than shares of stock, such as private capital funds, hedge funds or mutual funds, among others, the Bank values these investments using the information supplied by the respective management company (value of the unit).

Banco de Bogota S.A.
Notes to the Separate Financial Statements at December 31, 2015
(With comparative figures at June 30, 2015)
(In millions of Colombian pesos, except the exchange rate and net earnings per share)

Investment Reclassification

Investments may be reclassified when the following requirements are met.

Reclassification from Investments Held to Maturity to Trading Investments

Reclassification is possible in any of the following circumstances:

- When the conditions of the issuer, its parent company, its subsidiaries or affiliated parties are seriously impaired.
- When changes in regulations that make it impossible to maintain the investment.
- When mergers or institutional restructuring lead to reclassification or realization of the investment, either to maintain the previous position concerning interest-rate risk or to adjust to the credit risk policy established previously by the resulting entity.
- In the case of other unforeseen events, subject to prior authorization from the Financial Superintendence of Colombia.

Reclassification from Investments Available for Sale to Trading Investments or Investments Held to Maturity

Reclassification is possible in the following circumstances.

- When the significant activities of the business are redefined as a result of situations such as a change in the economic cycle or the market niches where the supervised entity operates, or changes in its appetite for risk.
- When assumptions the business model has defined previously on adjustment in the management of investments materialize.
- When the investor loses its status as a parent or controlling company and this also implies the decision to dispose of investments in the short term, as of that date.
- When the conditions of the issuer, its parent company, its subsidiaries or affiliated parties are seriously impaired.
- When changes in regulations make it impossible to maintain the investment.
- When mergers lead to reclassification or realization of the investment, either to maintain the previous position on interest-rate risk, or to adjust to the credit risk policy established previously by the resulting entity.

When investments available for sale are reclassified as trading investments, the income from the reclassification of such investments must be recognized and maintained in Other Comprehensive Income (OCI) as an unrealized gain or loss, until the respective investment is sold.

When investments available for sale are reclassified as investments held to maturity, the standards on valuing and recording the latter must be observed. Therefore, unrealized gains or losses that are recorded in the OCI account must be cancelled out against the registered value of the investment, since the effect of its fair value will not be realized, given the decision to reclassify the investment as being held to maturity. In this way, the inversion will remain registered as if it had always been classified in the held-to-maturity category. As of that date, it must be valued under the same conditions; that is, at the internal rate of return on the day prior to reclassification.

Investment Repurchase Rights

These are investments that represent the collateral in money market transactions such as repos and simultaneous operations. The Bank preserves the economic rights and benefits associated with the investment and retains all the risks inherent therein, although legal ownership is transferred when the money market operation is carried out.

These securities continue to be valued daily and accounted for in the balance sheet and statement of income, consistent with the methodology and procedure applicable to investments classified as trading, held to maturity and available for sale, according to the category in which they are included prior to acquisition of the repurchase agreement.

Investments Furnished as Collateral

These are investments in bonds or debt securities that are furnished as collateral to support the fulfillment of operations accepted for clearing and settlement by a Central Counterparty Risk Clearing House.

These securities are valued daily and accounted for in the balance sheet and statement of income, consistent with the methodology and procedures applicable to the category in which they were included prior to being furnished as collateral.

Impairment or Losses Due to the Issuer's Risk Classification

The price of trading investments for which no fair value exists on the valuation day, and the price of investments classified as investments held to maturity, as well as equity investments that are valued according to changes in equity, are adjusted on each valuation date based on their credit risk rating. This is done based on the following criteria:

- The rating of the issuer and/or security in question, when it exists.
- Objective evidence that an impairment loss to the value of these assets has occurred or could occur. This criterion applies even for recording a larger impairment than the one resulting from simply using the rating of the issuer and/or security, if required based on the evidence.

The amount of an impairment loss is always recognized in the statement of income for the period, regardless of whether an amount for the respective investment is recorded in Other Comprehensive Income (OCI). However, there are some exceptions; namely, domestic or foreign bonds and/or securities issued or secured by the Colombian government, those issued by the Central Bank of Colombia, and those issued or secured by the Fondo de Garantías de Instituciones Financieras (Financial Institution Guarantee Fund -FOGAFIN).

Impairment of investments in associates and joint ventures is measured and entered on the books according to IAS 36.

Banco de Bogota S.A.
 Notes to the Separate Financial Statements at December 31, 2015
 (With comparative figures at June 30, 2015)
 (In millions of Colombian pesos, except the exchange rate and net earnings per share)

Securities and/or Bonds of Unrated Issues or Issuers

Securities or bonds that are not externally rated or issued by entities that are not classified will be rated as follows.

Category / Risk	Characteristics	Allowances
A – Normal	Complies with the terms agreed on in the stock or security, with adequate ability to pay principal and interest.	None required.
B – Acceptable	Issues with uncertainty factors that could affect the ability to continue to comply adequately with debt service. Moreover, the issuer's financial statements and additional available information reflect weaknesses that could affect its financial position.	In terms of debt securities and/or stocks, the value at which they are entered on the books may not exceed eighty percent (80%) of the net face value of amortization up to the date of valuation. In the case of equity securities and/or stocks, the net value of credit risk allowances (cost less the allowance) entered on the books may not be more than eighty percent (80%) of the acquisition cost.
C – Appreciable	Issues with high or medium probability of defaulting on timely payment of principal and interest. Moreover, the issuer's financial statements and other available information show deficiencies in its financial position that compromise recovery of the investment.	In terms of debt securities and/or stock, the values at which. They are entered on the books may not exceed sixty percent (60%) of the net face value of amortization up to the date of valuation. In the case of equity securities and/or stocks, the net value of credit risk allowances (cost less the allowance) entered on the books may not exceed sixty percent (60%) of the acquisition cost.
D – Significant	Issues that default on the terms agreed in the instrument. In addition, the respective financial statements and other available data show serious weaknesses in the issuer's financial situation.	In terms of debt securities and/or stock, the values entered on the books may not exceed forty percent (40%) of the net face value of amortization up to the date of valuation. In the case of equity securities and/or stocks, the net value of credit risk allowances (cost less the allowance) entered on the books may not exceed forty percent (40%) of the acquisition cost.
E – Uncollectible	Issuers with financial statements and other available data that suggests the investment is uncollectible.	The value of these investments is provisioned in its entirety.

Externally Rated Issues or Issuers

The debt securities or stocks with one or more ratings and debt securities or stocks ranked by external credit rating agencies that are recognized by the Financial Superintendence of Colombia may not be recorded for an amount that exceeds.

Banco de Bogota S.A.
 Notes to the Separate Financial Statements at December 31, 2015
 (With comparative figures at June 30, 2015)
 (In millions of Colombian pesos, except the exchange rate and net earnings per share)

The following percentages of the net face value of amortization prior to the valuation date.

Long-term Rating	Maximum Value %	Short-term Rating	Maximum Value %
BB+, BB, BB-	Ninety (90)	3	Ninety (90)
B+, B, B-	Seventy (70)	4	Fifty (50)
CCC	Fifty (50)		
DD,EE	Zero (0)	5 and 6	Zero (0)

The issuer's rating is used to estimate allowances for time certificates of deposit.

In any case, if the allowances for investments that are classified as "held to maturity" and for which it is possible to establish a fair value are higher than those estimated according to the standard indicated above, the latter shall apply. This allowance pertains to the difference between the registered value of the investment and the fair value, when it is less.

In the event the investment or the issuer is rated by more than one rating agency, the lowest rating is taken into account, provided these ratings were issued within the last three (3) months, or the most recent rating when there is a lapse of more than three (3) months between the two ratings.

ii. Operations with Derivative Financial Instruments

According to International Accounting Standard "IAS 39," a derivative is a financial instrument or other contract whose value changes over the time in response to the changes in an underlying variable (a specified interest rate, the price of the financial instrument, the raw material quoted, a foreign exchange rate, etc.).

It does not require an initial net investment, nor does it require a smaller investment than would be required for other types of contracts from which a similar response to changes in market conditions is expected; and it will be liquidated at a future date.

In the course of its operations, the Bank generally trades in financial markets with financial instruments used for trading, such as forward contracts, futures, swaps and spot transactions, be it for hedging or trading purposes.

All derivative operations are recorded at the moment of the initial transaction and at their fair value. Subsequent changes in fair value are adjusted with debit or credit to the statement of income, as appropriate, unless the derivative is designated as a hedge instrument. If so, it will depend on the nature of hedged item and the type of hedging relationship. The Bank designates derivatives to hedge future changes in the currency exposure of a net investment in a foreign operation and records those changes as follows. The part of the gain or loss on the hedge instrument that determines an effective hedge is recognized in Other Comprehensive Income (OCI), while the inefficient part is recognized in the statement of income for the period. The gains or losses on the hedge instrument that are accumulated under equity will be reclassified in the statement of income at the moment the foreign operation is disposed of all or in part.

At the start of the transaction, the Bank documents the existing relationship between the hedge instrument and the hedged item, as well as the risk-management objective and strategy for undertaking the hedge relationship. It also documents its assessment of the effectiveness of the hedge relationship in offsetting the exchange risk exposure generated by these investments.

Banco de Bogota S.A.
Notes to the Separate Financial Statements at December 31, 2015
(With comparative figures at June 30, 2015)
(In millions of Colombian pesos, except the exchange rate and net earnings per share)

j) Loan Portfolio and Capital Lease Transactions

The provisions established by the Financial Superintendence of Colombia in Chapter II of the Basic Accounting and Financial Circular (CBCF) are applied to accounting treatment of the loan portfolio.

The loans granted under the different authorized categories are recorded. The resources used to extend loans come from the Bank's own resources, from the public in the form of deposits, and from other foreign and domestic sources of funding.

The following transactions are part of the loan portfolio:

- Customer loans
- Assets delivered on lease, provided it classifies as a capital lease according to IAS 17
- Prepayments for the purchase of assets to be delivered under a capital lease
- Assets for placement under a capital lease
- On-going imports of assets to be delivered under a capital lease
- Interest receivable
- Employee loans
- Letters of credit as collateral
- Letters of credit for deferred payment
- Payments on behalf of customers

Financial income from assets delivered under a capital lease is measured based on a constant rate of return on the net financial investment.

Loans are entered on the books at disbursement value, with the exception of portfolio purchases and/or factoring operations, which are recorded at cost.

The balances that were reclassified to the loan portfolio, from other accounts, as provided for in Chapter II of the Basic Accounting and Financial Circular (CBCF), are also taken into account when measuring the allowance.

The loan portfolio is classified into four (4) types of credit, as described below.

Commercial

These are loans granted to individuals or legal entities for the development of organized business activities and are different from loans granted in the microcredit category.

Consumer

These loans, regardless of their amount, are granted to individuals to finance the acquisition of consumer goods or the payment of services for non-commercial or non-business purposes. They are different from loans in the microcredit category.

Banco de Bogota S.A.
Notes to the Separate Financial Statements at December 31, 2015
(With comparative figures at June 30, 2015)
(In millions of Colombian pesos, except the exchange rate and net earnings per share)

Home Mortgages

These loans, regardless of their amount, are granted to individuals for the purchase of a new or existing home, or for the construction of an individual home. According to Law 546 / 1999, home loans are denominated in constant value units (RVU) or Colombian pesos, and are backed by a first mortgage on the property being financed.

The repayment period ranges from a minimum of five (5) years to a maximum of twenty (20). Home loans may be prepaid, all or in part, at any time and without penalty. In the case of partial prepayment, the borrower is entitled to decide if the amount paid will go to reduce the monthly installment or the mortgage repayment period. These loans also have a remunerative rate of interest, which is applied to the outstanding balance denominated in UVRs or in Colombian pesos. Interest is charged in arrears and may not be capitalized. A mortgage may be for as much as seventy-percent (70%) of the value of the property, as determined by the purchase price or by a professional appraisal done within six (6) months before the loan is granted. Loans to finance low-income housing may be for as much as eighty percent (80%) of the value of the property. In all cases, the property being financed must be insured against the risk of fire and earthquake.

Microcredit

These are the loans referred to in Article 39, Law 590/2000, or the regulations that amend, substitute or add to it, and loans made to a micro-business where the primary source of repayment is the income derived from its commercial activities.

The debt balance may not exceed one hundred twenty (120) times the minimum monthly wage (SMMLV) provided for by law at the time the loan is approved. The "debt balance" is understood as the sum of what the micro-business still owes on loans from the financial sector and other sectors, as listed in the records of the database operators consulted by the respective lender, excluding home loans and adding the value of the new loan.

A micro-business is understood as an economic production unit that is operated by a private individual or legal entity and is engaged in activities related to business, farming and livestock, industry, trade or services, be they rural or urban, with a staff of not more than ten (10) workers and total assets amounting to less than five hundred (500) times the current minimum monthly wage.

i. Criteria for Credit Risk Assessment

The Bank continuously assesses the risk inherent in its loan assets. This is done when a loan is granted and throughout the life of the loan, even in cases of restructuring. The Credit Risk Management System (SARC) was designed and adopted specifically for that purpose. It is comprised of credit-risk management policies and processes, reference models to estimate or quantify anticipated losses, a system of allowances to cover credit risk, and procedures for internal control.

Loans are granted on the basis of what is known about the potential borrower, the borrower's creditworthiness, and the terms of the loan agreement to be entered into. Among others, these include the financial terms of the loan, the collateral being provided, the sources of payment, and the macroeconomic conditions to which the borrower might be exposed.

Banco de Bogota S.A.
Notes to the Separate Financial Statements at December 31, 2015
(With comparative figures at June 30, 2015)
(In millions of Colombian pesos, except the exchange rate and net earnings per share)

The loan approval process involves a series of variables established for each of the portfolios.

These variables make it possible to identify borrowers who fit the Bank's risk profile. The segmentation and discrimination processes for loan portfolios and their potential borrowers serve as the basis for their rating. The methods and procedures included in the loan approval process allow the Bank to monitor and control the credit exposure of the various individual portfolios, as well as the aggregate portfolio, thereby avoiding an excessive concentration of lending per borrower, economic sector, economic group, risk factor, etc.

The Bank constantly monitors and ranks its lending operations according to the loan approval process, which is founded on several criteria; namely, information on the historical pattern of portfolios and loans; the particular characteristics of borrowers, their loans and the collateral backing them; the borrower's credit history or reputation with other institutions; financial information that provides an understanding of the borrower's financial situation; and any macroeconomic and sector variables that might affect the normal development of lending operations.

When assessing regional government agencies, the Bank verifies compliance with the provisions outlined in Law 358/1997, Law 550/ 1999 and Law 617 / 2000.

ii. Loan Portfolio Assessment and Reclassification

The Bank evaluates the risk to its loan portfolio, making changes in the respective ratings when justified in light of new analysis or information. It fulfills this obligation by considering the borrower's credit history with other lenders, particularly if the information provided by credit reporting agencies or other sources shows the borrower has any restructured loans at the time of the assessment.

Nevertheless, the Bank assesses and reclassifies the loan portfolio i) when loans fall into arrears after being restructured, in which case they must be reclassified immediately, and ii) during May and November, at the very least, recording the results of the assessment and reclassifying, at the close of the following month, as appropriate.

iii. Credit Risk Rating

Commercial and consumer loans are classified and rated in the appropriate risk category, pursuant to the standards and provisions outlined in Chapter II of Basic Accounting and Financial Circular 100/1995, as detailed in Attachment 3 on application of the Commercial Loan Reference Model (MRC) and Attachment 5, which contains instructions on the Consumer Loan Reference Model (MRCO). Credit risk assessment is based on a variety of criteria; namely, information on the past performance of portfolios and loans, the particular characteristics of borrowers, their credit history with other lenders and their financial information, in addition to the sector and macroeconomic variables indicated below.

Category	Granting	Commercial Loans Granted	Consumer Loans Granted
"AA"	New loans rated "AA" when granted are classified in this category.	Loans with a rating equivalent to "AA" obtained through application of the Commercial Loan Portfolio Model (MRC), as provided for in the respective standard	Loans with a rating equivalent to "AA" obtained through application of the Consumer Loan Portfolio Reference Model (MRCO), as provided for in the respective standard

Banco de Bogota S.A.
 Notes to the Separate Financial Statements at December 31, 2015
 (With comparative figures at June 30, 2015)
 (In millions of Colombian pesos, except the exchange rate and net earnings per share)

Category	Granting	Commercial Loans Granted	Consumer Loans Granted
"A"	New loans rated "A" when granted are classified in this category.	Loans with a rating equivalent to "A" obtained through application of the MRC rating method, as provided for in the respective standard	Loans with a rating equivalent to "A" obtained through application of MRCO rating methods, as provided for in the respective standard"
"BB"	New loans rated "BB" when granted are classified in this category.	Loans with a rating equivalent to "BB" obtained through application of the MRC rating method, as provided for in the respective standard	Loans with a rating equivalent to "BB" obtained through application of the MRCO rating method, as provided for in the respective standard"
"B"	New loans rated "B" when granted are classified in this category.	Loans with a rating equivalent to "B" obtained through the application of the MRC rating method, as provided for in the respective standard	Loans with a rating equivalent to "B" obtained through application of the MRCO rating method, as provided for in the respective standard
"CC"	New loans rated "CC" when granted are classified in this category.	Loans with a rating equivalent to "CC" obtained through the application of the MRC rating method, as provided for in the respective standard	Loans with a rating equivalent to "CC" obtained through application of the MRCO rating method, as provided for in the respective standard
"Default"		Existing loans 150 days or more past due.	Consumer loans more than 90 days past due.

The Bank applies the following table to standardize the commercial and consumer loan portfolio risk ratings in the borrowing reports and in the entries in its financial statements.

Group Category	Reporting Categories	
	Commercial	Consumer
A	AA	AA
B	A BB B	"A" - currently 0-30 days past due "A" - currently 30 days past due BB B
C	CC C	CC C
D	D	D
E	E	E

When the Bank rates customers as being in default, based on the reference models adopted by the Financial Superintendence of Colombia, they are standardized as follows:

Category E = Customers in default with an assigned LGD equal to one hundred percent (100%).

Category D = All other customers rated as being in default.

For the purpose of standardizing the consumer loan portfolio, the "current default" referred to in the foregoing table is understood as the maximum posted by the debtor for aligned products at the evaluation date.

The Bank must rate the debtors in higher risk categories when it has additional risks to justify any such change.

The mortgage and microcredit portfolio is classified as follows, taking loan arrears aging into account.

Banco de Bogota S.A.
 Notes to the Separate Financial Statements at December 31, 2015
 (With comparative figures at June 30, 2015)
 (In millions of Colombian pesos, except the exchange rate and net earnings per share)

Category	Microcredit	Mortgage
"A" Normal Risk	Loans that are current, or up to 1 month past due	Payments up-to-date or up to 2 months past due
"B" Acceptable Risk	Loans more than 1 month but less than 2 months past due	More than 2 months past due, but less than 5 months
"C" Appreciable Risk	Loans more than 2 months but less than 3 months past due	More than 5 months past due, but less than 12 months
"D" Significant Risk	Loans more than 3 months but less than 4 months past due	More than 12 months past due, but less than 18 months
"E" Risk of Non-recoverability	Loans more than 4 months past due	Loans more than 18 months past due

iv. Restructuring Processes

Loan restructuring is understood as any exceptional mechanism implemented through the execution of any legal transaction to alter the originally agreed conditions, in order to appropriately address the debtor's obligation prior to real or potential impairment of its ability to pay. Additionally, agreements signed within the context of Law 550 / 1999, Law 617 / 2000 and Law 1116 / 2006, or the regulations that add to or replace these statutes, are considered restructuring processes, as are extraordinary restructurings and novations.

Tax Reform Act 617/ 2000

In the case of restructuring under the tax and financial reform programs subscribed as per Law 17/ 2000, sovereign guarantees were provided for loans contracted by regional government agencies with financial institutions supervised by the Financial Superintendence of Colombia, provided they met the requirements outlined in that legislation and the agreements on fiscal adjustment were entered into before June 30, 2001.

The respective guarantee could be as much as forty percent (40.0%) for loans outstanding at December 31, 1999 and up to one hundred percent (100.0%) in the case of new loans used for tax adjustment purposes.

These restructurings reversed the allowances constituted for the sovereign-secured portion of the restructured debt. The restructured portion not secured by the government kept the rating it had at June 30 2001.

If the restructuring agreement is not fulfilled, the borrower is classified in the category it occupied prior to restructuring, or in a higher risk category.

Borrowers must comply fully with all the terms and conditions outlined in the restructuring agreement in order to improve their rating after restructuring.

If a regional government agency defaults on the agreement, the portion of the outstanding debt not backed by a sovereign guarantee on the date of default is reclassified in risk category "E".

Restructuring Agreements

In the case of loans that were restructured before Law 550/1999 took effect, the Bank suspended interest accrual on the outstanding balance at the onset of restructuring negotiations and maintained the rating assigned to the loan at that particular point in time. However, a customer in risk category "A" was reclassified to at least category "B" and an allowance equal to one hundred percent (100.0%) of all accounts receivable was established.

Banco de Bogota S.A.
Notes to the Separate Financial Statements at December 31, 2015
(With comparative figures at June 30, 2015)
(In millions of Colombian pesos, except the exchange rate and net earnings per share)

When a customer is admitted to the restructuring process under the terms of Law 1116/ 2006, the Bank suspends interest accrual and classifies the customer in a risk category consistent with its situation at the time. If the customer's situation subsequently worsens or the proposed agreement is perceived as not meeting the Bank's expectations, the rating is reviewed and the debt is reclassified in the pertinent risk category. If no agreement is reached, or if the courts order a legal settlement, the client is classified as being "in default".

Restructured loans may keep the rating they had immediately prior to restructuring, provided the restructuring agreement leads to an improvement in the borrower's ability to pay and/or reduces the likelihood of default. If restructuring contemplates grace periods for the repayment of principal, that rating is maintained only when those periods do not extend beyond one (1) year as of the date the agreement is signed.

Loan ratings may improve or the "default" condition may be changed once loans have been restructured, but only if the borrower demonstrates a pattern of regular and effective repayment of principal, pursuant to normal credit behavior, and provided the borrow maintains or improves its ability to pay.

v. Write-offs

A loan that is fully-provisioned (100%) may be written off when the Bank's management believes it is uncollectable or offers only a remote and uncertain possibility of recovery, provided that all possible means of collection have been exhausted, as deemed by agencies specializing in debt collection through the courts and by the Bank's legal counsel.

A write-off does not relieve officers of their responsibilities for having approved and managed the loan, nor does it release them from the obligation to continue efforts to collect it.

The Board of Directors is the only body with the authority to write-off loans that are unlikely to be recovered.

vi. Allowance for the Loan Portfolio and Accounts Receivable

The Bank has a system of allowances to cover credit risk. These allowances are calculated on the outstanding balance by applying the commercial loan portfolio reference model (MRC) and the consumer loan portfolio reference model (MRCO). In the case of the mortgage and microcredit portfolios, the allowance is determined based on the customer's record of arrears.

vii. The Commercial and Consumer Loan Portfolio

The Bank has adopted the commercial and consumer reference models established by the Financial Superintendence of Colombia to estimate the allowances for this portfolio. The allowances in the reference models are calculated as the sum of the "pro-cyclical individual component (PIC)" and the "counter-cyclical individual component (CIC)". The respective methodologies are defined according to the accumulative phase applied by the Bank, which includes indicators related to the loan allowances, efficiency and portfolio growth.

The PIC is the expected loss calculated with matrix A for the entire portfolio; that is, the result obtained by multiplying the debtor's exposure, by the probability of default (hereinafter, PD) for matrix A and the loss given default (hereafter LGD) associated with the debtor's collateral, as established in the respective reference model.

Banco de Bogota S.A.
 Notes to the Separate Financial Statements at December 31, 2015
 (With comparative figures at June 30, 2015)
 (In millions of Colombian pesos, except the exchange rate and net earnings per share)

The CIC is the maximum value between the counter-cyclical individual component in the previous period (t-1), affected by the exposure, and the difference between the expected loss calculated with matrix B and the expected loss calculated with matrix A at the time the allowance (t) is estimated.

The processes used to segment and discriminate the loan portfolios and their potential borrowers serve as a basis for estimating expected losses using the Commercial Loan Portfolio Reference Model (MRC). This model is founded on segments differentiated by the debtors' asset level, pursuant to the following criteria:

Commercial Loan Classification by Asset Level	
Company Size	Asset Level
Large companies	More than 15,000 SSMLV
Medium-sized companies	Between 5,000 and 15,000 SSMLV
Small companies	Under 5,000 SSMLV

All private individuals with commercial loans are grouped into the category of the model labeled "Persons."

The Consumer Reference Model (MRCO) is based on segments differentiated by products and by the lenders that grant these loans. The idea is to preserve the distinctive features of market niches and the products being made available.

The following segments are defined by the Bank for the MRCO:

- General - Vehicles: Loans to purchase vehicles.
- General - Other: Loans to purchase consumer goods other than vehicles. Credit cards are not included in this segment.
- Credit card: Revolving credit to acquire consumer goods with a credit card.

The reference models for the commercial and consumer loan portfolio make it possible to identify the components of expected losses, based on the following parameters.

Probability of Default (PD)

This is the probability that borrowers will default within a 12-month period.

Probability of default is defined according to the following matrices, which were established by the Financial Superintendence of Colombia:

Commercial Loan Portfolio

Rating	Large Company		Medium Company		Small Company		Persons	
	Matrix A	Matrix B	Matrix A	Matrix B	Matrix A	Matrix B	Matrix A	Matrix B
AA	1.53%	2.19%	1.51%	4.19%	4.18%	7.52%	5.27%	8.22%
A	2.24%	3.54%	2.40%	6.32%	5.30%	8.64%	6.39%	9.41%
BB	9.55%	14.13%	11.65%	18.49%	18.56%	20.26%	18.72%	22.36%
B	12.24%	15.22%	14.64%	21.45%	22.73%	24.15%	22.00%	25.81%
CC	19.77%	23.35%	23.09%	26.70%	32.50%	33.57%	32.21%	37.01%
Default	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Banco de Bogota S.A.
 Notes to the Separate Financial Statements at December 31, 2015
 (With comparative figures at June 30, 2015)
 (In millions of Colombian pesos, except the exchange rate and net earnings per share)

Consumer Loan Portfolio

Rating	Matrix A			Matrix B		
	General - Vehicles	General - Other	Credit Cards	General - Vehicles	General - Other	Credit Cards
AA	0.97%	2.10%	1.58%	2.75%	3.88%	3.36%
A	3.12%	3.88%	5.35%	4.91%	5.67%	7.13%
BB	7.48%	12.68%	9.53%	16.53%	21.72%	18.57%
B	15.76%	14.16%	14.17%	24.80%	23.20%	23.21%
CC	31.01%	22.57%	17.06%	44.84%	36.40%	30.89%
Default	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

This is how the probability of migrating between a debtor's current rating and a default rating in the next twelve (12) months is obtained for each debtor-segment in the commercial and consumer loan portfolio, according to the general credit-risk performance cycle.

Loss Given Default (LGD)

Loss give default is defined as the economic loss the Bank would incur if any of the default situations were to occur. The LGD for borrowers in the "default category" would increase gradually, according to the days that transpire after their classification in that category.

Loan collateral is taken into account to calculate the losses expected in the event of default and, therefore, to determine the size of the allowances.

The Bank considers suitable collateral as that which has been duly developed, has a value established on the basis of technical and objective criteria, offers legally effective support for payment of the secured loan, and is reasonably easy to execute.

To evaluate the backing offered and the possibility of realizing each item of collateral, the Bank considers the nature, value, coverage and liquidity of the collateral, as well as the potential cost of its realization and the legal requirements necessary to make it enforceable.

The following is LGD, by type of collateral.

Commercial portfolio

Type of Collateral	LGD	Days past default	New LGD	Days past default	New LGD
Suitable collateral					
Subordinated loans	75%	270	90%	540	100%
Admissible financial collateral	0-12%	0	0%	0	0%
Commercial and residential real estate	40%	540	70%	1080	100%
Assets furnished in real estate leasing	35%	540	70%	1080	100%
Assets furnished in non-real estate leasing	45%	360	80%	720	100%
Collection rights	45%	360	80%	720	100%
Other suitable collateral	50%	360	80%	720	100%
Unsuitable collateral	55%	270	70%	540	100%
Unsecured	55%	210	80%	420	100%

Consumer portfolio

Type of Collateral	LGD	Days past default	New LGD	Days past default	New LGD
Suitable collateral					
Admissible financial collateral	0-12%	0	0%	0	0%
Commercial and residential real estate	40%	360	70%	720	100%
Assets furnished in real estate leasing	35%	360	70%	720	100%

Banco de Bogota S.A.
 Notes to the Separate Financial Statements at December 31, 2015
 (With comparative figures at June 30, 2015)
 (In millions of Colombian pesos, except the exchange rate and net earnings per share)

Type of Collateral	LGD	Days past default	New LGD	Days past default	New LGD
Assets furnished in non-real estate leasing	45%	270	70%	540	100%
Collection rights	45%	360	80%	720	100%
Suitable collateral					
Other suitable collateral	50%	270	70%	540	100%
Unsuitable collateral	60%	210	70%	420	100%
Unsecured	75%	30	85%	90	100%

To equate the different types of collateral furnished in loan agreements with the segments listed above, the Bank classifies them by groups, as follows.

Suitable Collateral:

The following are classified as admissible financial collateral (AFC):

- Cash collateral deposits have a LGD of 0%.
- Stand-by letters have a LGD of 0%.
- Loan insurance has a LGD of 12%.
- Sovereign guarantee (Law 617 / 2000) has a LGD of 0%.
- Collateral issued by guarantee funds that manage government resources have a LGD of 12%.
- Securities issued by financial institutions and pledged as collateral have a LGD of 12%.
- ✓ Commercial and residential real estate
- ✓ Assets furnished under a real estate lease
- ✓ Assets furnished under a non-real estate lease
- ✓ Collection rights (CR)): Collateral that affords the right to charge rent or commercial flows related to the debtor's underlying assets.
- ✓ Other suitable collateral: Collateral not listed in the previous points and the collateral referred to in Law 1676/ 2013 (real estate collateral) are classified in this category.

Unsuitable Collateral: This category includes co-signers, guarantors and payment orders, among others.

Unsecured: All collateral not listed in any of the foregoing sections and all unsecured loans are classified in this category.

Therefore, each debtor will have a different LGD, based on the type of collateral. That LGD will apply to the actual percentage of coverage the collateral represents with respect to the obligation.

Inasmuch as collateral constitutes an important factor in calculating losses, the Bank's policies and criteria applicable to collateral are described below.

viii. Policy on admitting and managing collateral

Collateral constitutes additional support the Bank requires from its customers to reduce the risks inherent in lending. Collateral is not regarded as a payment instrument.

Banco de Bogota S.A.
Notes to the Separate Financial Statements at December 31, 2015
(With comparative figures at June 30, 2015)
(In millions of Colombian pesos, except the exchange rate and net earnings per share)

ix. Policy on requiring additional collateral

- When required according to legal regulations on credit limits.
- Loans maturing in more than three (3) years preferably should have admissible collateral.
- Collateral may not be shared with any of the customer's other creditors, unless shared to the same degree with the Bank's subordinates outside the country, with its affiliates or in syndicated loans.

x. Formalities for constituting collateral when granting loans

- The documents whereby collateral is constituted must adhere to the instructions prepared to that effect by the Legal Department of the Bank.
- The following apply to collateral when constituted:
 - In the case of non-residential property constituting collateral, the value at the time the collateral is furnished is that of a technical appraisal done no more than three (3) years prior.
 - In the case of movable property such as machinery and/or equipment constituting collateral, the value is established according to its age. In other words, if the machinery in question is less than one year old, the value will be the invoiced value for three years; if it is more than one year old, it will be the professionally appraised value on the date the item is furnished as collateral.
 - In the case of movable property such as vehicles constituting collateral, the reference values published by Fasecolda are used or, if unavailable, commercial appraisals published by the Ministry of Transport are used.
 - As for other assets constituting collateral, the value of the collateral at the time it is furnished is the professionally appraised value.

Managing Collateral

- It is the borrower's responsibility to maintain the collateral appropriately. The commercial officer assigned to the customer must verify compliance with this rule by:
 - Supervising the constitution of collateral.
 - Verifying the existence and validity of insurance policies.
 - Verifying the existence of all required documentation and information, and making sure it is filed properly.
- The Collateral Control System facilitates this task by providing:
 - Information on the expiration of insurance policies.
 - Information on documents.

Banco de Bogota S.A.
Notes to the Separate Financial Statements at December 31, 2015
(With comparative figures at June 30, 2015)
(In millions of Colombian pesos, except the exchange rate and net earnings per share)

- The Document Management Center is responsible for the suitable custody of collateral.

Distribution of Collateral

- A loan may be backed by collateral belonging to the borrower or by collateral owned by someone other than the borrower.
- Collateral is allocated for up to one hundred percent (100%) of the outstanding balance on a loan.

Open Collateral

- When collateral covers several borrowers, priority in allocation is given to those with the highest PD.
- When several loans have the same PD, because they pertain to the same borrower, priority in allocation is given to the loan with the largest outstanding balance.
- Collateral pending allocation to the loans it secures is allocated in ascending order of LGD.
- For loans with no deferred payments, the exposed balance of the loan (principal, interest, others) is sent for distribution.
- For loans with deferred payments, the exposed balance of the loan is sent once the deferred payments have been deducted.

Closed Collateral

The indicated loan is covered only up to 100% of the outstanding balance, without exceeding the value of the legal limit of the collateral.

Valuing Collateral

External Circular 043/2011 issued by the Financial Superintendence of Colombia contains instructions on the mandatory assessment of suitable collateral for loans, based on the following criteria.

- Real estate for residential use:

A professional appraisal is required to constitute collateral of this type. The appraisal shall be valid for no more than one (1) year. In the case of new property or property less than one year old that is acquired by a financial institution to enter into a lease, the value at the time the collateral is furnished is either the acquisition value of the property or the value according to a professional appraisal. At the end of that period, the value shall be updated annually, using the following indexes:

- The Urban and Rural Real Estate Index (IVIUR), for real estate located in Bogota D.C.
- The Property Valuation Index, for the rest of the country.

Banco de Bogota S.A.
 Notes to the Separate Financial Statements at December 31, 2015
 (With comparative figures at June 30, 2015)
 (In millions of Colombian pesos, except the exchange rate and net earnings per share)

- Non-residential real estate:

A professional appraisal is required to constitute collateral of this type. In the case of new property or property less than one year old that is acquired by a financial institution to enter into a lease, the value at the time the collateral is furnished is either the acquisition value of the property or the value according to a professional appraisal. The following mechanisms shall be applied, as appropriate, to keep the value of such collateral up to date.

i) For property located in Bogota DC: The initial technical appraisal or the acquisition value, as applicable, shall be valid for one (1) year. After that time, the value must be updated annually by applying the readjustment values in the Urban and Rural Real Estate Index (IVIUR)

ii) For property located outside Bogota DC: The initial technical appraisal or the acquisition value, as applicable, is valid for no more than three (3) years. After that time, a new technical appraisal is required at least every three (3) years to keep the value of the collateral up to date.

- Collateral guarantees on movable property - machinery and equipment

The instructions outlined in paragraphs i) and ii) of this section shall apply, as appropriate, when the machinery and equipment specified in the table below is furnished as collateral.

Type of asset	Useful life (years)
Software	3
Hardware	
Furniture and Fixtures	5
Domestic Electrical and Gas Appliances	
Industrial Machinery and Equipment	10

New machinery and equipment less than one year old: The purchase price shown on the respective invoice shall be used as the value of the collateral, when constituted. This amount shall be valid for one (1) year, after which it shall be updated annually, using the straight line depreciation method and in accordance with the useful life of the respective asset.

Assets more than one year old: The professionally appraised value shall be used as the value of the collateral, when constituted. It shall be valid for one (1) year, after which the value of the collateral shall be updated annually, using the straight line depreciation method and in accordance with the useful life of the respective asset.

Should the asset be subject to amendment or repowering to increase its useful life, a new professional appraisal is required to adjust the value of the collateral. This amount shall be valid for one (1) year, after which it shall be updated annually, using the straight line depreciation method and in accordance with the useful life of the respective asset.

Notwithstanding the foregoing instructions, the entity may choose to assess the collateral covered in this section by having it professionally appraised. Any such assessment shall be valid for one (1) year, after which it shall be updated annually, using the straight line depreciation method and in accordance with the useful life of the respective asset.

- Collateral guarantees on movable property - Vehicles

Vehicles classified in the Fasecolda Price Listing: The value of the respective vehicle shall be the value published in the Fasecolda Price Listing at the time the collateral is constituted and at subsequent monthly updates.

Banco de Bogota S.A.
 Notes to the Separate Financial Statements at December 31, 2015
 (With comparative figures at June 30, 2015)
 (In millions of Colombian pesos, except the exchange rate and net earnings per share)

Vehicles not classified in the Fasecolda Price Listing: The Bank may use the information on commercial appraisals published by the Ministry of Transportation to determine the value of these assets. The value indicated in the respective sales invoice may be used as the initial value of the collateral and it shall be valid for three (3) months. After that period, the value shall be updated in keeping with the value listed in the Fasecolda Price Listing or according to the information on commercial appraisals published by the Ministry of Transportation.

- Securities used as collateral

The value of the collateral is the value supplied by a pricing service authorized by the Financial Superintendence of Colombia.

- Other assets used as collateral

The value of the collateral shall be the professionally appraised value, which shall be updated depending on the particular features of the asset.

Exposed Value of the Asset

In the case of commercial and consumer loans, the exposed value of the asset is understood as the current outstanding principal, interest, accounts receivable for interest and other accounts receivable.

Home Mortgages and Microcredit

General Allowance

The general allowance corresponds to at least one percent (1%) of the total gross portfolio in the case of microcredit and mortgages.

The Bank invariably maintains allowances equal to no less than the following percentages of outstanding balances.

Category	Microcredit		Mortgage		
	Principal %	Interest and Other Items	Secured Principal %	Unsecured Principal %	Interest and Other Items
A – Normal	1	1	1	1	1
B – Acceptable	2	100	3.2	100	100
C – Appreciable	20	100	10	100	100
D – Significant	50	100	20	100	100
E – Uncollectible	100	100	30	100	100

In terms of the mortgage portfolio, if a loan remains in category "E" for two (2) consecutive years, the allowance on the secured portion increases to sixty percent (60.0%). If one (1) additional year passes under these conditions, the allowance on the secured portion increases to one hundred percent (100.0%).

Effect of Suitable Collateral on the Constitution of Individual Allowances

For the purpose of constituting individual allowances, it is understood that a collateral guarantee secures only the principal of a loan. Therefore, the unamortized balance of loans secured with suitable collateral is provisioned according to the following percentages

Banco de Bogota S.A.
 Notes to the Separate Financial Statements at December 31, 2015
 (With comparative figures at June 30, 2015)
 (In millions of Colombian pesos, except the exchange rate and net earnings per share)

For the unsecured portion of mortgage loans, the percentage is applied to the difference between the unpaid balance and one hundred percent (100%) of the value of the collateral. For the secured portion, it is applied to one hundred percent (100%) of the balance of the secured debt.

For microcredit, the percentage is applied to the difference between the unpaid balance and seventy percent (70%) of the value of the collateral. In these cases, depending on the nature of the collateral and the amount of time the loan is past due, only the percentages of the total value of the collateral, as listed in the following tables, are considered for provisioning.

Non-mortgage Collateral	
Time Past Due	Percentage Secured
0 to 12 months	70%
Over 12 months to 24 months	50%
Over 24 months	0%

Mortgage Collateral or Suitable Mortgage Trust Guarantee	
Time Past Due	Percentage Secured
0 to 18 months	70%
Over 18 months to 24 months	50%
Over 24 months to 30 months	30%
Over 30 months to 36 months	15%
Over 36 months	0%

xii. Alignment Rules

The Bank aligns the ratings of its borrowers according to the following criteria.

- Prior to establishing allowances and equating ratings, the Bank conducts a monthly internal alignment for each borrower, placing loans of the same type to the same borrower in the highest risk category.
- By law, Bank is obliged to consolidate its financial statements. Therefore, loans of the same type to the same borrower are assigned to the same risk category.

xiii. Recognition of Income from Yields and Capital Leases

Interest income from the loan portfolio and capital leasing is recognized when accrued.

Suspension of Accrual

When a loan is past due, the Bank suspends the accrual of interest, monetary correction, exchange adjustments and revenue from other items, as per the following table.

Type of Loan	Arrears Over
Commercial	3 months
Consumer	2 months
Mortgage	2 months
Microcredit	1 month

Therefore, the statement of income is not affected until such amounts are actually collected. Until that time, the respective entry is made in the memorandum accounts.

Interest accrual also is suspended from the first day of default on loans for which yield accrual has been suspended in the past.

Banco de Bogota S.A.
Notes to the Separate Financial Statements at December 31, 2015
(With comparative figures at June 30, 2015)
(In millions of Colombian pesos, except the exchange rate and net earnings per share)

In cases where the interest recorded in memorandum accounts or balances written off, including principal, interest and other proceeds, is to be capitalized as a result of restructuring or other types of agreements, it is recorded as a deferred credit and amortized in the statement of income in proportion to the amounts actually received.

o **Special Rule on Allowances for Accounts Receivable (Interest, Monetary Correction, Leasing Payments, Exchange Adjustments and Other Items)**

When the Bank suspends the accrual of interest, monetary correction, exchange adjustments, leasing payments and other income from these items, a full allowance is made for the total amount accrued and not collected under those headings, except in the following cases:

- No allowance is made for operations with items entered under deferred credit, as they are offset in liabilities.
- Customers classified in risk categories "C" or "D" who are subject to accrual, since it is being in arrears that activates suspension of accrual, not their classification. This even includes arrears of one day for repeater offenders.

k) Non-current Assets Held for Sale

Assets the Bank intends to sell, as it expects to recover the carrying amount primarily through sale, rather than through continuous use, and their sale is considered highly likely within a period of not more than one year, are recorded as "non-current assets held for sale". These assets are recorded at their book value at the time they are transferred to this account or at their fair value, less estimated sales costs, whichever is lower. The difference between these two amounts is recognized in income.

Assets not sold within that period are reclassified to the categories where they originated (investment property, property, plant and equipment, other assets, etc.).

The Bank does not depreciate (or amortized) a non-current asset, as long as it is classified as "held for sale" or while it is part of a group of assets for disposal that is classified as "held for sale". However, the Bank continues to recognize interest and other expenses attributable to the liabilities of a group of assets for disposal that is classified as "held for sale".

Impairment losses due to initial or subsequent reductions in the value of the asset (or the group of assets for disposal) up to fair value, less sale costs, are recognized in the statement of income.

A gain from any subsequent increase derived from measuring the fair value of an asset, less sale costs, is recognized, but without exceeding the cumulative impairment loss that has been entered on the books.

Foreclosed Assets

The value of assets received by the Bank through foreclosures on outstanding loans in its favor is registered in this account.

Foreclosed real estate is accepted on the basis of a professional commercial appraisal. Movable assets, shares of stock and equities are accepted at their market value.

Banco de Bogota S.A.
Notes to the Separate Financial Statements at December 31, 2015
(With comparative figures at June 30, 2015)
(In millions of Colombian pesos, except the exchange rate and net earnings per share)

The following are the conditions for recording assets received through foreclosure:

The initial entry is based on the value decided by the courts or agreed on with the debtors, taking into account its fair value. The resulting differences are recorded as an expense changed to the statement of income or as an account payable to the debtor, as applicable.

Regardless of their classification (as loans, investments, investment property, non-current assets held for sale or other assets), the allowance for foreclosures is calculated as instructed by the Financial Superintendence of Colombia, pursuant to Chapter III of the Basic Accounting and Financial Circular. In this case, the intention of the allowance is not based on asset value impairment, but on preventing risk and preserving the Bank's equity, as explained below:

Allowances for Foreclosures

Real Estate

Individual allowances are constituted using the model developed by the Bank and approved by the Financial Superintendence of Colombia. The model estimates the maximum loss expected on the sale of foreclosed real estate, according to the history of recoveries on assets sold and including expenses incurred in the receipt, upkeep and sale of such properties, which are grouped into common categories to estimate the base allowance rate. This rate is adjusted by a factor that takes into account the time transpired between receipt of the asset and until eight percent (80%) of the allowance is achieved within a maximum period of forty-eight (48) months.

However, in the event an extension is not requested prior to expiration of the deadline for disposal of the property, or if an extension is not granted, the Bank must constitute an additional allowance of up to 80% of the value of the foreclosed asset. This is done pursuant to its internal models and once two (2) years have passed.

Movable Assets

Within one year after receipt of a foreclosed asset, an allowance is constituted that estimates the maximum loss expected on the sale of such assets, based on the history of recoveries on assets sold and including expenses incurred in the receipt, upkeep and sale of foreclosed assets, which are grouped into common categories to estimate the base allowance rate. This rate is adjusted by a factor that considers the time transpired between receipt of the asset and until one hundred percent (100%) of the allowance is achieved. However, if an extension is not requested or not granted prior to the legal deadline for disposal of an asset, an additional allowance of up to one hundred percent (100%) of the value of the asset is constituted after two years have passed.

Notwithstanding the aforementioned rules on allowances, foreclosed movable assets in the form of investment securities are valued according to the respective criteria outlined in Chapter I of the Basic Accounting and Financial Circular, taking into account their classification as securities for trading, available for sale or held to maturity.

The allowance for foreclosed assets or assets returned in capital leasing operations is recovered when the assets in question are sold for cash. If they are sold on credit, placed in the loan portfolio or used in capital leasing operations, the income they generate is deferred during the term agreed for the operation in question.

Banco de Bogota S.A.
Notes to the Separate Financial Statements at December 31, 2015
(With comparative figures at June 30, 2015)
(In millions of Colombian pesos, except the exchange rate and net earnings per share)

Rules on the Legal Deadline for Sale

Assets received through foreclosure are to be sold within two (2) years of the date of their receipt.

The Bank may ask the Financial Superintendence of Colombia to extend the deadline for the disposal of foreclosed assets. However, regardless of the situation, the respective request must be submitted before the legal deadline expires. It also must demonstrate it has been impossible to sell the asset, despite diligent efforts to that effect. In any case, the deadline may not be extended for more than two (2) years as of the date the initial deadline was set to expire. During the extension period, efforts to dispose of these nonperforming assets must continue.

I) Investment Properties

According to International Accounting Standard (IAS) 40, investment properties are defined as land or buildings, considered all or in part, the Bank owns to obtain rent, asset valuation or both, as opposed to owning them for its own use.

Investment properties are initially measured at cost. This includes:

- a) Their purchase price, including import costs and non-deductible taxes, minus commercial discounts.
- b) Any cost directly attributable to bringing the asset to the location and the necessary conditions for its correct and appropriate operation.

Some assets may have been acquired in exchange for one or several non-monetary assets. In such cases, the cost of said assets shall be measured by their fair value, except when:

- a) The exchange transaction is not of a commercial nature.
- b) The fair value of the received or delivered asset cannot be measured reliably.

If the asset is classified as investment property and was acquired under a capital lease, the initial cost pertains to the lesser amount between the fair value and the present value of the minimum lease payments, as per International Accounting Standard (IAS) 17.

The cost will cease to be recognized when the item is at the location and in the necessary conditions for its operation are in place.

Up until June 30, 2015, the Bank used the cost model for subsequent registration of its investment properties. However, during the second half of 2015, it exchanged that accounting policy for the fair value model for subsequent measurement, with adjustments for the 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 is not considered to be significant.

m) Property, Plant and Equipment

Property, plant and equipment include owned or leased assets the Bank maintains for its current or future use and expects to use for more than one fiscal year.

Banco de Bogota S.A.
 Notes to the Separate Financial Statements at December 31, 2015
 (With comparative figures at June 30, 2015)
 (In millions of Colombian pesos, except the exchange rate and net earnings per share)

These items are entered on the books at their acquisition cost, less respective accumulated depreciation, and, if appropriate, the estimated losses that result by comparing the net accounting value of each entry to its corresponding recoverable value.

Depreciation is calculated by the straight-line method on the acquisition cost of assets, less their residual value. It is understood that the land on which buildings and other constructions are erected has an indefinite useful life and, therefore, is not subject to depreciation. Depreciation is charged to income and it is calculated based on useful life, as follows.

Account	Useful life
Buildings:	
Foundations - structure and roof	50 to 70 years
Walls and divisions	20 to 30 years
Finishing	10 to 20 years
Equipment and machinery	Between 10 and 25 years
Hardware - IT infrastructure	
PC / Laptops / Mobile Devices	3 to 7 years
Servers	3 to 5 years
Communications	5 to 8 years
Specific amplification equipment	5 to 7 years
ATMs	5 to 10 years
Medium and high-capacity equipment: electrical plant > to 40 KW / UPS > to 30 kVA / Air Conditioning > to 15 T.R.	10 to 12 years
Electrical generator/UPS/Air conditioning in buildings	5 to 10 years
Furniture and fixtures	3 to 10 years
Vehicles	5 to 10 years

The useful life and residual value of these assets are based on independent appraisals, primarily in the case of buildings, or on the opinions of other specialized personnel, and are revised at least at the close of each accounting period.

Expenses for the maintenance and upkeep of property and equipment are recognized as an expense in the period when they are incurred, and are recorded under "Management Costs".

Property, plant and equipment are measured initially at cost. This includes:

- a) Their purchase price, including import costs and non-deductible taxes, minus commercial discounts.
- b) Any cost directly attributable to bringing the asset to the location and establishing the necessary conditions for its correct and appropriate operation.
- c) Disassembly costs: This is the initial estimate of the cost to disassemble and remove the item, as well as to restore the place where it was located.
- d) Loan costs: The costs related to an apt asset (one that necessarily requires a substantial period before being ready for its intended use or sale) are capitalized. In all other cases, they are recognized in the statement of income, as financing costs.

Property, plant and equipment are measured at their cost, less accumulated depreciation and the amount of accumulated losses from value impairment, as applicable.

Banco de Bogota S.A.
 Notes to the Separate Financial Statements at December 31, 2015
 (With comparative figures at June 30, 2015)
 (In millions of Colombian pesos, except the exchange rate and net earnings per share)

The Bank has decided to separate the components of buildings, as follows:

Type of Building	Components / Incidence		
	# 1 Foundations - Structure and Roof	# 2 Walls and Divisions	# 3 Finishing
Commercial buildings			
Commercial premises	30%	18%	52%
Office buildings			
Warehouses	44%	23%	33%

Derecognition

The book value of an item of property, plant and equipment is derecognized when no further associated future economic benefits are expected. The profits or losses from derecognition are recorded in the statement of income.

Impairment of Property, Plant and Equipment Items

When closing out each accounting period, the Bank analyzes whether there are any internal or external indications that a material asset is impaired. If there is evidence of impairment, it analyzes whether or not the impairment actually exists. This is done by comparing the net value of the asset on the books to its recoverable amount (fair value less the costs of owning the asset and its value in use, whichever is greater). When the book value exceeds the recoverable amount, it is adjusted to the recoverable amount by modifying future depreciation charges to bring them in line with the remaining useful life of the asset.

Moreover, when there are indications that the value of a material asset has been recovered, the Bank estimates the recoverable amount of the asset and records it in the statement of income for the period, reversing the impairment loss recorded in previous periods and, consequently, adjusting future charges for its amortization. In no case may the reversal of an asset's loss from impairment assume an increase in its book value above what it would have had if impairment losses had not been recorded in previous periods.

n) Leased Assets

i. Assets Delivered on Lease

Assets the Bank delivers on lease are classified as a capital lease or an operating lease. This classification is determined when the lease agreement is signed. A lease is classified as a capital lease when all the advantages and risks inherent in the property are substantially transferred. A lease is classified as an operating lease if all the advantages and risks inherent in the property are not substantially transferred. Agreements classified as capital leases are included on the balance sheet under "Financial Assets from the Loan Portfolio at Amortized Cost" and are recorded in the same way as all other loans granted by the Bank. Agreements classified as operating leases are included in the account for "Property, Plant and Equipment" and are recorded and depreciated in the same way as these kinds of assets.

ii. Assets Received on Lease

Assets received under a capital lease in which all risks and benefits inherent in ownership of the leased asset are transferred substantially are recorded at the onset of the lease, either at the cash value of the leased property or at the present value of the cash flows provided for in the contract, whichever is less. They are included in the balance sheet as own-use property, plant and equipment or as investment property, according to their objective, and are entered initially on

Banco de Bogota S.A.
Notes to the Separate Financial Statements at December 31, 2015
(With comparative figures at June 30, 2015)
(In millions of Colombian pesos, except the exchange rate and net earnings per share)

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 the minimum lease payments is established by using the interest rate implicit in the lease agreement. If it does not contain a rate, the average interest rate on the bonds the Bank markets is used. Any initial direct cost incurred by the lessee is added to the amount recognized as an asset. The value recorded as a liability is included in the financial liabilities account and is recorded the same way as financial liabilities.

Payments made on operating leases are recorded on a linear basis under income during the term of the lease.

o) Intangible Assets

Bank's intangible assets are non-monetary assets without physical substance. They arise as a result of a legal transaction or are developed internally. Their cost can be estimated reliably, and it is considered probable that future economic benefits will flow to the Bank from these assets

The Bank's intangible assets are treated as follows, from an accounting standpoint.

i. Goodwill

Goodwill represents the price paid in excess of the fair value of the assets and liabilities acquired in a business combination (with some exceptions, where the book value is used). Goodwill is considered to have an indefinite useful life and is not amortized; however, it is subject an annual assessment for impairment. Where there are indications that some of the cash-generating units to which goodwill was allocated might be impaired, the Bank conducts an assessment, through an independent expert, and uses that assessment to determine if any impairment exists. If so, it is recorded against income. Once an impairment loss is recognized, it is not reversed in subsequent periods.

The Bank took advantage of the exemption permitted under IFRS to record goodwill at January 1, 2014 at its book value, pursuant to the previously accepted accounting standards.

ii. Other Intangibles

These consist primarily of computer programs, 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 amortized during their estimated useful life, which is 10 years for computer programs. This estimate is, based on technical opinions and the Bank's experience.

Licenses are defined as an asset with a finite useful life, which is amortized during its useful life. This amortization is recorded on a straight line basis, according to the estimated useful life of the asset. Licenses are amortized in a period of 10 years.

iii. Impairment

When closing out each accounting period, the Bank assesses whether there is any internal or external evidence of impairment. In such cases, it follows the same accounting policy that applies to property, plant and equipment to determine if any impairment loss should be recognized. Any impairment loss or subsequent reversal is recorded in the statement of income.

Banco de Bogota S.A.
Notes to the Separate Financial Statements at December 31, 2015
(With comparative figures at June 30, 2015)
(In millions of Colombian pesos, except the exchange rate and net earnings per share)

Goodwill is tested annually for impairment, using the dividend cash-flow valuation method applied to each of the investments that generated the effects of goodwill. Impairment is recorded in instances where the net present value of future cash flows is less than their book value.

p) Financial Guarantees

An agreement that obliges the issuer to make specific payments to reimburse the creditor for losses incurred when a specific borrower fails to meet its payment obligation according to the terms - original or modified - of a debt instrument, irrespective of its legal structure, is regarded as a "financial guarantee". A financial guarantee can take various forms, such as bonds or financial surety, among others.

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

A financial guarantee, irrespective of the guarantor, instrument or other circumstances, is analyzed regularly to determine the credit risk to which it is exposed and, if necessary, to estimate the need to constitute an allowance for it. Any such allowance is determined by applying criteria similar to those used to quantify impairment losses on financial assets.

Allowances constituted for financial guarantee agreements that are considered impaired are reported under liabilities as "Allowances - Allowances for Contingent Risks and Commitments" and charged to earnings for the period.

Income from guarantee instruments is reported in the "Income from Commissions" account in the statement of earnings for the period, and is calculated by applying the rate established in the respective contract to the nominal amount of the guarantee.

q) Financial Liabilities

A financial liability is any contractual obligation assumed by the Bank to deliver cash or another financial asset to another person or entity, or to exchange financial assets or financial liabilities of the entity.

Financial liabilities are recognized and measured at their amortized cost, provided they pertain to the typical deposit-taking activities of financial institutions. Derivatives are an exception and are measured at fair value, based on evidence supporting compliance with the applicable requirements in IFRS 9.

Amortized cost is understood as the acquisition cost of a financial liability adjusted (more or less, as the case may be) to repayments of principal and the portion systematically recognized in the income statement as the difference between the initial cost and the respective redemption value at maturity.

The amortized cost of financial liabilities, checking accounts, savings accounts, fixed-term certificates of deposits, outstanding investment securities, bonds denominated in domestic currency and borrowing is determined on the basis of the face value of the obligation, including expenses incurred to pay for interest.

Banco de Bogota S.A.
Notes to the Separate Financial Statements at December 31, 2015
(With comparative figures at June 30, 2015)
(In millions of Colombian pesos, except the exchange rate and net earnings per share)

With financial liabilities pertaining to outstanding investment securities and bonds in foreign currency, the transaction costs in financial liabilities that classify as incremental costs are recognized as a liability deduction, and the interest rate in effect is recalculated. On that basis, the respective financial expenditures are recorded in earnings for the period, except in instances where they have been designated as hedging instruments, in which case the respective accounting policy is applied (Note 21). Financial liabilities are derecognized in the statement of financial position only when the obligations they generate have been extinguished.

r) Employee Benefits

The Bank provides the following benefits to its employees as compensation for the services they render.

i. Short-term benefits

These are benefits the Bank expects to settle fully during the twelve months following the end of the reporting period in question. According to Colombian labor law and the Bank's labor agreements, these benefits include severance pay, interest on severance pay, vacation pay, vacation bonuses, legal and discretionary bonuses, assistance and contributions to social security and the payroll taxes paid to government agencies. These benefits are measured at their face value. They accumulate through accrual accounting and are charged to the statement of income.

ii. Post-employment benefits

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

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

The liability for post-employment benefits is determined based on the present value of estimated future payments to employees. These are calculated on the basis of actuarial studies done by the projected unit of credit method, using actuarial assumptions on mortality rates, salary increases and staff turnover, as well as interest rates. The latter are determined based on prevailing bond market returns at the close of national government issues or the returns on high-quality corporate bonds. Under the projected unit of credit method, future benefits to be paid to employees are assigned to each accounting period when the employee renders service. Therefore, the respective cost of these benefits is recorded in the Bank'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 account listing "other comprehensive income".

iii. Other Long-term Benefits

Other long-term benefits include all employee benefits other than short-term employee benefits, post-employment benefits and employee work contract termination benefits. According to the collective bargain agreements and the labor pacts signed by the Bank, these benefits fundamentally pertain to seniority bonuses.

Banco de Bogota S.A.
Notes to the Separate Financial Statements at December 31, 2015
(With comparative figures at June 30, 2015)
(In millions of Colombian pesos, except the exchange rate and net earnings per share)

Liabilities for long-term employee benefits are determined in the same way as the post-employment benefits described above in paragraph ii. The only difference is that changes in actuarial liability due to changes in the actuarial assumptions are also registered in the statement of income.

iv. Work Contract Termination Benefits

Work contract termination benefits are the payments the Bank is required to make when it decides, unilaterally, to terminate an employee's contract or when an employee decides to accept an offer from the Bank in exchange for terminating his or her work contract. These benefits correspond to the number of days of severance pay required under Colombian law, plus other additional days the Bank 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 notice to the employee of the Bank's decision to terminate the contract.
- When allowances for restructuring costs that involve employment termination benefits are recognized

Therefore, if work-contract termination benefits are expected to be settled fully during twelve months after the reporting period in question, the Bank applies the requirements of the policy on short-term employee benefits. However, if work contract termination benefits are not expected to be settled fully within twelve months after the reporting period in question, the Bank applies the requirements of the policy on other long-term benefits for employees.

s) Taxes

i. Income Tax

The income tax expense includes current tax, the so-called Income Tax for Equity (CREE) and deferred taxes. It is recognized in the income statement, except the portion that pertains to items recognized as "Other Comprehensive Income" (OCI).

The details of the policy adopted for each of these items are explained below.

ii. Ordinary Income Tax and CREE

Regular income tax includes taxes that are expected to be paid or charged to taxable income or loss for the year, and any adjustment related to previous years. It is measured using the approved tax rates in effect, or those about to be approved as of the date of the balance sheet. Regular income tax also includes any tax on dividends.

Law 1607 / 2012 created the so-called Income Tax for Equality (CREE). It is levied on income that is obtained and likely to increase equity. It does not include windfall profits or non-taxable income and is calculated according to the tax rates that have been approved.

iii. Deferred Taxes

Deferred taxes are recognized on temporary differences that arise between the tax base for assets and liabilities and the amounts recorded in the financial statements. These differences

Banco de Bogota S.A.
Notes to the Separate Financial Statements at December 31, 2015
(With comparative figures at June 30, 2015)
(In millions of Colombian pesos, except the exchange rate and net earnings per share)

result in amounts that are deductible or taxable when determining fiscal gains or losses in future periods when the asset's carrying value is recovered or the liability is settled. Nonetheless, deferred tax liabilities are not recorded if: i) they stem from initial recognition of goodwill; ii) if they arise from initial recognition of an asset or liability in a transaction other than a business combination, which at the time of the transaction does not affect accounting or tax gains or losses; and iii) if the deferred tax is calculated using tax rates that are in effect on the date of the balance sheet and are expected to apply when the deferred tax is realized or when the deferred tax liability is offset.

Deferred tax assets are recognized only to the extent that future tax income likely will be available from which to deduct temporary differences.

They are recognized on investments in subsidiaries when the possibility of reversing the temporary difference is controlled by the Bank, and it is not likely to be reversed in the near future. Generally, the Bank 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 tax assets against current tax liabilities and when the deferred tax asset and liability are for income taxed levied by the same tax authority on the same entity or on different entities when there is an intention to offset the balances on a net basis.

iv. Wealth Tax

Law 1739, which was enacted by the Colombian government in December 2014, created a wealth tax payable by all entities in Colombia that have more than 1,000 billion in net worth. For accounting purposes in Colombia, the law stipulates this tax is incurred annually from January 1, 2015 to 2016 and may be charged to the equity reserves in the equity account. The Bank chose to apply this exception and registered the wealth tax incurred in the first half of 2015 as chargeable to its equity reserves.

t) Allowances and Contingencies

Allowances are liabilities of uncertain amount or duration. They are recognized in the statement of financial position if:

- The Bank has an existing obligation (legal or implicit) that can be estimated reliably
- If the obligation is the result of a past event; and
- If it is likely the obligation will have to be settled with resources that embody economic benefits.

The size of the allowance is determined by the best possible estimate. In cases where it is expected to be liquidated in the long term, it is discounted at its present value, provided the discount is significant and the cost of providing this estimate does not exceed the benefits.

An allowance may be used only to cover the expenditure for which it was recognized originally. If the entity has an onerous contract, current obligations arising thereof must be recognized and measured in the financial statements as allowances.

A contingent liability is a potential obligation that is based on past events and may be incurred depending on the outcome of one or more future events that are beyond the control of the Bank.

Banco de Bogota S.A.
Notes to the Separate Financial Statements at December 31, 2015
(With comparative figures at June 30, 2015)
(In millions of Colombian pesos, except the exchange rate and net earnings per share)

Contingent liabilities are recorded on the books and are recognized as allowances to the extent that they become probable obligations.

Allowances are updated regularly, at least at the end of each period, and are adjusted to reflect the best estimate available at the time. The updating of an allowance to reflect the passing of time is recognized in income for the period as a financial expense. In the event an outflow of resources to settle the obligation is no longer probable, the provision is reversed and the contingent liability is disclosed, as appropriate. If there is any change in the estimates, it is accounted for prospectively as a change in the accounting estimate, as per IAS 8 – “Accounting Policies, Changes in Accounting Estimates and Errors”.

u) Income

Income is measured by the fair value of the compensation received or receivable. It represents amounts to be collected for goods or services provided, net discounts, returns, and the value added tax. The Bank recognizes income when its amount can be measured reliably, when it is probable that future economic benefits will flow to the entity, and when the specific criteria for the Bank's activities have been met.

i. Provision of Services

The Bank provides a variety of services. Income from the provision of services 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 the services that will be provided. When services are provided through an undetermined number of actions carried out during a specific period of time, income from ordinary activities is recorded on a straight-line basis throughout the agreed time interval.

ii. Customer Loyalty Programs

The Bank operates a customer loyalty program in which customers accumulate points for purchases made. These points may be redeemed for rewards, pursuant to 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 allocated between the reward points and other components of the sale. In other words, loyalty points are recorded initially as deferred income at fair value. Income from reward points is recorded in the statement of income for the period when these points are redeemed.

iii. Income from Commissions

Commissions are recorded as income in earnings for the period, as follows:

- a) Commissions for banking services, when the respective services are provided.
- b) Credit card commissions are recorded and amortized on a straight-line basis during the period to which they pertain.

a. Net Earnings per Share

Earnings per share are calculated by dividing the net profit or loss attributable to the Bank's shareholders by the weighted average number of common shares outstanding during the period. Diluted earnings per share are determined the same way as net profit, but the weighted average

Banco de Bogota S.A.
Notes to the Separate Financial Statements at December 31, 2015
(With comparative figures at June 30, 2015)
(In millions of Colombian pesos, except the exchange rate and net earnings per share)

number of shares outstanding is adjusted to account for the potential dilutive effect of stock options.

Note 5 – New Pronouncements on Accounting

• **Issued by the International Accounting Standards Board (IASB):**

(a) New Standards and Amendments to Existing Standards – Applicable at July 1, 2015

- i. Annual Improvements to IFRS after December 2015: The following amendments were made by IASB after December 2013 and will be applicable in Colombia as of January 1, 2016.

The following standards and interpretations apply for the first time to the Bank's financial reporting periods commencing on or after July 1, 2015. The application of these accounting standards had no material effects whatsoever on the financial statements of the Bank.

- IFRS 3 – clarifies that an obligation to pay contingent consideration is classified as financial liability or equity under the definitions in IAS 32 and that all non-equity contingent consideration (financial and non-financial) is measured at fair value at each reporting date.
- IFRS 3 – clarifies that IFRS 3 does not apply to the accounting for the formation of any joint venture.
- IFRS 8 – requires disclosure of the judgements made by management in aggregating operating segments and clarifies that a reconciliation of segment assets must only be disclosed if segment assets are reported.
- IFRS 13 confirms that short-term receivables and payables 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 – clarifies that, when an entity receives personnel management services from a third party (a management entity), the fees paid for those services must be disclosed by the reporting entity, but not the compensation paid by the management entity to its employees or directors.
- IAS 40 – clarifies that IAS 40 and IFRS 3 are not mutually exclusive when distinguishing between investment property and owner-occupied property and in determining whether the acquisition of an investment property is a business combination.

(b) IFRS Issued but Still not in Effect

The following standards and interpretations were issued prior to July 1, 2015, but were not mandatory internationally for the annual periods ended at December 31, 2015. The Bank currently is analyzing the possible effects of these new standards and interpretations; however, management does not expect them to have any material impact on the financial statements of the Bank.

Banco de Bogota S.A.
Notes to the Separate Financial Statements at December 31, 2015
(With comparative figures at June 30, 2015)
(In millions of Colombian pesos, except the exchange rate and net earnings per share)

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: Recognition and Measurement and deals with the classification, measurement and recognition of financial assets and liabilities, financial asset impairment and hedge accounting.

La NIIF 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 with changes in income. The respective category is determined at the time of initial recognition. The classification depends on the business model the entity uses to manage its financial instruments and the contractual characteristics of the instrument.

The classification of debt assets will be determined by the entity's business model for managing financial assets and by the contractual cash flow characteristics of financial assets. A debt instrument is measured at amortized cost: a) if the objective of the business model is to hold the financial asset in order to collect the contractual cash flows, and b) if the contractual cash flows from the instrument only represent payments of principal and interest.

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

All movement in financial assets is through the statement of income, except for equity investments that are not held for trading, which may be recorded in the statement of income or under reserves (without subsequent recycling to the statement of income).

In the case of financial liabilities that are measured at fair value, the portion of the change in fair value that is due to changes in credit risk will have to be recognized under "other comprehensive income" as opposed to the statement of income.

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

ii. IFRS 15 Revenue from contracts with customers and associated amendments to various other standards. Effective date: January 1, 2018. The IASB has issued a new standard for the recognition of revenue. It will replace IAS 18, which covers contracts for goods and services, and IAS 11, which covers construction agreements.

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

These accounting changes might affect business practices with regard to systems, processes and controls, bonus and compensation plans, contracts, tax planning and communication with investors.

Entities have the option 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 clarify the accounting for the acquisition of interest in a joint operation where the activities of the operation constitute a business. They

Banco de Bogota S.A.
Notes to the Separate Financial Statements at December 31, 2015
(With comparative figures at June 30, 2015)
(In millions of Colombian pesos, except the exchange rate and net earnings per share)

require an investor to apply the principles of business combination accounting when acquiring a stake in a joint operation that constitutes a business.

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 in question clarify the accounting treatment for the sale or contribution of assets between an investor and its associates or joint ventures. They confirm that the accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitutes 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 asset. Bearer plants must be accounted for as property plant and equipment and measured either at cost or revalued amounts, less accumulated depreciation and impairment losses.

A bearer plant is defined as a living plant that:

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

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

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

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

Banco de Bogota S.A.
Notes to the Separate Financial Statements at December 31, 2015
(With comparative figures at June 30, 2015)
(In millions of Colombian pesos, except the exchange rate and net earnings per share)

- IAS 19 –when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important and not the country where they arise.
 - IAS 34 – refers to 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 the equity method. According to the transitional provisions, the disclosures in IAS 8 regarding the adoption of new standards/accounting policies are not required for these amendments.

- **New Accounting Requirements for Colombia:**

Decree 2420 issued by the national government in December 2015 compiles all the accounting standards the government has issued to date in the process of partial adoption of the International Financial Reporting Standards. Decree 2496, which also was issued in December 2015 and updates the aforementioned decree, provides for the following, among other stipulations. These provisions are applicable to the Bank.

- The International Financial Reporting Standards in force at December 31, 2014 were incorporated into Colombian law, effective as of January 1, 2017. Early application is allowed, with the exception of IFRS 15 - Income from Ordinary Activities from Customer Contracts, which is applicable as of January 1, 2018, while the conceptual framework for financial reporting will be effective from January 1, 2016. This new technical regulatory framework includes, among other standards, the new IFRS 9, which substantially modifies the system of loan portfolio allowances in the consolidated financial statements, the amendments to the application option of using equity method to record investments in subsidiaries in the separate financial statements, the amendments to IAS 41-Agriculture for recording at cost or the revalued cost of long-term crops, and generally all the new pronouncements indicated in Note 5.
- The parameters established in Decree 2783/2001 were determined as those used to measure the post-employment benefit obligations covered in IAS 19. These parameters will be reviewed every three years by the Ministry of Finance and Public Credit. For entities monitored by the Financial Superintendence of Colombia, the same decree establishes an average inflation rate and an interest rate on certificates of deposit (CDs) for the last 10 years to be used in the actuarial calculations of retirement pensions, instead of the current interest rate and the projected rate of inflation, as determined in ISA 19. This amendment will take effect as of 2016.

Use of the equity method to record investments in subsidiaries, pursuant to Article 35 of Law 222/1995, is required under IAS 28. In this respect, on instructions from the Financial Superintendence of Colombia, the Bank was already using the equity method to record investments in its subordinates.

Note 6 – Estimating Fair Value

The fair value of financial assets and liabilities traded in active markets (such as financial assets in the form of debt and equity securities and derivatives quoted actively on securities exchanges and interbank markets) is based on dirty prices supplied by an official pricing service authorized

Banco de Bogota S.A.
Notes to the Separate Financial Statements at December 31, 2015
(With comparative figures at June 30, 2015)
(In millions of Colombian pesos, except the exchange rate and net earnings per share)

by the Financial Superintendence of Colombia. The pricing service determines these prices based on the weighted averages of the transactions that occur during the trading day.

An active market is one where transactions for assets or liabilities are carried out with sufficient frequency and in enough volume to provide a steady stream of information on prices. A dirty price is a bond pricing quote that includes the present value of all future cash flows, plus accrued interest from the date of issue or the last interest payment up to the completion date of the sales transaction. The fair value of financial assets and liabilities that are not listed in an active market is defined using the valuation techniques determined by the pricing service or by the Bank's management.

The Bank calculates the fair value of fixed income instruments and derivatives daily, using price information and / or input supplied by the officially designated pricing service (INFOVALMER Proveedor de Precios para la Valoración S.A.). INFOVALMER S.A. was authorized after complying with the standards applicable to valuation price suppliers in Colombia, including its corporate objective, operating rules, process for approving valuation methodologies and required technological infrastructure, among other aspects. After evaluating the methodologies used by INFOVALMER S.A., it was concluded the fair value calculated for derivatives, based on the prices and input delivered by the pricing service, is adequate.

The Bank is allowed to use models it has developed internally for instruments that do not have active markets. Generally speaking, these models are based on valuation methods and techniques that are standard in the financial sector. Valuation models are used primarily to assess unlisted equity instruments. Some of the input for these models cannot be observed in the market; so, it is 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 Bank's positions. 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 has been determined on the basis of valuations that use discounted cash flow models of the biological asset in question and are calculated by in-house professionals who are well-versed in assessments of this type. The expected cash flow during the entire life cycle of the plantation is determined using the current market price of the fruits of biological assets and the estimated productive life of plants, net of maintenance and harvesting costs and any expenses required to maintain the plant during its production phase. The estimated productive life of plants is calculated according to their age, location and type of produce. The market value of plant produce is highly dependent on its current market price.

The fair value of non-monetary assets such as investment property is determined by independent appraisers, using the replacement cost method.

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 measurement date.
- Level 2 entries are different from the quoted prices at Level 1 and are observable directly or indirectly for the assets or liabilities in question.
- Level 3 entries are not observable for the assets or liabilities in question.

Banco de Bogota S.A.

Notes to the Separate Financial Statements at December 31, 2015

(With comparative figures at June 30, 2015)

(In millions of Colombian pesos, except the exchange rate and net earnings per share)

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. If a measurement of fair value uses observable input that requires a significant adjustment based on unobservable input, it is a Level 3 assessment. Evaluating the importance of a particular entry to the measurement of fair value in its entirety requires professional judgement, with consideration being given to the specific factors of the asset or liability in question. In the case of market-listed financial instruments that are not considered assets, but are valued according to prices quoted on the market, the prices supplied by pricing services or alternative pricing sources supported by observable entries, are classified at Level 2.

The Bank defines observable data as readily available market data that are distributed or updated regularly by a pricing service, are reliable and verifiable, are not subject to copyrights, and come from independent sources that are actively involved in the reference market.

Fair Value Measurements on Recurring Basis

Measurements of fair value 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 Bank's assets and liabilities measured on a recurring basis and by type, within the fair value hierarchy at December 31 and January 1, 2015, are shown below.

	December 31, 2015			
	Level 1	Level 2	Level 3	Total
Assets				
Investments in debt securities for trading				
In Colombian pesos				
Issued or secured by the Colombian government	\$ 72,048	114,067	0	186,115
Issued or secured by other entities of the Colombian government	0	11,015	0	11,015
Issued or secured by other financial institutions	0	75,591	0	75,591
Issued or secured by non-financial entities	0	16,404	0	16,404
Others	0	55,766	0	55,766
In foreign currency				
Issued or secured by other entities of the Colombian government entities	0	21,854	0	21,854
Issued or secured by foreign governments	0	131,615	0	131,615
	72,048	426,312	0	498,360
Investments in debt securities available for sale				
In Colombian pesos				
Issued or secured by the Colombian government	2,271,709	570,559	0	2,842,268
Issued or secured by other entities of the Colombian government	0	7,251	0	7,251
Issued or secured by non-financial entities	0	17,428	0	17,428
In foreign currency				
Issued or secured by the Colombian government	0	114,391	0	114,391
Issued or secured by other financial institutions	11,305	229,107	0	240,412
	2,283,014	938,736	0	3,221,750
Investments in equity instruments for trading				
Investments in equity instruments available for sale				
Trading derivatives				
Currency forwards	0	314,304	0	314,304
Securities forwards	0	29	0	29
Interest rate swaps	0	47,417	0	47,417
Currency swaps	0	35,733	0	35,733
Currency options and others	0	38,414	0	38,414
	0	435,897	0	435,897

Banco de Bogota S.A.
 Notes to the Separate Financial Statements at December 31, 2015
 (With comparative figures at June 30, 2015)
 (In millions of Colombian pesos, except the exchange rate and net earnings per share)

	December 31, 2015			
	Level 1	Level 2	Level 3	Total
Hedging derivatives				
Currency forwards	0	30,647	0	30,647
	<u>0</u>	<u>30,647</u>	<u>0</u>	<u>30,647</u>
Non-financial assets				
Investment properties	0	0	40,536	40,536
	<u>0</u>	<u>0</u>	<u>40,536</u>	<u>40,536</u>
Total assets at fair value, recurring	<u>2,355,062</u>	<u>1,831,592</u>	<u>70,025</u>	<u>4,256,679</u>
Liabilities				
Trading derivatives				
Currency forwards	0	233,020	0	233,020
Securities forwards	0	785	0	785
Interest rate swaps	0	39,792	0	39,792
Currency swaps	0	199,589	0	199,589
Currency options and others	0	6,778	0	6,778
	<u>0</u>	<u>479,964</u>	<u>0</u>	<u>479,964</u>
Hedging derivatives				
Currency forwards	0	310,240	0	310,240
	<u>0</u>	<u>310,240</u>	<u>0</u>	<u>310,240</u>
Total liabilities at fair value, recurring	<u>\$ 0</u>	<u>790,204</u>	<u>0</u>	<u>790,204</u>
	June 30, 2015			
	Level 1	Level 2	Level 3	Total
Assets				
Investments in debt securities for trading				
In Colombian pesos				
Issued or secured by the Colombian government	\$ 543,032	16,743	0	559,775
Issued or secured by other entities of the Colombian government	0	8,671	0	8,671
	<u>0</u>	<u>8,671</u>	<u>0</u>	<u>8,671</u>
Issued or secured by other financial institutions	6,560	118,071	0	124,631
Issued or secured by non-financial entities	0	16,941	0	16,941
Others	0	70,884	0	70,884
In foreign currency				
Issued or secured by the Colombian government	0	8,745	0	8,745
Issued or secured by other entities of the Colombian government	0	18,679	0	18,679
Issued or secured by other financial institutions	11,215	239,267	0	250,482
	<u>560,807</u>	<u>498,001</u>	<u>0</u>	<u>1,058,808</u>
Investments in debt securities available for sale				
In Colombian pesos				
Issued or secured by the Colombian government	2,639,178	628,892	0	3,268,070
In foreign currency				
Issued or secured by the Colombian government	0	97,992	0	97,992
Issued or secured by other financial institutions	23,983	182,451	0	206,434
	<u>2,663,161</u>	<u>909,335</u>	<u>0</u>	<u>3,572,496</u>
Investments in equity instruments for trading	<u>0</u>	<u>0</u>	<u>30,555</u>	<u>30,555</u>
Investments in equity instruments available for sale	<u>0</u>	<u>0</u>	<u>10,859</u>	<u>10,859</u>
Trading derivatives				
Currency forwards	0	264,527	0	264,527
Securities forwards	0	784	0	784
Interest rate swaps	0	33,772	0	33,772
Currency swaps	0	20,091	0	20,091
Currency options and others	0	37,781	0	37,781
	<u>0</u>	<u>356,955</u>	<u>0</u>	<u>356,955</u>
Hedging derivatives				
Currency forwards	0	31,264	0	31,264
	<u>0</u>	<u>31,264</u>	<u>0</u>	<u>31,264</u>
Total assets at fair value, recurring	<u>3,223,968</u>	<u>1,795,555</u>	<u>41,414</u>	<u>5,060,937</u>
	June 30, 2015			

Banco de Bogota S.A.
 Notes to the Separate Financial Statements at December 31, 2015
 (With comparative figures at June 30, 2015)
 (In millions of Colombian pesos, except the exchange rate and net earnings per share)

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Liabilities				
Trading derivatives				
Currency forwards	0	223,842	0	223,842
Securities forwards	0	701	0	701
Interest rate swaps	0	25,072	0	25,072
Currency swaps	0	130,745	0	130,745
Trading derivatives				
Currency options and others	0	7,168	0	7,168
	<u>0</u>	<u>387,528</u>	<u>0</u>	<u>387,528</u>
Hedging derivatives				
Currency forwards	0	367,725	0	367,725
	<u>0</u>	<u>367,725</u>	<u>0</u>	<u>367,725</u>
Total liabilities at fair value, recurring	<u>\$ 0</u>	<u>755,253</u>	<u>0</u>	<u>755,253</u>

Measurements of fair value on a non-recurring basis

The following is a breakdown at December 31, 2015 and June 30, 2015 of the assets that remained assessed at fair value as a result of an impairment evaluation in the use of IFRS standards that are applicable to each account, but do not require a measurement at fair value on a recurring basis.

	<u>December 31, 2015</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial instruments from the collateralized loan portfolio	\$ 0	242,678	0	242,678
Non-current assets held for sale	\$ 0	0	12,193	12,193
<u>June 30, 2015</u>				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial instruments from the collateralized loan portfolio	\$ 0	272,021	0	272,021
Non-current assets held for sale	\$ 0	0	34,619	34,619

Determining Fair Value

According to the methodologies approved for pricing services by the Financial Superintendence of Colombia, the service receives information from all external and internal trading sources, specifically information that is registered within established hours.

To determine fair value at levels 1 and 2 in the fair value hierarchy, each instrument is evaluated, one by one, based on information on the type of calculation reported by INFOVALMER and the expert opinion of the Front Office and the Middle Office. The latter issue an opinion based on aspects such as continuity in the historic publication of prices, the amount in circulation, the record of operations performed, the number of price contributors as a measure of depth, knowledge of the market, continuous quotes for one or more counterparts in a specific security, and bid-offer spreads.

The most common methodologies applicable to derivative instruments are the following.

- Valuation of foreign currency forwards: The price supplier publishes assigned curves, according to the origin currency of the underlying asset. These curves are comprised of nominal rates in arrears associated with exchange rate forwards.
- Valuation of forwards on bonds: For the valuation of forwards at a specific date, the theoretical future value of the bond is calculated, based on its price on the valuation date and the risk-free rate of the reference country of the underlying asset. Then, the present value of the difference between the theoretical future value and the bond price agreed in the forward contract is

Banco de Bogota S.A.
 Notes to the Separate Financial Statements at December 31, 2015
 (With comparative figures at June 30, 2015)
 (In millions of Colombian pesos, except the exchange rate and net earnings per share)

obtained using, for the discount, the risk-free rate of the reference country of the underlying asset at the number of days remaining in the contract.

- Valuation of swap operations: The service publishes the assigned curves, according to the underlying asset; that is, swap base curves (exchange of payments associated with variable interest rates), domestic and foreign curves, and implicit curves associated with exchange forwards.
- Valuation of OTC options: The service publishes the assigned curves, according to the origin currency of the underlying asset; that is, forward exchange curves for the domestic currency in the transaction, implicit curves associated with exchange forwards, swap curves assigned according to the underlying asset, matrix and implicit volatility curves.

The investments classified at Level 3 have significant unobservable entries. Level 3 instruments primarily include investments in equity instruments that are not publically traded.

The Bank has equity investments in a number of entities where its ownership interest is less than 20%. Some of this stake was received as payment for customer obligations in the past and some was acquired because it is needed to develop the Bank's operations and those of its subsidiaries. The Bank's ownership interest in Deceval and Camara Central de Contraparte are two examples of the latter. In general, the companies in this category are not listed on the stock market and, as a result, their fair value at December 31, 2015 was determined with the help of outside consultants who used the discounted cash flow method for this purpose. That method is constructed on the basis of the appraiser's own projections on income, costs and expenses for each entity during a five-year period, using historical information obtained from the companies and their residual value, established with rates of growth in perpetuity determined by the appraisers based on their own experience. These projections and residual values were discounted based on interest rates constructed with the curves from the pricing services, adjusted for estimated risk premiums based on the risks associated with each appraised company.

The following table summarizes the ranges 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	

The following table shows includes a sensitivity analysis of the changes in these variables in the Bank's equity, taking into account that the variations in the fair value of these investments are recorded in equity, since they pertain to investments classified as available for sale.

Company	Variables	Present Value Adjusted by the Discount Rate			
		Published share price	Variation	Favorable impact	Unfavorable impact
ACH Colombia S.A.	Income	23,048.44	+/- 1%	23,654.98	22,593.53
ACH Colombia S.A.	Growth in residual values after five years	23,048.44	+/- 10%	24,413.15	21,835.36
ACH Colombia S.A.	Discount interest rates	23,048.44	+/- 50PB	24,261.51	22,138.63
Cámara de Compensación de Divisas S.A.	Income	7.48	+/- 1%	8	7
Company		Present Value Adjusted by the Discount Rate			

Banco de Bogota S.A.
Notes to the Separate Financial Statements at December 31, 2015
(With comparative figures at June 30, 2015)
(In millions of Colombian pesos, except the exchange rate and net earnings per share)

	Variables	Published share price	Variation	Favorable impact	Unfavorable impact
Cámara de Compensación de Divisas S.A.	Growth in residual values after five years	7.48	+/- 10%	7.84	7.2
Cámara de Compensación de Divisas S.A.	Discount interest rates	7.48	+/- 50PB	7.8	7.24
Deceval S.A.	Income	448,098.38	+/- 1%	454,321.97	441,874.79
Deceval S.A.	Growth in residual values after five years	448,098.38	+/- 10%	468,843.68	427,353.09
Deceval S.A.	Discount interest rates	448,098.38	+/- 50PB	466,769.15	431,502.15
Adjusted Net Value of the Assets					
Company	Methods and Variables	Published share price	Variation	Favorable impact	Unfavorable impact
Central Counterparty Clearing House	Most relevant variable in the asset	0.82	+/-10%	0.88	0.76
Redeban Multicolor S.A	Most relevant variable in the asset	8,167.51	+/-10%	9,602.95	6,902.12
Comparable Multiples / Recent Transaction Price					
Company	Methods and Variables	Published share price	Variation	Favorable impact	Unfavorable impact
Sociedad Portuaria Regional de Buenaventura	EBITDA Value	20,446.57	+/-1%	20,561.44	20,446.57
Sociedad Portuaria Regional de Buenaventura	EBITDA Number of times	20,446.57	+/- 10% (of the number of times)	20,906.05	20,101.97
Sociedad Portuaria Regional de Buenaventura	Net equity - value	20,446.57	+/- 1%	Not applicable – Equity weighted 0%	Not applicable – Equity weighted 0%
Sociedad Portuaria Regional de Buenaventura	Net equity – number of times	20,446.57	10% of the number of times	Not applicable – Equity weighted 0%	Not applicable – Equity weighted 0%
Sociedad Portuaria Regional de Buenaventura	Net profit – value	20,446.57	+/- 5%	20,676.31	20,331.70
Sociedad Portuaria Regional de Buenaventura	Net profit – number of times	20,446.57	10% of the number of times	Not applicable – Equity weighted 0%	Not applicable – Equity weighted 0%

Up until December 31, 2014, the Bank took the attributed cost as the value of these investments; at the time, it did not have reliable information to conduct the valuation process. However, following the valuation at December 31, 2015, it was felt the impact on the Bank's equity at December 31, 2015 would not have been significant even if those valuations had been done.

The fair value of assets in the form of investment property has been determined through appraisals done by independent experts who are sufficiently experienced and knowledgeable about the real estate market or the asset being valued. Usually, these assessments are made with reference to market data or on the basis of the replacement cost when market data is insufficient. This is classified as a Level 3 measurement.

In the case of investment properties, an increase (decrease) of 1% in the market value of these assets would result in a fair value measurement that is \$1,351 higher (lower), as appropriate.

Banco de Bogota S.A.
 Notes to the Separate Financial Statements at December 31, 2015
 (With comparative figures at June 30, 2015)
 (In millions of Colombian pesos, except the exchange rate and net earnings per share)

The Fair Value of Financial Assets and Liabilities Recorded at Amortized Cost for Disclosure Purposes Only

The following describes how financial assets and liabilities were handled to maturity, from an accounting standpoint, and assessed at fair value solely for the purpose of this disclosure.

Fixed-income investments held to maturity: The fair value of fixed-income investments held to maturity was determined using the dirty price supplied by the pricing service. Bonds 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, bonds with an estimated price (the present value of all future cash flows, discounted with the benchmark rate and the respective margin) are classified as a Level 2 valuation.

Loan portfolio: The fair value of the loan portfolio was determined by 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 regarded as a Level 3 valuation.

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

Financial obligations and other liabilities: The book value of financial obligations and other short-term liabilities was taken 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 with 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. For other obligations, it is Level 2.

The following table summarizes the fair values of the Bank's financial assets and liabilities at December 31 and June 30, 2015, recorded at their value at nominal cost or amortized cost solely for disclosure purposes, and their respective book value

Fair value and book value	December 31, 2015		June 30, 2015	
	Book value	Estimate of fair value	Book value	Estimate of fair value
Assets				
Investments held to maturity	\$ 1,126,973	1,111,144	1,102,187	1,080,339
Loan portfolio	47,005,958	49,087,761	45,497,629	47,691,208
Liabilities				
Customer deposits	44,806,317	44,806,844	44,958,660	44,989,160
Financial obligations	\$ 12,922,810	12,990,619	9,830,648	9,888,756

Note 7 – Financial Risk Management

a) Description of Risk Management Objectives, Policies and Processes

The Bank's objective is to maximize returns for its investors, through proper risk management. The following are the principles guiding that effort.

- Provide customers with security and continuity in the services being offered.
- Make risk management a part of every institutional process.

Banco de Bogota S.A.
Notes to the Separate Financial Statements at December 31, 2015
(With comparative figures at June 30, 2015)
(In millions of Colombian pesos, except the exchange rate and net earnings per share)

- Arrive at collective decisions within each of the committees and the Board of Directors on commercial loans and other investment operations.
- Have extensive, in-depth knowledge of the market, based on management's leadership and experience.
- Establish clear risk policies based on a top-down approach with respect to:
- Compliance with know-your-customer policies.
- 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 niches for consumer products.
- Make extensive use of credit rating and scoring models that are updated permanently to ensure a build-up in consumer loans with high credit ratings.
- Follow conservative policies with respect to:
 - Composition of the trading portfolio biased toward less volatile instruments,
 - Proprietary trading operations, and
- Variable remuneration for the trading staff.

b) The Risk Culture

The risk culture at the Bank is based on the principles indicated in the section above. It is conveyed to every unit within the Bank and supported by the following guidelines.

- The authority -delegation structure within the Bank requires that a large number of transactions be sent to decision-making centers, such as the risk or credit committees. The large number and frequency of meetings held by these committees guarantees a high degree of swiftness in resolving proposals and ensures that senior management is constantly involved in managing the various risks.
- The Bank has detailed manuals on procedures and policies for adequate risk management.
- It also has implemented a risk limit system that is updated on a regular basis to address new circumstances in the markets and the risks to which they are exposed.
- Information systems are in place to monitor risk exposure on a recurring basis. The idea, in this respect, is to ensure that approval limits are systematically met and, if necessary, to take proper corrective action.
- The primary risks are analyzed not only when they arise or when problems occur during the normal course of business, but also on a permanent basis.

Banco de Bogota S.A.
Notes to the Separate Financial Statements at December 31, 2015
(With comparative figures at June 30, 2015)
(In millions of Colombian pesos, except the exchange rate and net earnings per share)

- The Bank offers adequate and continuous training courses on the risk culture at every level within the organization.

c) Corporate Structure for Risk Management

According to the guidelines established by the Bank, the corporate structure for risk management is comprised of the following levels:

- Board of Directors
- Risk committees
- Administrative processes for risk management
- Internal Auditing Department

Board of Directors

It is the responsibility of the Board of Directors of the Bank to adopt the following decisions, among others, with respect to proper organization of the risk management system.

- Define and approve general policies and strategies on the internal control system for risk management
- Approve policies on managing the 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 exceeding the established limits.
- Approve different procedures and methods for risk management.
- Approve the allocation of human, physical and technical resources for risk management.
- Create the necessary committees to ensure operations that generate exposure are properly organized, controlled and monitored, and define the duties of such committees.
- Approve internal control systems for risk management.
- Require management to submit periodic reports on the levels of exposure to various risks.
- Evaluate recommendations and corrective actions proposed for risk management processes.
- Conduct monitoring and follow-up at its regular meetings, based on periodic reports submitted to the Auditing Committee on risk management within the Bank and the measures taken to control or mitigate the more relevant risks.
- Approve the nature and scope of the strategic businesses and markets where the Bank will operate.

Banco de Bogota S.A.
Notes to the Separate Financial Statements at December 31, 2015
(With comparative figures at June 30, 2015)
(In millions of Colombian pesos, except the exchange rate and net earnings per share)

The Risk Committees

i. The Treasury and Credit Risk Committee

The Bank has a treasury and credit risk committee, among others. Comprised of members of the Board of Directors, this committee meets regularly to discuss, measure, control and analyze credit risk management (SARC) and treasury risk management (SARM). Its primary duties are to:

- Monitor the Bank's credit and treasury risk profile to ensure the level of risk remains within established parameters, pursuant to the Bank's risk limits and policies.
- Evaluate incursion into new markets and new products.
- Assess policies, strategies and rules of procedure for commercial activities with respect to both treasury and loan operations.
- Ensure the methods for risk management and measurement are appropriate, considering the Bank's characteristics and activities.

ii. The Asset and Liability Committees

The Bank has asset and liability committees (ALCO or ALICO Committee). Their job is to assist senior management in defining policies and limits, in monitoring the control and measurement systems used to guide the management of assets and liabilities, and in liquidity risk management, developed through the different liquidity risk management systems (SARL).

Its main function is to:

- Establish adequate procedures and mechanisms for liquidity risk management.
- Monitor liquidity risk exposure reports.
- Pinpoint the origin of exposure and identify, through sensitivity analysis, the probability of lower returns or the need for resources due to movement in cash flow.

iii. The Auditing Committee

The Bank has committees to evaluate and monitor its internal control system. Their main duties are the following.

- Propose to the Board of Directors, for its approval, the structure, procedures and methods required for the internal control system to operate.
- Evaluate the Bank's internal control structure to determine if the designed procedures reasonably protect its assets and the third-party assets it manages or has custody of, and to verify there are controls in place to ensure that transactions are properly authorized and reported. To that end, mandatory periodic reports, as well as any others that might be required, are submitted to the Auditing Committee by the Statutory Auditor, the Auditing Department and the areas responsible for managing the different risk systems.

Banco de Bogota S.A.
Notes to the Separate Financial Statements at December 31, 2015
(With comparative figures at June 30, 2015)
(In millions of Colombian pesos, except the exchange rate and net earnings per share)

- Monitor risk exposure levels, implications for the organization, and the measures taken to control and mitigate risk.

Administrative Processes for Risk Management

Consistent with its business models, the Bank has structures and procedures concerning the administrative processes to be followed for risk management, which are well defined and documented in manuals. It also has a variety of technological tools to monitor and control risk. These are discussed, in detail, herein.

Internal Auditing Department

The Bank's internal auditing department is independent from management and depends directly on the auditing committees. Pursuant to their assigned duties, these committees conduct periodic assessments of compliance with the policies and procedures the Bank follows to manage risk. Their reports are submitted directly to the risk and auditing committees, which are in charge of monitoring the Bank's management when it comes to the corrective measures taken. The Bank also receives regular visits from the internal auditors to monitor compliance with its risk management policies. Their reports are submitted directly to management and to the Bank's auditing committee.

d) Individual Risk Analysis

The Bank is exposed to a range of financial, operational, reputational and legal risks during the normal course of its business.

The financial risks include: i) market risk (trading and price risks, as explained later), and ii) structural risks posed by the make-up of the Bank's statement of financial position with respect to assets and liabilities. The most important ones, in this respect, are the risk of fluctuation in the exchange rate, liquidity risk and interest rate risk.

The following is an analysis of each of these risks.

e) Credit Risk

The Bank assumes credit risk daily on two fronts. One involves lending, which includes commercial, consumer, mortgage and microcredit operations. The other is treasury activity; namely, 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 equivalent and, therefore, the criteria applied to manage that risk are the same.

The principles and rules on managing loans and credit risk are outlined in our Loan Manual, which is conceived for traditional banking activity, as well as treasury operations. The assessment criteria applied to measure credit risk follow the principal guidelines established by the Credit and Treasury Risk Committee.

The highest authority on credit is the Board of Directors of the Bank. It approves operational and counterparty limits, according to a defined set of attributes. Risk control is exercised essentially through three mechanisms: annual allocation of operational limits and daily control; regular assessment of solvency per issuer; and reporting on the concentration of investments, by economic group.

Banco de Bogota S.A.
 Notes to the Separate Financial Statements at December 31, 2015
 (With comparative figures at June 30, 2015)
 (In millions of Colombian pesos, except the exchange rate and net earnings per share)

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

Consolidated Credit Risk Exposure

The Bank 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 Bank's exposure to credit risk is a result of its loan activities and transactions with counterparties that result in the acquisition of financial assets.

The maximum exposure to credit risk is reflected in the book value of the financial assets listed in the statement of financial position at December 31 and June 30, 2015, as indicated below:

	December 31, 2015	June 30, 2015
Assets		
Deposits in banks other than the Central Bank of Colombia (Banco de la República)	\$ 3,894,701	2,369,858
Financial instruments available for sale		
Government	2,963,911	3,366,062
Financial entities	240,412	206,434
Other sectors	17,428	0
Investments in equity instruments	29,231	10,859
	<u>3,250,981</u>	<u>3,583,355</u>
Financial instruments held to maturity		
Government	1,126,973	1,102,187
	<u>1,126,973</u>	<u>1,102,187</u>
	<u>466,544</u>	<u>388,219</u>
Derivative instruments		
Loan portfolio		
Commercial	37,320,692	36,518,044
Consumer	8,984,595	8,446,204
Mortgage portfolio	1,952,294	1,670,252
Microcredit	373,348	355,213
Other accounts receivable	944,898	567,590
	<u>49,575,827</u>	<u>47,557,303</u>
Total financial assets with credit risk	<u><u>58,315,026</u></u>	<u><u>55,000,922</u></u>
Financial instruments with credit risk - off-balance sheet at their face value		
Financial collateral and guarantees	2,136,754	1,905,567
Credit limits	5,715,620	5,134,508
Total exposure to off-balance sheet credit risk	<u><u>7,852,374</u></u>	<u><u>7,040,075</u></u>
Total maximum exposure to credit risk	<u><u>\$ 66,167,400</u></u>	<u><u>62,040,997</u></u>

The impact of netting assets and liabilities to potentially reduce exposure to credit risk is not significant. In the case of collateral and commitments to extend the amount of a loan, the maximum exposure to credit risk is the amount of the commitment. See Note 11 to that effect.

Credit risk is mitigated through guarantees and collateral, as described below:

Banco de Bogota S.A.
 Notes to the Separate Financial Statements at December 31, 2015
 (With comparative figures at June 30, 2015)
 (In millions of Colombian pesos, except the exchange rate and net earnings per share)

Credit Risk Mitigation, Collateral and Other Improvements in Credit Risk

In cases defined as such, the Bank's maximum exposure to credit risk is reduced through collateral and other credit enhancements, which lower 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 Bank's policies on credit risk require, first and foremost, an assessment of the debtor's ability to pay and its capacity to generate sufficient sources of funding to enable debt repayment.

The methods employed 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 assessed from a legal standpoint and developed pursuant to the parameters for its provision and in accordance with applicable legislation.

The details of collateral received to secure loans granted by the Bank and its financial subsidiaries at the consolidated level are listed in Note 11.

Policies to Prevent Excessive Concentrations of Credit Risk

The Bank maintains maximum risk-level concentration rates to prevent excessive concentrations of credit risk at the individual level and in economic sectors. The limit to its exposure in a loan commitment to a specific customer depends on the customer's risk rating.

By law, Banks in Colombia are not allowed to grant individual loans for more than 10% of their regulatory capital, which is calculated according to a set of rules established for this purpose by the Financial Superintendence of Colombia, provided the loan does not have what is considered acceptable collateral in light of the legal standards. However, individual loans may be up to 25% of the Bank's regulatory capital, if they are secured with acceptable collateral.

See Note 11 for details on credit-risk concentration in distinct geographical areas, determined by the debtor's country of residence, without taking into account the allowances made for borrower credit-risk impairment. Note 11 also shows the loan portfolio, by economic sector.

Sovereign debt

Investments in financial assets in the form of debt instruments at December 31 and June 30, 2015 consist largely of securities issued or secured by the Colombian government or by foreign governments. These account for 65.7% and 70.2% of the total portfolio, in that order.

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

	December 31, 2015		June 30, 2015	
	Value	Share	Value	Share
Investment grade (1)				
Colombia	\$ 3,152,100	99.0%	3,994,095	99.3%
USA	31,866	1.0%	29,228	0.7%
Total sovereign risk	\$ 3,183,966	100.0%	4,023,323	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.

Banco de Bogota S.A.
Notes to the Separate Financial Statements at December 31, 2015
(With comparative figures at June 30, 2015)
(In millions of Colombian pesos, except the exchange rate and net earnings per share)

The Process of Granting Counterparty Loans and Limits

The Bank has its Credit Risk Management System (SARC)), which is run by the Office of Credit and Treasury Risk Management. Among its functions, SARC focuses on designing, implementing and assessing the risk policies and tools defined by the Credit and Treasury Risk Committee and the Board of Directors.

Credit management follows policies that are clearly defined by the Board of Directors. These policies are reviewed and modified regularly to reflect changes and expectations in the markets where the Bank is active, as well as regulations and other factors to be considered when formulating such policies.

The Bank has several different models it uses to assess credit risk. There are financial rating models for the loan portfolio. These are based on the customer's financial information and its financial history with the Bank or with the financial system in general. There are scoring models for massive portfolios (consumption, housing and microcredit), which are based on information regarding behavior towards the Bank and the financial system, as well as sociodemographic and customer profile variables. In addition, the financial risk of the operation is analyzed based on the debtor's ability to pay and to generate future funds.

The Credit-risk Monitoring Process

The Bank's credit-risk monitoring process is conducted in several stages. These include daily monitoring and management of collections, based on an analysis of the non-performing portfolio, by age; classification by risk level; continuous monitoring of high-risk customers; a restructuring process; and the receipt of foreclosed assets.

Banco de Bogota evaluates the risk posed by each of its debtors. This is done monthly, according to their financial information and/or performance. Based on that information, it classifies customers into one of five risk levels: A- Normal, B- Subnormal, C-Deficient, D-Doubtful and E- Uncollectible.

In the case of consumer loans, all the elements in the credit cycle are analyzed continuously, from design and origination to the collection process and cross-selling. The Bank has a set of standard reports and a series of committees for regular monitoring and follow-up in this respect.

For commercial loans, the Bank assesses portfolio concentration quarterly in 25 economic sectors, and evaluates the level of risk in each of them.

It also has a system of financial alerts that lead to individual customer analysis in situations of possible increased credit risk. These studies are analyzed in evaluation committees that meet periodically. Delinquency, risk, the coverage of allowances and loan concentration levels are monitored continuously through a system of reports that are conveyed to senior management.

See Note 11 for details on distribution of the non-performing portfolio at December 31 and June 30, 2015, by age and risk classification.

Calculating Allowances

The process of calculating allowances follows the set of guidelines established to that effect by the Financial Superintendence of Colombia, as outlined in Chapter 2 of the Basic Accounting and Financial Circular, specifically Attachment 3 on commercial loans (Reference Model for the

Banco de Bogota S.A.
 Notes to the Separate Financial Statements at December 31, 2015
 (With comparative figures at June 30, 2015)
 (In millions of Colombian pesos, except the exchange rate and net earnings per share)

Commercial Portfolio), Attachment 5 on consumer loans (Reference Model for the Consumer Portfolio) and Attachment 1 on home mortgages and microcredit (General System of Loan Assessment, Rating and Provisioning).

Restructuring Credit Operations Due to Debtor's Financial Problems

The Bank periodically restructures the debts of customers who have problems fulfilling their loan obligations. This restructuring process is done at the borrower's request and usually consists of extending terms, lowering interest rates or forgiving part of the debt, depending on the customer's needs. The fundamental policy on granting this sort of refinancing is to provide the customer with the debt payment conditions required to adapt to a new situation for generating funds, based on financial feasibility.

When a loan is restructured because the debtor has financial problems, it is flagged in the Bank's files as a restructured loan, pursuant to the regulations established in that respect by the Financial Superintendence of Colombia. The restructuring process has a negative impact on the debtor's credit risk rating. After restructuring, the customer's risk rating will improve only if the customer complies with the terms of the agreement, within a reasonable period of time, and its new financial situation is adequate, or additional and sufficient collateral is provided.

Under 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.

	<u>December 31, 2015</u>	<u>June 30, 2015</u>
Local	\$ 1,326,071	1,250,016
Total restructured loans	\$ 1,326,071	1,250,016

Receipt of Foreclosed Assets

When persuasive collection or loan restructuring processes do not produce satisfactory results within a reasonable amount of time, collection is carried out through legal means or agreements are reached with the customer to receive foreclosed assets. The Bank has a set of clearly established policies for receiving foreclosed assets and has separate departments that specialize in handling these cases, in receiving foreclosed assets, and in managing their subsequent sale.

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

	<u>December 31, 2015</u>	<u>June 30, 2015</u>
Foreclosed assets	\$ 20,171	10,820
Sold assets	\$ 10,874	4,276

f) Market Risk

Market risk is defined as the potential loss the Bank faces as a result of adverse fluctuations in prices or market rates, such as interest rates, exchange rates, and other factors that affect the value of the products it markets.

Banco de Bogota S.A.
 Notes to the Separate Financial Statements at December 31, 2015
 (With comparative figures at June 30, 2015)
 (In millions of Colombian pesos, except the exchange rate and net earnings per share)

The Market Risk Management System (SARM) allows the Bank to identify, measure, control and monitor the market risk to which it might be exposed, according to the positions assumed in carrying out its operations.

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

	December 31, 2015	June 30, 2015
Assets		
Financial debt assets		
Trading	\$ 498,360	1,058,808
Available for sale	3,221,750	3,572,496
	<u>3,720,110</u>	<u>4,631,304</u>
Trading derivatives	435,897	356,955
Hedging derivatives	30,647	31,264
	<u>4,186,654</u>	<u>5,019,523</u>
Total assets		
Liabilities		
Trading derivatives	479,964	387,528
Hedging derivatives	310,240	367,725
	<u>790,204</u>	<u>755,253</u>
Total liabilities		
Net position	<u>\$ 3,396,450</u>	<u>4,264,270</u>

i. Nature and Scope of the Risks Posed by Financial Instruments

- Interest Rate Risk

The treasury portfolios are exposed to interest-rate risk when their value depends on the level of certain interest rates in the financial market.

- Exchange Rate Risk

Both the bank book and treasury book are exposed to exchange risk when their value depends on the level of certain foreign exchange rates in the financial market.

ii. A Description of Risk Exposure

- Interest Rate Exposure

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

- Exchange Rate Exposure

The treasury portfolios are exposed to exchange risk when the actual value of the asset positions in each currency does not match the actual value of the liability positions in the same currency, and the difference is not offset. Positions are taken in derivative products where the underlying asset is exposed to exchange risk and the sensitivity of the value to variations in exchange rates has not been immunized completely. Positions are taken at interest rate risk in currencies other

Banco de Bogota S.A.
Notes to the Separate Financial Statements at December 31, 2015
(With comparative figures at June 30, 2015)
(In millions of Colombian pesos, except the exchange rate and net earnings per share)

than the reference currency; these can alter the parity between the value of asset positions and the value of liability positions in said currency, which generates losses or profits, or when the margin depends directly on the exchange rates.

iii. Description of Risk Management Objectives, Policies and Processes

The Bank participates in monetary, exchange and capital markets in an effort to meet its needs and those of its customers. This is done according to well established policies and risk levels. In that regard, it manages various portfolios of financial assets within the permitted limits and risk levels.

The risks assumed in bank book and treasury book operations are consistent with the institution's overall business strategy and its appetite for risk, based on the depth of the markets for each instrument, its impact on risk-weighted assets and the capital adequacy level, the profit budget established for each business unit, and the structure of the balance sheet.

Business strategies are established in light of approved limits, seeking a balance in the profit/risk ratio. There also is a structure of limits that is congruent with the Bank's overall philosophy, based on the extent of its capital, the performance of earnings, and its tolerance for risk.

iv. Market Risk Management

The Bank's senior management and its Board of Directors play an active role in risk management and control, by analyzing an established protocol of reports and presiding over a number of committees. This represents a combined and comprehensive effort to monitor - both technically and fundamentally - the different variables that influence markets at internal and external levels and is a way to support strategic decisions.

Furthermore, analyzing and monitoring the various risks incurred by the Bank in its operations is fundamental to making decisions and assessing results. On the other hand, a permanent analysis of macroeconomic conditions is essential to achieving an ideal combination of risk, return and liquidity.

The risks assumed in the Bank's operations are reflected in a framework of limits to its positions in different instruments. These limits are based on the specific strategy of the institution, the depth of the markets where it operates, the impact on risk-weighted assets and capital adequacy levels, and the structure of its balance sheet. These limits are monitored daily and reported weekly to the Board of Directors.

The Bank also implements hedging strategies to minimize the risks associated with interest rates and exchange rates for some of the items on its balance sheet. It does so by taking positions in derivative instruments such as non-deliverable TES forwards, simultaneous operations and exchange forwards.

According to the Bank's risk management strategy, exposure to exchange risk generated by investments in affiliates and agencies abroad is hedged through a combination of "non-derivative" instruments (USD denominated debt) and "derivative" instruments (a portfolio of dollar - peso forwards). From an accounting perspective, these instruments are treated as hedges and all respective requirements are met.

Banco de Bogota S.A.
Notes to the Separate Financial Statements at December 31, 2015
(With comparative figures at June 30, 2015)
(In millions of Colombian pesos, except the exchange rate and net earnings per share)

v. Risk Measurement Methods

Market risks are quantified through the use of value-at-risk models (internal and standard), and measurements are made by the historical simulation method. The Board of Directors approves a framework of limits, based on the value-at-risk associated with the annual budget for earnings, and sets additional limits depending on the type of risk in question.

The Bank uses the standard model to measure, control and manage market interest and exchange risk and share price risk in the treasury and bank books, as required by the Financial Superintendence of Colombia, pursuant to Chapter XXI of the Basic Accounting and Financial Circular. These exercises are performed daily and monthly for risk exposure. At present, asset and liability positions in the treasury book are mapped by zones and bands, according to the duration of the portfolios, the investment in equity securities and the net position in foreign currency (asset, less liability). This is done for both the bank book and the treasury book, in line with the standard model recommended by the Basel Committee.

The Bank also has parametric and non-parametric internal management models that are based on the value-at-risk (VaR) method. These models contribute to market-risk management by being used to identify and analyze variations in risk factors (interest rates, exchange rates and price indexes) with respect to the value of the different instruments in the Bank's portfolios. One of these models is JP Morgan Risk Metrics; the other is the historical simulation method.

Use of these methods has made it possible to estimate profits and capital at risk. This, in turn, facilitates resource allocation to the various business units, as well as a comparison of activities in different markets and identification of the positions that pose the most risk to the treasury business. These tools also are used to set limits on traders' positions and to review positions and strategies quickly, as market conditions evolve.

The methods used to measure VaR are assessed regularly and back-tested to check their efficiency. The Bank also has tools to carry out portfolio stress and/or sensitivity tests, using simulations of extreme scenarios.

Furthermore, it has set limits according to the "type of risk" associated with each of the instruments that make up the different portfolios (sensitivity or impact on portfolio value as a result of fluctuations in interest rate or respective factors - impact of variations in specific risk factors: interest rate (Rho), exchange rate (Delta) and volatility (Vega)).

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

There also is a process to monitor the clean prices in the international vector (fixed-income bonds issued abroad) published by Infovalmer. This is done daily to identify prices with significant differences between those provided by the pricing service and those observed on the Bloomberg platform. Monitoring of this sort is intended to give the pricing service feedback on the more significant price differences and to prompt their revision.

Fixed income bonds issued abroad also are subject to a qualitative analysis of liquidity to determine the depth of the market for instruments of this type and to identify their hierarchy or fair value.

Banco de Bogota S.A.
 Notes to the Separate Financial Statements at December 31, 2015
 (With comparative figures at June 30, 2015)
 (In millions of Colombian pesos, except the exchange rate and net earnings per share)

Finally, part of the effort to monitor operations includes controlling the different aspects of trading, such as negotiated terms, unconventional or off-market operations, operations with related parties, etc.

vi. Quantitative Data

According to the standard model, market value at risk (VaR) at 31 December and June 30, 2015 came to \$ 308,340, with an effect of 104 basis points on the Bank's individual solvency ratio. The following is a summary of the Bank's VaR indicators for the second half of 2015 and first half of 2015.

Maximum, Minimum and Average VaR

Second Half of 2015

	Minimum	Average	Maximum	Latest
Interest rate in pesos	270,717	305,089	325,521	270,717
Interest rate in foreign currency	14,356	18,609	20,757	18,156
Interest rate in UVR	<u>132</u>	<u>511</u>	<u>1,372</u>	<u>132</u>
Exchange rate	14,804	36,861	60,213	18,825
Shares of stock	472	550	574	472
Mutual funds	38	2,276	4,525	38
Total VaR	<u>308,340</u>	<u>363,895</u>	<u>410,012</u>	<u>308,340</u>

Maximum, Minimum and Average VaR

First Half of 2015

	Minimum	Average	Maximum	Latest
Interest rate in pesos	310,648	322,061	356,772	310,648
Interest rate in foreign currency	8,345	11,937	16,082	9,783
Interest rate in UVR	236	2,519	6,994	676
Exchange rate	3,989	18,477	45,136	14,299
Shares of stock	424	543	584	424
Mutual funds	4,480	4,714	5,127	4,492
Total VaR	<u>338,093</u>	<u>337,601</u>	<u>383,984</u>	<u>340,321</u>

As a result of VaR performance during the second and first six months of 2015, market risk-weighted assets remained, on average, at around 5.52% and 5.93% of all risk-weighted assets (RWA).

g) Risk of Variation in the Foreign Exchange Rate

The bulk of the Bank's assets and liabilities in foreign currency are held in US dollars. The following is a breakdown, in pesos, of the assets and liabilities in foreign currency held by the Bank at 31 December and June 30, 2015.

	December 31, 2015			
	Millions of US dollars	Millions of euros	Other currencies expressed in millions of US dollars	Total in millions of Colombian pesos
Assets in foreign currency				
Cash and cash equivalents	\$ 716.6	0.8	0.4	2,259,595
Investment in trading debt securities	48.8	0.0	0.0	153,470

Banco de Bogota S.A.
Notes to the Separate Financial Statements at December 31, 2015
(With comparative figures at June 30, 2015)
(In millions of Colombian pesos, except the exchange rate and net earnings per share)

	December 31, 2015			
	Millions of US dollars	Millions of euros	Other currencies expressed in millions of US dollars	Total in millions of Colombian pesos
Investment in debt securities available for sale	112.7	0.0	0.0	354,803
Investment in debt securities held to maturity	10.1	0.0	0.0	31,865
Investment in equity instruments and subsidiaries	3,234.1	0.0	0.0	10,179,235
Loan portfolio at amortized cost	1,873.6	0.6	0.4	5,900,729
Other accounts receivable	111.9	0.0	0.0	352,138
Other assets	2.2	0.0	0.0	6,925
Total assets in foreign currency	6,110.0	1.4	0.8	19,238,760
Assets in foreign currency				
Liabilities in foreign currency				
Deposits from financial institutions	0.0	0.2	0.0	628
Customer deposits	1,469.9	0.7	0.1	4,629,302
Other accounts payable and other liabilities	11.2	0.0	0.0	35,229
Obligations with rediscount entities	49.7	0.0	0.0	156,298
Long-term financial obligations	1,818.3	0.7	0.4	5,726,818
Outstanding bonds	1,119.7	0.0	0.0	3,524,145
Allowances	0.3	0.0	0.0	1,085
Income tax liability	0.5	0.0	0.0	1,494
Total liabilities in foreign currency	4,469.6	1.6	0.5	14,074,999
Net asset (liability) position in foreign currency	\$ 1,640.4	(0.2)	0.3	5,163,761

	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 in foreign currency				
Cash and cash equivalents	\$ 445.8	1.2	0.3	1,162,973
Investment in trading debt securities	106.9	0.0	0.0	277,906
Investment in debt securities available for sale	117.1	0.0	0.0	304,426
Investment in debt securities held to maturity	11.2	0.0	0.0	29,228
Investment in equity instruments and subsidiaries	3,102.5	0.0	0.0	8,062,526
Loan portfolio at amortized cost	2,676.3	0.6	0.9	6,959,066
Other accounts receivable	91.0	0.0	0.0	236,436
Other assets	1.6	0.4	0.0	5,518
Total assets in foreign currency	6,552.4	2.2	1.2	17,038,079
Liabilities in foreign currency				
Deposits from financial institutions	38.5	0.0	0.0	99,921
Customer deposits	1,998.0	0.6	0.1	5,194,047
Accounts payable and other liabilities	3.9	0.5	0.0	11,668
Short-term financial obligations	46.8	0.0	0.0	121,521
Obligations with rediscount entities	49.2	0.0	0.0	127,823
Long-term financial obligations	823.5	0.6	0.9	2,144,239
Outstanding bonds	1,117.5	0.0	0.0	2,903,959
Allowances	0.7	0.0	0.0	1,768
Income tax liability	0.0	0.0	0.0	104
Total liabilities in foreign currency	4,078.1	1.7	1.0	10,605,050
Net asset (liability) position in foreign currency	\$ 2,474.3	0.5	0.2	6,433,029

The Bank has a number of investments in subsidiaries and branches abroad. Their net assets are exposed to financial-statement-conversion risk for consolidation purposes.

Banco de Bogota S.A.
 Notes to the Separate Financial Statements at December 31, 2015
 (With comparative figures at June 30, 2015)
 (In millions of Colombian pesos, except the exchange rate and net earnings per share)

The exposure posed by net assets in operations abroad is hedged primarily with financial obligations, bonds and derivatives in foreign currency.

If the value of the US dollar against the Colombian peso would have increased by \$10 Colombian pesos per US\$1 at December 31, 2015, assets would have increased by \$61,086 and liabilities by \$44,690 (\$65,564 and \$40,809, respectively, at June 30, 2015).

h) Risk in the Interest Rate Structure

The following table summarizes the Bank's exposure to changes in interest rates.

	\$	December 31, 2015			
		Six-month Average	Interest Income/Expense	Average Annual Interest Rate	50 BP Variation in the Interest Rate
					Favorable Unfavorable
Financial assets that earn interest					
Investments in debt securities for trading and available for sale, in Colombian pesos	3,658,264	87,018	4.8%	9,146	(9,146)
Investments in debt securities for trading and available for sale, in foreign currency	565,042	22,712	8.0%	1,413	(1,413)
	<u>4,223,306</u>	<u>109,730</u>	<u>5.2%</u>	<u>10,558</u>	<u>(10,558)</u>
Investments in debt securities held to maturity, in Colombian pesos	1,094,299	10,667	1.9%	2,736	(2,736)
Investments in debt securities held to maturity, in foreign currency	31,849	39	0.2%	80	(80)
	<u>1,126,148</u>	<u>10,706</u>	<u>1.9%</u>	<u>2,815</u>	<u>(2,815)</u>
Loan portfolio and capital leasing, in Colombian pesos	41,559,263	2,107,485	10.1%	103,898	(103,898)
Loan portfolio and capital leasing, in foreign currency	7,241,756	113,685	3.1%	18,104	(18,104)
	<u>48,801,019</u>	<u>2,221,170</u>	<u>9.1%</u>	<u>122,003</u>	<u>(122,003)</u>
Total financial assets that earn interest in Colombian pesos	46,311,826	2,205,170	9.5%	115,780	(115,780)
Total financial assets that earn interest in foreign currency	7,838,647	136,436	3.5%	19,597	(19,597)
Total financial assets that earn interest	54,150,473	2,341,606	8.6%	135,376	(135,376)
Financial liabilities with financial cost					
Customer deposits in Colombian pesos	40,334,764	741,489	3.7%	100,837	(100,837)
Customer deposits in foreign currency	5,887,543	28,395	1.0%	14,719	(14,719)
	<u>46,222,307</u>	<u>769,884</u>	<u>3.3%</u>	<u>115,556</u>	<u>(115,556)</u>
Investment securities in Colombian pesos	230,691	8,060	7.0%	577	(577)
Investment securities in foreign currency	3,300,712	89,779	5.4%	8,252	(8,252)
	<u>3,531,403</u>	<u>97,839</u>	<u>5.5%</u>	<u>8,829</u>	<u>(8,829)</u>
Financial liabilities with financial cost					
Financial obligations in Colombian pesos	3,899,075	84,751	4.3%	9,748	(9,748)
Financial obligations in foreign currency	4,015,229	24,066	1.2%	10,038	(10,038)
	<u>7,914,304</u>	<u>108,817</u>	<u>2.7%</u>	<u>19,786</u>	<u>(19,786)</u>

Banco de Bogota S.A.
 Notes to the Separate Financial Statements at December 31, 2015
 (With comparative figures at June 30, 2015)
 (In millions of Colombian pesos, except the exchange rate and net earnings per share)

	December 31, 2015				
	Six-month Average	Interest Income/Expense	Average Annual Interest Rate	50 BP Variation in the Interest Rate	
				Favorable	Unfavorable
Investments in debt securities for trading and available for sale, in Colombian pesos	44,464,530	834,300	3.8%	111,161	(111,161)
Investments in debt securities for trading and available for sale, in foreign currency	13,203,484	142,240	2.2%	33,009	(33,009)
Total financial liabilities with financial cost	57,668,014	976,540	3.4%	144,170	(144,170)
Total net financial assets subject to interest-rate risk in Colombian pesos	1,847,296	1,370,870	5.8%	4,618	(4,618)
Total net financial assets subject to interest-rate risk in foreign currency	(5,364,837)	(5,804)	1.3%	(13,412)	13,412
Total net financial assets subject to interest rate risk	\$ (3,517,541)	1,365,066	5.3%	(8,794)	8,794
	June 30, 2015				
	Six-month Average	Interest Income/Expense	Average Annual Interest Rate	50 BP Variation in the Interest Rate	
				Favorable	Unfavorable
Financial assets that earn interest					
Investments in debt securities for trading and available for sale, in Colombian pesos	\$ 4,146,571	141,858	6.8%	10,366	(10,366)
Investments in debt securities for trading and available for sale, in foreign currency	517,547	17,317	6.7%	1,294	(1,294)
	4,664,118	159,175	6.8%	11,660	(11,660)
Investments in debt securities held to maturity, in Colombian pesos	1,135,678	11,409	2.0%	2,839	(2,839)
Investments in debt securities held to maturity, in foreign currency	27,171	24	0.2%	68	(68)
	1,162,849	11,433	2.0%	2,907	(2,907)
Loan portfolio and capital leasing, in Colombian pesos	38,649,383	1,952,642	10.1%	96,623	(96,623)
Loan portfolio and capital leasing, in foreign currency	6,108,174	83,124	2.7%	15,270	(15,270)
	44,757,557	2,035,766	9.1%	111,894	(111,894)
Total financial assets that earn interest in Colombian pesos	43,931,632	2,105,909	9.6%	109,829	(109,829)
Total financial assets that earn interest in foreign currency	6,652,892	100,465	3.0%	16,632	(16,632)
Total financial assets that earn interest	50,584,524	2,206,374	8.7%	126,461	(126,461)
Financial liabilities with financial cost					
Customer deposits in Colombian pesos	37,944,391	647,523	3.4%	94,861	(94,861)
Customer deposits in foreign currency	5,096,733	22,273	0.9%	12,742	(12,742)
	43,041,124	669,796	3.1%	107,603	(107,603)

Banco de Bogota S.A.
 Notes to the Separate Financial Statements at December 31, 2015
 (With comparative figures at June 30, 2015)
 (In millions of Colombian pesos, except the exchange rate and net earnings per share)

	<u>June 30, 2015</u>				
	<u>Six-month Average</u>	<u>Interest Income/Expense</u>	<u>Average Annual Interest Rate</u>	<u>50 BP Variation in the Interest Rate</u>	
				<u>Favorable</u>	<u>Unfavorable</u>
Investment securities in Colombian pesos	356,481	20,305	11.4%	891	(891)
Investment securities in foreign currency	2,766,377	73,127	5.3%	6,916	(6,916)
	<u>3,122,858</u>	<u>93,432</u>	<u>6.0%</u>	<u>7,807</u>	<u>(7,807)</u>
Financial obligations in Colombian pesos	3,622,447	70,393	3.9%	9,056	(9,056)
Financial obligations in foreign currency	2,318,648	10,756	0.9%	5,797	(5,797)
	<u>5,941,095</u>	<u>81,149</u>	<u>2.7%</u>	<u>14,853</u>	<u>(14,853)</u>
Total financial liabilities with financial cost, in Colombian pesos	41,923,319	738,221	3.5%	104,808	(104,808)
Total financial liabilities with financial cost, in foreign currency	10,181,758	106,156	2.1%	25,454	(25,454)
Total financial liabilities with financial cost	52,105,077	844,377	3.2%	130,263	(130,263)
Total net financial assets subject to interest rate risk, in Colombian pesos	2,008,313	1,367,688	6.1%	5,021	(5,021)
Total net financial assets subject to interest rate risk, in foreign currency	(3,528,866)	(5,691)	0.9%	(8,822)	8,822
Total net financial assets subject to interest rate risk	\$ (1,520,553)	1,361,997	5.5%	(3,801)	3,801

If interest rates had 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 \$ 8,794 and \$ 3,801, respectively, mainly due a less interest expenses on the interest on liabilities variables.

If interest rates had been 50 basis points more, 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 \$ 8,794 and \$ 3,801, respectively, mainly due to a diminished on fair value of financial asset classified at fair value through profit or loss.

Other Activities

The value of the derivatives has been adjusted as of January 1, 2015, by including counterparty credit risk and that of the Bank, as per IFRS 13.

i) Liquidity Risk

I. Management and Models

The Bank manages liquidity risk according to the standard model described in Chapter VI of the Basic Accounting and Financial Circular issued by the Financial Superintendence of Colombia and pursuant to the applicable rules on liquidity risk management. This process adheres to the fundamental principles of the Liquidity Risk Management System (SARL), which establish the minimum reasonable parameters entities must monitor to effectively manage the liquidity risk to which they are exposed in their operations.

Banco de Bogota S.A.
 Notes to the Separate Financial Statements at December 31, 2015
 (With comparative figures at June 30, 2015)
 (In millions of Colombian pesos, except the exchange rate and net earnings per share)

A liquidity risk indicator (LRI) is calculated weekly for periods of 7, 15 and 30 days and used to measure liquidity risk, as per the standard model of the Financial Superintendence of Colombia.

As part of liquidity risk analysis, the Bank measures the volatility and/or stability of deposits (with or without contractual maturity), debt levels, the structure of assets and liabilities, the extent of asset liquidity, the availability of lines of credit and the general effectiveness of assets and liabilities. This is accomplished through statistical analysis. The idea is to have enough liquidity on hand (including liquid assets, guarantees and collateral) to deal with possible scenarios of own or systemic stress.

Liquid assets include cash plus investments (trading, available for sale or held to maturity) adjusted by a liquidity haircut at 33 days, which is calculated monthly by the Central Bank of Colombia (Banco de la República). This haircut reflects the premium a financial entity would have to pay to carry out interbank or simultaneous repo operations. By the same token, liquid assets in foreign currency are adjusted by an exchange rate haircut at one month that reflects their volatility in the event positions in foreign currency have to be liquidated to meet liquidity needs. Entities must maintain a level of high-quality liquid assets equivalent to at least 70% of their total liquid assets. High quality liquid assets are understood as cash and the liquid assets the Central Bank of Colombia receives for its monetary contraction and expansion operations.

A quantification of funds obtained on the money market is an integral part of the liquidity measurement each bank does. Primary and secondary sources of liquidity are identified, based on technical studies, in order to have a range of funding suppliers. The goal is to ensure funding stability and sufficiency and to minimize any concentration of funding sources. Once identified, sources of funding are assigned to the different lines of business, according to the budget and the nature and depth of the markets.

The availability of resources is monitored daily, not only to meet reserve requirements, but also to forecast and/or anticipate possible changes in the institution's liquidity risk profile and to be able to make strategic decisions, as appropriate. In this respect, the Bank has liquidity warning indicators to determine the current situation, as well as the strategies to be followed in each case. These include, among others, liquidity risk indicators (LRI), deposit concentration levels, and use of the Central Bank's liquidity quotas.

Senior management is made aware of the Bank's liquidity situation, through the Technical Committee on Assets and Liabilities, and adopts the necessary decisions. These take into account the high-quality liquid assets that must be maintained, tolerance in liquidity management or minimum liquidity, strategies for granting loans and obtaining funds, policies on placing liquidity surpluses, changes in the characteristics of new and existing products, diversification of funding sources to prevent any concentration of deposits funds in few investors or savers, hedging strategies, the Bank's statement of income, and the changes in the structure of its balance sheet.

Banks in Colombia are required to maintain enough cash on hand and in restricted banks to meet the requirements of the Central Bank of Colombia and the Financial Superintendence of Colombia. These funds are part of the legal reserve requirement and are calculated on average daily deposits in the following accounts, according to the percentages listed below.

Item	Required percentage
Deposits and demand accounts and up to 30	11%
Public entity deposits	11%
Deposits and demand accounts after 30 days	11%
Ordinary savings deposits	11%
Fixed-term savings deposits	11%

Banco de Bogota S.A.
 Notes to the Separate Financial Statements at December 31, 2015
 (With comparative figures at June 30, 2015)
 (In millions of Colombian pesos, except the exchange rate and net earnings per share)

Item	Required percentage
Trading security repurchase agreements	11%
Accounts other than deposits	11%
Time certificates of deposit:	
Under 540 days	4,5%
540 days or more	0%

II. Quantitative Data

During the six months ended at December 31 and June 30, 2015, the Bank had sufficient resources for its operation, by complying with the positive liquidity risk indicators (LRI) at 7, 15 and 30 days, as summarized in the table below.

Liquidity Risk Indicators

Second Half of 2015

	<u>Average</u>	<u>Minimum</u>	<u>Maximum</u>	<u>Latest</u>
LRI - 7 days	6,414,767	4,222,694	8,864,538	7,154,724
LRI- 15 days	5,463,116	3,409,584	7,616,619	6,130,340
LRI- 30 days	4,067,634	2,186,187	6,180,388	4,090,420
Liquid assets	<u>7,672,179</u>	<u>5,405,921</u>	<u>10,179,128</u>	<u>8,041,794</u>
Liquidity ratio at 7 days	643%	405%	1039%	907%
Liquidity ratio at 15 days	359%	258%	545%	421%
Liquidity ratio at 30 days	217%	168%	295%	204%

Liquidity Risk Indicators

First Half of 2015

	<u>Average</u>	<u>Minimum</u>	<u>Maximum</u>	<u>Latest</u>
LRI- 7 days	6,938,004	4,906,239	8,524,954	5,773,434
LRI- 15 days	6,026,438	4,396,631	7,577,501	5,064,152
LRI- 30 days	4,420,899	2,966,300	5,881,800	3,610,484
Liquid assets	<u>8,666,800</u>	<u>7,295,073</u>	<u>11,099,420</u>	<u>7,193,863</u>
Liquidity ratio at 7 days	800%	333%	1681%	506%
Liquidity ratio at 15 days	410%	264%	610%	338%
Liquidity ratio at 30 days	227%	168%	295%	201%

The Bank had \$8.0 trillion and \$7.2 trillion in liquid assets at the close of the second and first half of 2015, in that order. These amounts are equivalent to 10.5% and 10.0% of total assets, and 93.6% and 91% were comprised of highly liquid assets in the form of cash, TES (Colombian treasury bonds), TRD (debt reduction securities) and TDA (agricultural development bonds).

The following is a summary of the Bank's liquidity analysis at December 31 and June 30, 2015, prepared as instructed by the Financial Superintendence of Colombia.

	Balance at December 31, 2015	From 1 to 7 Days	From 8 to 15 Days	From 16 to 30 Days	From 1 to 30 days- Total	From 31 to 90 Days
Liquid assets						
Cash and bank deposits	\$ 5,713,212	0	0	0	0	0
Trading investments in debt securities	1,415,173	0	0	0	0	0

Banco de Bogota S.A.
Notes to the Separate Financial Statements at December 31, 2015
(With comparative figures at June 30, 2015)
(In millions of Colombian pesos, except the exchange rate and net earnings per share)

	Balance at December 31, 2015	From 1 to 7 Days	From 8 to 15 Days	From 16 to 30 Days	From 1 to 30 days- Total	From 31 to 90 Days
Investments held to maturity						
	1,003,455	0	0	0	0	0
	<u>8,131,840</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Contract maturity of assets						
Loan portfolio	0	383,987	680,771	1,511,882	2,576,639	5,190,995
Derivative financial instruments	0	0	0	0	0	0
Others	0	<u>2,330,021</u>	<u>37,588</u>	<u>490,631</u>	<u>2,858,240</u>	<u>246,350</u>
	<u>0</u>	<u>2,714,008</u>	<u>718,359</u>	<u>2,002,513</u>	<u>5,434,879</u>	<u>5,437,345</u>
Contract maturity of liabilities						
Money market transactions	0	2,018,770	0	0	2,018,770	0
Time certificates of deposit and term savings deposits	0	416,642	643,005	1,832,539	2,866,210	5,422,741
Derivative financial instruments	0	17,074	44,729	0	61,803	72,585
Financial obligations	0	67,863	89,439	271,196	428,499	659,580
Other liabilities	0	<u>87,838</u>	<u>20,014</u>	<u>37,489</u>	<u>145,341</u>	<u>337,296</u>
	<u>0</u>	<u>2,608,187</u>	<u>797,187</u>	<u>2,141,224</u>	<u>5,520,623</u>	<u>6,492,202</u>
Projected (contractual) demand deposits	0	98,233	(96,551)	(478,830)	(477,149)	(1,153,594)
Projected (non-contractual) demand deposits	0	712,174	813,913	1,526,086	3,052,173	6,104,346
Net	<u>0</u>	<u>830,090</u>	<u>910,464</u>	<u>2,004,917</u>	<u>3,529,322</u>	<u>7,257,939</u>
Partial LRI	0	<u>(830,090)</u>	<u>(1,740,554)</u>	<u>(2,915,381)</u>	<u>(3,529,322)</u>	<u>(10,787,261)</u>
Cumulative LRI	<u>\$ 0</u>	<u>7,301,750</u>	<u>6,391,286</u>	<u>5,216,459</u>	<u>4,602,518</u>	<u>(2,655,421)</u>
	Balance at June 30, 2015	From 1 to 7 Days	From 8 to 15 Days	From 16 to 30 Days	From 1 to 30 days - Total	From 31 to 90 Days
Liquid assets						
Cash and bank deposits	\$ 5,247,172	0	0	0	0	0
Trading investments in debt securities	1,896,106	0	0	0	0	0
Investments held to maturity	361,246	0	0	0	0	0
	<u>7,504,524</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Contract maturity of assets						
Loan portfolio	0	523,862	666,615	1,370,229	2,560,706	5,491,556
Derivative financial instruments	0	2,290,390	107,619	0	2,398,009	0
Others	0	<u>3,138,201</u>	<u>227,837</u>	<u>51,524</u>	<u>3,417,562</u>	<u>433,952</u>
	<u>0</u>	<u>5,952,453</u>	<u>1,002,071</u>	<u>1,421,753</u>	<u>8,376,277</u>	<u>5,925,508</u>
Contract maturity of liabilities						
Money market transactions	0	3,065,377	130,916	0	3,196,293	0
Time certificates of deposit and term savings deposits	0	891,498	569,205	1,009,996	2,470,699	4,954,050
Derivative financial instruments	0	59,811	0	279,046	338,857	233,678
Financial obligations	0	129,968	85,861	225,031	440,860	413,482
Other liabilities	0	<u>115,018</u>	<u>79,399</u>	<u>29,329</u>	<u>223,746</u>	<u>466,607</u>
	<u>0</u>	<u>4,261,672</u>	<u>865,381</u>	<u>1,543,402</u>	<u>6,670,455</u>	<u>6,067,817</u>
Projected (contractual) demand deposits	0	1,570,112	121,037	(138,550)	1,552,599	(223,292)

Banco de Bogota S.A.
 Notes to the Separate Financial Statements at December 31, 2015
 (With comparative figures at June 30, 2015)
 (In millions of Colombian pesos, except the exchange rate and net earnings per share)

	Balance at June 30, 2015	From 1 to 7 Days	From 8 to 15 Days	From 16 to 30 Days	From 1 to 30 days - Total	From 31 to 90 Days
Projected (non-contractual) demand deposits	0	661,372	755,854	1,417,226	2,834,453	5,668,906
Net	<u>0</u>	<u>1,230,761</u>	<u>634,817</u>	<u>1,555,776</u>	<u>2,376,227</u>	<u>5,892,198</u>
Partial LRI	0	(1,230,761)	(1,865,578)	(2,190,593)	(2,376,227)	(8,268,425)
Cumulative LRI	\$ 0	<u>6,273,764</u>	<u>5,638,946</u>	<u>5,313,931</u>	<u>5,128,298</u>	<u>(763,899)</u>

An analysis of the maturities of non-derivative financial liabilities at December 31 and June 30, 2015 showed the following remaining contractual maturities.

Description	Up to one month	More than one month and not more than three months	More than three months and not more than one year	More than one year and not more than five years	More than five years	Balance at December 31, 2015
Financial liabilities						
Customer deposits	\$ 30,622,501	2,110,632	4,730,686	6,472,797	869,701	44,806,317
Short-term financial obligations	2,022,424	0	0	0	0	2,022,424
Long-term financial obligations	443,243	661,093	3,168,672	869,850	1,996,622	7,139,480
Outstanding long-term investment securities	0	0	0	2,161,613	1,599,293	3,760,906
Total financial liabilities	<u>\$ 33,088,168</u>	<u>2,771,725</u>	<u>7,899,358</u>	<u>9,504,260</u>	<u>4,465,616</u>	<u>57,729,127</u>

Description	Up to one month	More than one month and not more than three months	More than three months and not more than one year	More than one year and not more than five years	More than five years	Balance at June 30, 2015
Financial liabilities						
Customer deposits	\$ 28,278,345	2,017,077	3,510,575	10,525,074	627,590	44,958,661
Short-term financial obligations	3,200,894	0	0	0	0	3,200,894
Long-term financial obligations	455,762	386,415	1,413,026	825,316	318,544	3,399,063
Outstanding long-term investment securities	0	0	0	1,810,325	1,319,061	3,129,386
Total financial liabilities	<u>\$ 31,935,001</u>	<u>2,403,492</u>	<u>4,923,601</u>	<u>13,160,715</u>	<u>2,265,195</u>	<u>54,688,004</u>

j) Operating Risk

The Bank's Operational Risk Management System (SARO) was implemented according to the guidelines established in Chapter XXIII of the Basic Accounting and Financial Circular (External Circular 100 / 1995) issued by the Financial Superintendence of Colombia. This system is operated by the Operational Risk Management and Internal Control System, which is part of the Control and Compliance Unit.

Thanks to SARO, the Bank has improved its understanding and control of the risks in its processes, activities, products and operating lines, and has managed to reduce errors and identify opportunities for improvement to support the development and operation of new products and services.

The Operational Risk Manual outlines the Bank's policies, standards and procedures to ensure its business is managed within defined levels of appetite for risk. The Business Continuity Management System Manual contains guidelines on how the Bank would operate in the event it does not have the basic resources it needs to function.

Banco de Bogota S.A.
Notes to the Separate Financial Statements at December 31, 2015
(With comparative figures at June 30, 2015)
(In millions of Colombian pesos, except the exchange rate and net earnings per share)

The Bank keeps a detailed log of all operational risk events (ORE) that are reported by the risk managers and entered in the expense accounts assigned for proper accounting follow-up.

The Department of Operational Risk Management (GRO) takes part in the Bank's activities through its involvement in the Claims, Fraud and Customer Recognition Committees. It also helps to operate the Financial Customer Service System (SACF) through efforts to identify, measure and control the risks derived from implementing that system and from registering the risks and controls involved in compliance with the Sarbanes-Oxley Act (SOX). This department also participates in the Information Security Committee, which analyzes the operational risks associated with the information assets generated in the banking process.

The operational risk profile at December 31, 2015 contained risks and controls for 188 processes. The updated model is dynamic and takes into account the tests run on controls, the effort made to filter risks and controls, the changes in structure, roles, applications and procedures (updates), and the processes that were included, as well as the new processes documented by the Systems and Operations Division.

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 established in that respect by the supervisory bodies in the countries where the Bank operates.

In light of the foregoing, operational risk is defined as the possibility that events caused by persons, information technology or inadequate or failed internal processes, as well as those occasioned by outside events, might have a negative impact that could undermine accomplishment of the institution's objectives. Given the nature of the organization, there is operational risk in all the Bank's activities.

The organization's priority is to identify and manage primary risk factors, regardless of whether or not they might result in monetary loss. This measurement also helps to set priorities for operational risk management.

The operational risk management system is fully documented in the Bank's Manual and Guidelines on Operational Risk. It is an ongoing, multi-phase process that includes the following.

- Measurement from the standpoint of the control environment
- Identification and assessment of operational risks
- Treatment and mitigation of operational risks
- Risk monitoring and review
- Recording and entering losses on the books caused by incidents involving operational risk

In addition, the Bank has formally established policies to manage information security, business continuity and fraud prevention. There is also an ethics code to support the proper management of operational risks within the organization.

Banco de Bogota S.A.
 Notes to the Separate Financial Statements at December 31, 2015
 (With comparative figures at June 30, 2015)
 (In millions of Colombian pesos, except the exchange rate and net earnings per share)

The following are the figures resulting from each update of the Bank's operating risk profile at December 31 and June 30, 2015:

	December 31, 2015	June 30, 2015
Processes	188	180
Risks	1,647	1,615
Failures	2,670	2,642
Controls	4,344	4,269

There were \$11,712.5 million in losses attributed to operating risks in the six months ended at December 31, 2015 including losses due to credit card fraud in domestic currency (23%), interest on fines and penalties in domestic currency – ROP (22%), fines and penalties paid (16%), fines and penalties being contested in labor litigation (10%), failures in marketed products (8%) and other operational risk accounts (21%).

According to the Basel risk classification, these incidents originated with process execution and management (53%), external fraud (29%), human resources (10%), customers (5%) and others (3%).

Errors in process execution and management were due primarily to operating errors occasioned by recording incorrect amounts on the books under gains and losses in the realization of future contracts.

As for external fraud, the most frequent incidents involved counterfeiting or copying the magnetic band on debit and credit cards.

With respect to human resources, all of the events originate with the creation of allowances and the payment costs and damages awarded in labor suits.

The main events with respect to customers involved withdrawals, transfers or purchases that were not authorized by the owner of the product.

k) Risk of Money Laundering and Terrorism Financing

Efforts to support the Bank's Money Laundering and Terrorist Financing Risk Management System (SARLAFT) have produced good results and fall within the regulatory framework established to that effect by the Financial Superintendence of Colombia, particularly the instructions outlined in Part, I, Heading IV, Chapter IV of External Circular 029/2014. What has been accomplished is in keeping with prevailing regulations, with the policies and methods adopted by the Bank's maximum decision-making body, and with the recommendations outlined in international standards on the matter.

Managing the Risk of Money Laundering and Terrorism Financing

The Bank develops its operations as dictated by law and ethical principles, pursuing sound banking practices and complying with the provisions outlined in Chapter IV, Part I, Title IV of External Circular 029/ 2014 issued by the Financial Superintendence of Colombia. As such, it continues to adhere to the methods, procedures, responsibilities and functions required to manage the risk of money laundering and terrorism financing properly.

Banco de Bogota S.A.
Notes to the Separate Financial Statements at December 31, 2015
(With comparative figures at June 30, 2015)
(In millions of Colombian pesos, except the exchange rate and net earnings per share)

SARLAFT activities were developed in line with the methods adopted by the Bank. Exposure to these kinds of risks was reduced by applying the controls designed for each of the risk factors described in Title 1, Chapter IV of the Basic Legal Circular issued by the Financial Superintendence of Colombia (customers, products, channels and jurisdiction). Moreover, the Bank was able to maintain an acceptable profile that reflects the absence of events or situations that would tarnish the good reputation it has earned with respect to SARLAFT.

Stages in the Money Laundering and Terrorism Financing Risk Management System

In response to international recommendations and Colombian law on SARLAFT, the approach to dealing with what the Bank has identified as money laundering and terrorist financing (ML/TF) risks is based on the idea of continuous improvement and on minimizing the existence of such risks, insofar as is reasonably possible.

Methods for solid risk management have been adopted successfully to develop the stages that frame SARLAFT. As a result, the Bank has been able to pinpoint and analyze ML/TF risks within the organization and to design and effectively apply policies and procedures consistent with those risks. In that respect, all relevant, inherent and residual risk factors in the banking sector and in commerce, among other areas, have been taken into account nationwide, and even beyond, when necessary, to determine Bank's risk profile and the level of mitigation that is appropriate.

In the identification stage, the Bank validated the 14 generic risks that Grupo Aval defined for SARLAFT, which are among the 18 generic risks Banco de Bogota has identified.

The regulations also indicate the organization must identify, analyze and examine ML/TF risks before launching a new product or modifying the characteristics of an existing one, and before entering a new market or modifying its distribution channels. For that reason, two studies were done in the second half of 2015 that generated a number of ideas with specific recommendations on the adoption of controls to mitigate the hazards that might arise from the standpoint of the four risk factors (customer, products, distribution channels and jurisdiction).

Modifications in risk measurement were made during the second half of 2015. This activity is part of the measurement stage, particularly when it comes to measuring inherent risks where 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 set in place.

In terms of the control stage, the Bank has designed a methodology that enables it to verify the effectiveness of these controls, so as to eventually establish a ML/TF residual risk profile. At this point in time, there is an inventory of 33 controls that have been tested to validate their effectiveness. They are described as follows:

- i. **Controlling the customer risk factor.** The Bank has implemented a series of controls to mitigate ML / TF risk from the standpoint of the customer. These focus on different aspects, such as the process of accepting a customer acceptance, updating customer information and validating public information, among others. The activities for this risk factor include analyzing means of communication; managing the communication system (SIMEDCO); monitoring customers who are PEP; cross-checking against public lists when accepting new customers; analyzing the risk posed by campaigns to market new products;; analyzing the quality of the information in CRM; monitoring the process whereby the Bank accepts customers and updates their financial information; referencing products to liabilities; analyzing suppliers, shareholders and foreclosed assets; analyzing applications from foreigners to become customers of the Bank; and examining unusual transactions.

Banco de Bogota S.A.

Notes to the Separate Financial Statements at December 31, 2015

(With comparative figures at June 30, 2015)

(In millions of Colombian pesos, except the exchange rate and net earnings per share)

- ii. Controlling the product risk factor. Considering the standard definition of a product and pursuant to the methodology adopted by the Bank, the activities developed to combat this risk factor include analyzing product transactions through the implementation of SMT-SARLAFT; analyzing operations in foreign currency; monitoring cashier's checks; following up on credit cards with a positive balance; tracking cash transactions; and monitoring embargoed accounts. The goal is look at the way products perform and particularly those that are more exposed to ML/TF risk. This is done according to international and national recommendations and the respective procedures establish by the Bank.
- iii. Controlling the distribution-channel risk factor. Different routes and models have been developed to identify unusual events in the distribution channel, as part of the controls to mitigate risk. This is done with SPSS Modeler, which allows for a more detailed analysis. Specifically, it lets you select transactions that do not fit a customer's normal behavior when using a particular channel, or transactions that require more attention by virtue of their nature. The advanced control activities for this factor include monitoring AVAL operations, monitoring ACH transactions, tracking acquisitions, and monitoring Internet operations.
- iv. Controlling the jurisdiction risk factor: The jurisdiction risk factor is interpreted as the geographical location where the Bank is present and is involved by providing its services. This factor is analyzed in light of social, political, economic and security circumstances that might affect transactions in certain geographic locations, both domestically and internationally. The Bank has designed an illogical site method to identify transactions that seem to be unrelated to the place where they originate and their destination.
- v. Controls in the business units: During the six months in question, there were informative visits to 112 offices nationwide: 67 were in-situ and 45 were extra-situ. They focused primarily on the customer acceptance process, publicly exposed persons (PEP), political campaigns, cash transactions, transaction analysis using the SMT SARLAFT application, reports of no unusual transactions without ROI, foreign currency operations, information updating, and training. Twenty (23) SARLAFT inventory controls were evaluated during these visits. They are executed by the offices and constitute the basis for mitigating the risks related to money laundering and terrorism financing.
- vi. Other control activities: The Bank has implemented a number of additional controls to supplement those described above by supporting and complementing proper ML/TF risk management. Among others, these activities include certifying "no reports of unusual transactions", conducting management surveys, the ABCs of knowing the customer, and compiling and delivering "Knowledge of Code of Ethics and Conduct" certificates.

The extent of the residual risk of ML/TF is defined by associating the effectiveness of the controls with each risk and following the measurement methodology.

Finally, as part of monitoring, the results of the SARLAFT stages are documented in Enterprise Risk Assessor (ERA), which is used to track the ML/TF risk level. This software also made it possible to determine the residual risk is calculated at Level 1, which translates into a frequency and impact tending towards zero, maintaining stable performance compared to previous periods. In addition, several indicators have been defined that reflect, in a general way, SARLAFT management with respect to points that are sensitive and have more of an impact in terms of the objectives of ML/TF risk management.

Elements of the Money Laundering and Terrorism Financing Risk Management System

The Bank orients its activities in line with the guiding principle on risk management, which indicates the institution's operations must comply with the highest ethical and control standards. Therefore, sound banking practices and compliance with the law are the top priority, above and beyond business goals. In practical terms, this translates into application of the criteria, policies and procedures used to manage SARLAFT, making it possible to mitigate these risks down to the lowest level of the organization, as is customary at the Bank.

The Bank submitted 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 for surveillance and control also were provided with the information required under the law. An important part of our policy is to afford these authorities our support and cooperation, within the bounds of the law.

The Money Laundering and Terrorism Financing Risk Management System (SARLAFT) supports the commercial activities of the Bank, 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.

In the second half of 2015, the organization followed up on the SARLAFT reports submitted by the Office of Government Accounting and the Statutory Auditor, so as to address their recommendations for optimizing the system. According to the reports received by the Bank, the results of SARLAFT management within the organization are considered satisfactory.

The Bank remains dedicated to risk management and it has the technological tools to implement policies such as those focused on "knowing the customer" and "knowing the market". The objective is to single out unusual transactions and to report suspicious ones to the Financial Information Unit (UIAF), taking into account the objective criteria the organization has establish, as provided for by law. It is worth noting that the elements and mechanisms the Bank has at its disposal to help SARLAFT develop successfully are being improved constantly, particularly in terms of applications and methods for analysis to monitor and avert ML/TF risk.

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

The Bank also has institutional training programs to instruct its 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 process also helps to strengthen the SARLAFT culture. In addition to the traditional training methods that have been developed, 17,000 primers on the basics of SARLAFT were designed, published and distributed during the second half of 2015 to all employees of the bank.

The Bank carried out activities particular to SARLAFT during the latter half of 2015, continuing the management initiatives instituted in previous periods and accepting the recommendations of the Board of Directors and the regulatory agencies.

The risk of money laundering and terrorism financing is managed by adhering to each step in the SARLAFT system. The focus is on adequate risk management, as described herein, particularly

Banco de Bogota S.A.
Notes to the Separate Financial Statements at December 31, 2015
(With comparative figures at June 30, 2015)
(In millions of Colombian pesos, except the exchange rate and net earnings per share)

management that reflects an undeviating commitment from our employees to be part of the SARLAFT culture the Bank has developed. The organization remains committed to ML/TF risk management issues as part of its corporate responsibility to society and to the regulators.

I) Legal Risk

The Legal Division supports legal risk management for the Bank's operations. Specifically it defines and institutes the necessary procedures to adequately control the legal risks inherent in banking operations, making sure these controls comply with legal standards and are properly documented. It also analyzes and drafts contracts for operations of the various business units.

As instructed by the supervisory agency, the Bank appraised the claims lodged against it and established the allowances necessary to cover probable losses. This was done based on the opinion of its lawyers. See Note 29 to the financial statements for an explanation of the lawsuits pending against the Bank, apart from those classified as remotely probable.

Note 8 – Operating Segments

Operating segments are defined as a component of an institution that: (a) develops business initiatives through which it can obtain revenue from ordinary activities and incur expenses; (b) generates operating income that is reviewed regularly by the highest operational decision-making authority within the firm, which decides on the resources to be allocated to the segment and evaluates its performance; and (c) has differentiated financial information about its operations.

Based on this definition, the Bank operates with two segments. These also consider the fact that the Board of Directors, which is the maximum decision-making authority on operational matters, conducts a monthly review and assessment of the outcome of the Bank's operations as a whole, separating the income of subsidiaries from the other activities in the banking operation and including additional information on five defined strategic units of the business. The first segment is the banking operation, which includes all the Bank's activities apart from investment in its subsidiaries. The latter is regarded as the second segment.

The following are the main strategic units. The first four pertain to the banking segment of operations.

Corporate Banking

This channel is for large and medium-sized companies. Its focus is on services such as cash flow management, hedging, specialized lines of credit and structured financing for energy, infrastructure and real estate projects, among others.

Official, Institutional and Social-service Banking and Special Units

This channel serves territorial and decentralized entities, pensioners, disadvantaged senior citizens, members of the military and the police force, workers and the general public by providing personal loans for unrestricted use. These are made available through financing to develop projects with a high social impact, through the rural financial inclusion model, and through special units for vehicles and payroll deduction loans.

SME Banking (SMEs, Microfinance, Persons and the Official Network)

This channel offers timely, comprehensive and specialized advice to its customers concerning their financial needs. It provides new options that enable them to have the liquidity they need to develop their business.

Banco de Bogota S.A.
 Notes to the Separate Financial Statements at December 31, 2015
 (With comparative figures at June 30, 2015)
 (In millions of Colombian pesos, except the exchange rate and net earnings per share)

Treasury

This area manages liquidity, the fixed-income investment portfolio, and operations in foreign currency and in the derivatives markets.

The Bank's surpluses are managed by the Treasury Division, as stipulated by law and according to the strategies defined by the Board of Directors and the Committee on Assets and Liabilities.

The Bank also has portfolios of investments that are intended primarily to diversify risk in the balance sheet and to support the daily management of treasury liquidity. The make-up, duration and strategy of these portfolios follow the guidelines set by the Board of Directors of the Bank and its Risk Management Office, which are the highest authorities such matters.

The Treasury Division also manages the business with foreign exchange and derivatives. Its two primary mandates in this respect are to manage currency risk on the Bank's balance sheet and to move into different markets to meet the specific needs of our position and to offer innovative products to customers. It has two trading desks for this purpose. One is the Products Desk, which operates in the professional market; the other is the Distribution Desk, which is connected directly to customers in the different commercial segments served by the Bank.

Investments in Subsidiaries

Follow-up on the strategies that make it possible to optimize the value of the portfolio.

The information presented monthly to the Board of Directors is measured according to applicable accounting standards. The following are figures, by segment, on the assets, liabilities, income and expenses that have to be reported.

Assets and Liabilities, by Segment

	December 31, 2015			June 30, 2015		
	Banking operation	Investment in subsidiaries	Total	Banking operation	Investment in subsidiaries	Total
Cash and cash equivalents	\$ 5,927,442	0	5,927,442	5,379,561	0	5,379,561
Financial investment assets	4,876,572	0	4,876,572	5,774,905	0	5,774,905
Loan portfolio & capital leasing transactions, net	47,005,958	0	47,005,958	45,497,629	0	45,497,629
Trading derivatives	435,897	0	435,897	356,955	0	356,955
Hedging derivatives	0	30,647	30,647	0	31,264	31,264
Investments in subsidiaries and joint ventures	0	14,709,907	14,709,907	0	12,516,429	12,516,429
Other assets (1)	2,968,032	0	2,968,032	2,050,879	0	2,050,789
Goodwill	465,905	90,162	556,067	465,905	90,162	556,067
Total assets	\$ 61,679,806	14,830,716	76,510,522	59,525,834	12,637,855	72,163,689
Trading derivatives	\$ 479,964	0	479,964	387,528	0	387,528
Financial liabilities at amortized cost	54,204,982	3,524,145	57,729,127	51,885,349	2,903,959	54,789,308
Customer deposits	44,806,317	0	44,806,317	44,958,660	0	44,958,660
Financial obligations	9,161,904	0	9,161,904	6,701,262	0	6,701,262
Investment instruments, outstanding	236,761	3,524,145	3,760,906	225,427	2,903,959	3,129,386
Hedging derivatives	0	310,240	310,240	0	367,725	367,725
Accounts payable & other liabilities (2)	2,276,364	0	2,276,364	2,043,024	0	3,373,134
Total Liabilities	\$ 56,961,310	3,834,385	60,795,695	54,315,901	3,271,684	57,587,585

1) Other assets include: other accounts receivable, net; non-current assets held for sale; property, plant and equipment; intangible assets; income tax credit; investment properties; and other assets.

2) Other liabilities include: employee benefits; allowances; income tax liability; accounts payable; and other liabilities.

Banco de Bogota S.A.
 Notes to the Separate Financial Statements at December 31, 2015
 (With comparative figures at June 30, 2015)
 (In millions of Colombian pesos, except the exchange rate and net earnings per share)

Statement of Income for the Period, by Segment

	December 31, 2015			June 30, 2015		
	Banking operation	Investment in subsidiaries	Total	Banking operation	Investment in subsidiaries	Total
Interest income	\$ 2,341,606	0	2,341,606	2,206,380	0	2,206,380
Interest expenses	886,762	89,778	976,540	770,795	73,582	844,377
Customer deposits	769,884	0	769,884	669,796	0	669,796
Financial obligations	108,817	0	108,817	81,149	0	81,149
Investment securities	8,061	89,778	97,839	19,850	73,582	93,432
Interest income, net	1,454,844	(89,778)	1,365,066	1,435,585	(73,582)	1,362,003
Allowance for financial assets	407,289	0	407,289	408,543	0	408,543
Interest income after impairment, net	1,047,555	(89,778)	957,777	1,027,042	(73,582)	953,460
Income from commissions and other services	426,897	0	426,897	408,319	0	408,319
Expenses for commissions and other services	73,314	0	73,314	68,335	0	68,335
Income from commissions, net	353,583	0	353,583	339,984	0	339,984
Other income	328,486	639,308	967,794	267,763	864,787	1,132,550
Share in investments, using the equity method	0	639,301	639,301	0	648,062	648,062
Dividends and interest	0	7	7	0	216,725	216,725
Others (1)	328,486	0	328,486	267,763	0	267,763
Other expenses	1,097,142	0	1,097,142	901,143	0	901,143
Profit before income tax	<u>632,482</u>	<u>549,530</u>	<u>1,182,012</u>	<u>733,646</u>	<u>791,205</u>	<u>1,524,851</u>
Income tax	173,061	3	173,064	230,994	12,181	243,175
Profit for the period	<u>\$ 459,421</u>	<u>549,527</u>	<u>1,008,948</u>	<u>502,651</u>	<u>779,024</u>	<u>1,281,676</u>

(1) Other income – Others includes: profit on exchange transactions, net; profit (loss) on financial derivatives for trading; and others.

The Board of Directors is presented with more detail in the opening financial statements accompanying these notes.

Given the nature of its businesses, the Bank has the following distribution, by geographic area, in terms of the income and assets on which it must report:

Six months ended at December 31, 2015			
	Colombia	Panama	Total
Income for the period			
Income from banking activity (1)	2,047,135	0	2,047,135
Income from dividends	7	0	7
Income by the equity method	147,636	491,665	639,301
Assets			
Property, plant and equipment	768,854	0	768,854
Intangible assets	750,895	0	750,895
Deferred income tax	1,013,823	0	1,013,823

(1) Includes net interest income, net income from commissions, net profit on foreign exchange transactions, net profit (loss) on derivative instruments for trading, and others.

Six months ended at June 30, 2015			
	Colombia	Panamá	Total
Income for the period			
Income from banking activity (1)	1,969,749	0	1,969,749
Income from dividends	185,490	31,236	216,726
Income by the equity method	220,907	427,154	648,061

Banco de Bogota S.A.
 Notes to the Separate Financial Statements at December 31, 2015
 (With comparative figures at June 30, 2015)
 (In millions of Colombian pesos, except the exchange rate and net earnings per share)

	Six months ended at June 30, 2015		
	Colombia	Panamá	Total
Assets			
Property, plant and equipment	737,036	0	737,036
Intangible assets	703,268	0	703,268
Deferred income tax	403,932	0	403,932

(1) Includes net interest income, net income from commission; net profit from foreign exchange transactions; net profit (loss) on derivative instruments for trading and others.

The Bank offers a large portfolio of products and services to meet the financial needs of its customers. These include different types of products with different terms, mainly assets such as loans and commercial leasing, consumer loans, home mortgages and microcredit. It also provides a variety of banking services through its network of offices; i.e., dispersal of funds, credit cards, debit cards, collections, credit operations, letters of credit, endorsements and guarantees, direct transfers and debits, Internet service and Servilinea.

During the second half of 2015, the Bank reported no concentration of income in customers with more than a 10% share of income from ordinary activities. For this purpose, the Banks considers single customers as those, apart from related parties, who are under common control, based on the information available in the Bank.

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	\$ 1,633,057	1,181,521	
Central Bank of Colombia	2,032,741	3,009,703	
Banks and other financial entities	1,277	916	
Clearing	772	1,768	
Deposits and investments in debt securities maturing in less than three months	0	22,680	
Subtotal	<u>3,667,847</u>	<u>4,216,588</u>	
Foreign currency			
Cash	9,944	9,423	
Central Bank of Colombia	2,249,651	1,153,550	
Subtotal	<u>2,259,595</u>	<u>1,162,973</u>	
Total	<u>\$ 5,927,442</u>	<u>5,379,561</u>	

(1) \$22,680 in interbank funds from the Central Bank of Colombia were classified as cash equivalents at June 30, 2015.

La calidad crediticia determinada por agentes calificadores de riesgo independientes, de las principales instituciones financieras en las cuales el Banco mantiene fondos en efectivo están determinadas así:

	December 31, 2015	June 30, 2015
Credit rating		
B Central Bank of Colombia	\$ 2,032,741	3,009,703
Investment grade	2,250,928	1,154,466
No rating or not available	1,643,773	1,215,392
Total	<u>\$ 5,927,442</u>	<u>5,379,561</u>

There are no restrictions on cash and cash equivalents.

Banco de Bogota S.A.
 Notes to the Separate Financial Statements at December 31, 2015
 (With comparative figures at June 30, 2015)
 (In millions of Colombian pesos, except the exchange rate and net earnings per share)

Note 10 – Financial Assets for Investment

• Investments for Trading and Available for Sale

The following is a breakdown of financial assets in the form of debt securities and investments in equity instruments 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	\$ 3,028,382	3,827,845
Issued or secured by other entities of the Colombian government	52,098	25,613
Issued or secured by other financial institutions	75,591	124,630
Issued or secured by non-financial sector entities	<u>55,766</u>	<u>70,884</u>
Subtotal	<u>3,211,837</u>	<u>4,048,972</u>
Debt securities		
In foreign currency		
Issued or secured by the Colombian government	114,391	106,737
Issued or secured by other entities of the Colombian government	21,855	18,679
Issued or secured by other financial institutions	<u>372,027</u>	<u>456,916</u>
Issued or secured by non-financial sector entities	<u>508,273</u>	<u>582,332</u>
Subtotal	<u>3,720,110</u>	<u>4,631,304</u>
Equity instruments		
With changes in income		
Corporate shares of stock, in Colombian pesos	258	30,555
With changes in equity		
Corporate shares of stock in Colombian pesos	29,056	10,683
Corporate shares of stock in foreign currency	<u>175</u>	<u>176</u>
Total equity instruments	<u>29,489</u>	<u>41,414</u>
Total financial assets in debt instruments and investments in equity instruments	<u>\$ 3,749,599</u>	<u>4,672,718</u>

- (1) A decline compared to the previous period was registered at December 31, 2015 due to activity (purchases/maturities) in investments in Colombian treasury bonds (TES).
- (2) The variation at December 31, 2015 with respect to the previous period is due to a decrease in the sale of bonds in US dollars.
- (3) The amount of debt securities with changes in the statement of income (trading investments) came to \$498,360 and \$1,058,808 at December 31 and June 30, 2015, in that order. Debt securities with changes in other comprehensive income (investments available for sale) came to \$3,221,750 and \$3,572,496, respectively.

The main counterparties in debt securities and investments in equity instruments are rated as follows by independent credit-rating agencies.

	December 31, 2015	June 30, 2015
Issued or secured by the nation and/or the Central Bank of Colombia	\$ 3,028,382	3,827,845
Investment grade	287,206	404,131
Speculative grade	404,780	429,883
No rating or not available	<u>29,231</u>	<u>10,859</u>
Total	<u>\$ 3,749,599</u>	<u>4,672,718</u>

• Reclassification of Investments

As per Section a), Part 4.2 of Chapter I-1 in the Basic Accounting and Financial Circular, which provides for investments available for sale to be reclassified as trading securities, the Bank

Banco de Bogota S.A.
 Notes to the Separate Financial Statements at December 31, 2015
 (With comparative figures at June 30, 2015)
 (In millions of Colombian pesos, except the exchange rate and net earnings per share)

reclassified \$114,030 and \$1,619,237 in TES and bonds at December 31 and June 30, 2015, in that order. The respective effect on income came to \$850 and \$ 34,136.

- **Investments Held to Maturity**

The balance of financial assets in investments held to maturity 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 (1)	\$ 9,327	59,512
Issued or secured by other agencies of the Colombian government	<u>1,085,781</u>	<u>1,013,447</u>
Subtotal	<u>1,095,108</u>	<u>1,072,959</u>
Debt securities		
In foreign currency		
Issued or secured by foreign governments	<u>31,865</u>	<u>29,228</u>
Total debt securities	<u>\$ 1,126,973</u>	<u>1,102,187</u>

(1) The balance at December 31, 2015 shows a decline in Colombian treasuries (TES) with respect to the previous period.

Repo and simultaneous operations at June 30, 2015 were secured by \$672,160 in financial assets. The portfolio of investments held to maturity at December 31, 2015, showed no securities furnished as collateral.

Credit Rating

The following is a breakdown of the credit ratings provided by independent risk rating agencies for the main counterparties in the debt securities in which the Bank holds financial assets at amortized cost.

	Credit rating	Rating agency	December 31, 2015	June 30, 2015
Investment grade		Standard & Poors	\$ 31,865	29,228
		Other	9,327	59,512
Total		BCR Investor Servis S.A	<u>1,085,781</u>	<u>1,013,447</u>
			<u>\$ 1,126,973</u>	<u>1,102,187</u>

- **Investment Time Bands**

The following is a summary of financial assets, by date of maturity.

	December 31, 2015							
	Up to one month	More than one month and not more than three months	More than three months and not more than six	More than six months and not more than one year	Between one and two years	More than three years and not more than five	More than five years	Total
Trading investments								
Debt instruments	\$ 152	26,434	3,580	82,408	119,389	100,743	165,654	498,360
Equity instruments	0	0	0	0	258	0	0	258
Investments held to maturity	365,294	19,186	383,186	359,307	0	0	0	1,126,973

Banco de Bogota S.A.
Notes to the Separate Financial Statements at December 31, 2015
(With comparative figures at June 30, 2015)
(In millions of Colombian pesos, except the exchange rate and net earnings per share)

	December 31, 2015							
	Up to one month	More than one month and not more than three months	More than three months and not more than six	More than six months and not more than one year	Between one and two years	More than three years and not more than five	More than five years	Total
Investments available for sale								
Debt instruments	1,285	20,934	196,167	0	642,724	1,156,330	1,204,310	3,221,750
Equity instruments	0	0	0	0	0	0	29,231	29,231
Investments in subsidiaries	0	0	0	0	0	0	14,707,108	14,707,108
Investments in joint ventures	0	0	0	0	0	0	1,384	1,384
Investments in associates	0	0	0	0	0	0	1,415	1,415
Total	\$ 366,731	66,554	582,933	441,715	762,371	1,257,073	16,109,102	19,586,479
 June 30, 2015								
	Up to one month	More than one month and not more than three months	More than three months and not more than six	More than six months and not more than one year	Between one and two years	More than three years and not more than five	More than five years	Total
Trading investments								
Debt instruments	\$ 117,281	301	4,016	198,667	247,754	142,557	348,232	1,058,808
Equity instruments	0	0	30,555	0	0	0	0	30,555
Investments held to maturity	8,517	27,063	315,498	751,109	0	0	0	1,102,187
Investments available for sale	0	0	339,195	207,942	135,005	750,326	2,140,028	3,572,496
Debt instruments	0	0	0	0	0	0	0	10,859
Equity instruments	0	0	0	0	0	0	0	10,859
Investments in subsidiaries	0	0	0	0	0	0	12,513,630	12,513,630
Investments in joint ventures	0	0	0	0	0	0	1,384	1,384
Investments in associates	0	0	0	0	0	0	1,415	1,415
Total	\$ 125,798	27,364	689,264	1,157,718	382,759	892,883	15,015,548	18,291,334

• Impaired Investments

The following is the activity in impaired investments.

	December 31, 2015	June 30, 2015
Opening balance	\$ 17,903	18,288
Impairment (1)	1,059	487
Recovery of impairment (2)	(44)	(872)
Reclassification (3)	2,357	0
Closing balance	\$ 21,275	17,903

- (1) \$43 in impairment recorded under other expenses was included at December 31, 2015 and \$407 in impairment recorded in foreclosed and returned assets was registered at June 30, 2015.
- (2) The following recovery of impairment recorded under Other Income was registered at December 31, 2015: Sociedad Portuaria de B/quilla for \$38 and Zona Franca de Bogota for \$6.
- (3) A reclassification of non-current assets held for sale was registered at December 31, 2015 for the shares of stock received from ACCION FIDUCIARIA S.A.

Banco de Bogota S.A.
 Notes to the Separate Financial Statements at December 31, 2015
 (With comparative figures at June 30, 2015)
 (In millions of Colombian pesos, except the exchange rate and net earnings per share)

• Financial Derivatives

Financial Derivatives for Trading

The table below shows the fair values at the end of the period for exchange and securities forwards, futures, options, interest rate swaps and exchange swaps to which the Bank is committed.

	December 31, 2015		June 30, 2015	
	Notional amount	Fair value	Notional amount	Fair value
Derivative assets				
Forward contracts				
Purchase of foreign currency	\$ 2,585,158	250,537	4,482,694	251,791
Sale of foreign currency	1,880,859	63,767	970,368	12,736
Purchase of securities	0	0	10,000	56
Sale of securities	10,000	29	122,000	727
	<u>4,476,017</u>	<u>314,333</u>	<u>5,585,062</u>	<u>265,310</u>
Swaps				
Foreign currency	129,646	35,733	101,364	20,091
Interest rate	2,226,252	47,417	2,570,325	33,772
Others	53,835	87	160,577	414
	<u>2,409,733</u>	<u>83,237</u>	<u>2,832,266</u>	<u>54,277</u>
Futures contracts				
Purchase of currency	1,494,423	0	0	0
Sale of currency	541,709	0	0	0
	<u>2,036,132</u>	<u>0</u>	<u>0</u>	<u>0</u>
Currency purchase options				
	<u>258,086</u>	<u>38,327</u>	<u>469,340</u>	<u>37,368</u>
Total derivative assets	<u>9,179,968</u>	<u>435,897</u>	<u>8,886,668</u>	<u>356,955</u>
Derivative liabilities				
Forward contracts				
Purchase of foreign currency	1,860,640	73,217	559,094	7,601
Sale of foreign currency	2,656,334	159,803	4,865,681	216,241
Sale of securities	74,500	785	263,000	701
	<u>4,591,474</u>	<u>233,805</u>	<u>5,687,775</u>	<u>224,543</u>
Swaps				
Foreign currency	432,172	199,589	636,971	130,745
Interest rate	2,513,595	39,792	2,030,084	25,072
Others	219	1	111,079	352
	<u>2,945,986</u>	<u>239,382</u>	<u>2,778,134</u>	<u>156,169</u>
Futures contracts				
Purchase	653,515	0	(804,811)	(808,797)
Futures	1,949,522	0	804,811	808,797
	<u>2,603,037</u>	<u>0</u>	<u>0</u>	<u>0</u>
Currency purchase options				
	<u>210,887</u>	<u>6,777</u>	<u>489,228</u>	<u>6,816</u>
Total derivative liabilities	<u>10,351,384</u>	<u>479,964</u>	<u>8,955,137</u>	<u>387,528</u>
Net position	<u>\$ (1,171,416)</u>	<u>(44,067)</u>	<u>(68,469)</u>	<u>(30,573)</u>

The main change in the trading portfolios corresponds primarily to the strategic management of each portfolio, due to market conditions characterized by extreme variations and fluctuations in the representative rate of exchange (TRM) and/or interest rates.

Financial derivatives contracted by the Bank are traded on financial markets, both off-shore and domestically. The fair value of derivatives varies positively or negatively as a result of foreign

Banco de Bogota S.A.
 Notes to the Separate Financial Statements at December 31, 2015
 (With comparative figures at June 30, 2015)
 (In millions of Colombian pesos, except the exchange rate and net earnings per share)

exchange and interest rate fluctuations, the passing of time and other risk factors, depending on the type of instrument and underlying asset.

At December 31 and June 30, 2015, the Bank had obligations implying the delivery of \$479,964 and \$387,528 in financial assets in debt securities or foreign currency at fair value and the receipt of \$ 435,897 and \$356,955 in financial assets or foreign currency at a fair value.

The Bank had \$1 and \$352 in spot market obligations at December 31 and June 30, 2015 for transactions in foreign currency.

Financial Derivatives for Hedging

The financial derivatives for hedging reported 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 for hedging				
Forward contracts				
Purchase of foreign currency	\$ 119,680	3,556	1,574,800	22,973
Sale of foreign currency	<u>838,084</u>	<u>27,091</u>	<u>402,795</u>	<u>8,291</u>
Total derivative assets for hedging	<u>957,764</u>	<u>30,647</u>	<u>1,977,595</u>	<u>31,264</u>
Derivative liabilities for hedging				
Forward contracts				
Purchase of foreign currency	573,204	16,129	0	0
Sale of foreign currency	<u>3,566,547</u>	<u>294,111</u>	<u>6,727,983</u>	<u>367,725</u>
Total derivative liabilities for hedging	<u>4,139,751</u>	<u>310,240</u>	<u>6,727,983</u>	<u>367,725</u>
Net position	<u>\$ (3,181,987)</u>	<u>(279,593)</u>	<u>(4,750,388)</u>	<u>(336,461)</u>

The variation at December 31, 2015 pertains to buying and selling maturity in forwards, given the change in hedging strategy by expanding the item through the use of subordinated debt with foreign banks.

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

	December 31, 2015	June 30, 2015
Investment grade	\$ 344,133	146,626
Speculative	2,907	0
No rating or not available	119,504	241,593
Total	\$ 466,544	388,219

Banco de Bogota decided to use hedge accounting for its investments in foreign subsidiaries and agencies with non-derivative instruments (obligations in foreign currency) and derivative operations such as those defined in paragraphs 72 and 78 of IAS 39.

The purpose of these operations is to protect the Bank against the exchange risk generated by the structural positions of its foreign subsidiaries and agencies. The primary position subject to hedging is part of the net foreign investment. The way financial derivatives used for hedging are entered on the books depends on the type of hedging involved.

Banco de Bogota S.A.
 Notes to the Separate Financial Statements at December 31, 2015
 (With comparative figures at June 30, 2015)
 (In millions of Colombian pesos, except the exchange rate and net earnings per share)

Investments in controlled companies are to be entered on the financial statements by the equity method, as of January 1, 2015. This is according to Article 35 in Law 222 / 1995, which amends the Commerce Code.

Foreign exchange gains or losses on investments in subsidiaries or affiliates, or even foreign exchange gains or losses that are not entirely eliminated in the consolidation with foreign branches, are recorded under "other comprehensive income" (OCI).

Non-derivative instruments for hedging: According to paragraph 72 of IAS 39, a financial asset or liability that is not a derivative may be designated as a hedging instrument only to hedge a risk in foreign currency. By the same token, a portion of a complete instrument for hedging, such as 50% of the notional amount, can be designated as a hedging instrument in a hedging relationship.

For this reason, external debt operations are susceptible to being designated as hedges against the investment in subsidiaries and agencies abroad. The effects of variations in the peso/ US dollar exchange rate generated by debt in US dollars designated for hedging are recorded in "other comprehensive income".

Derivatives for hedging: The Board of Directors of the Bank, in pursuit of its policy to protect the statement of financial position from the exchange risk inherent in the structural positions of the Bank's subsidiaries and agencies abroad, authorized a series of derivative operations to be designated as hedges against adverse changes in the US dollar against the Colombian peso in the foregoing investment. These operations are clearly identified in the application used to record and value them.

An item hedged through forward derivatives is the part of the foreign investment that is not hedged with foreign debt (bonds issued in US dollars).

The assets and liabilities in this strategy are converted from US dollars into the Bank's reporting currency at the official exchange rate (TRM) certified daily by the Financial Superintendence of Colombia. This results in an exchange gain or loss.

Since the obligations and the foreign investments are registered in the same currency (USD), the hedging is considered to be perfect.

- **Use of Hedge Accounting**

In pursuit of its policy on risk management, the Bank used hedge accounting to prepare its financial statements at December 31 and June 30, 2015, as indicated below.

Hedging Net Foreign Investments

The following shows the fluctuation of the Colombian peso against the US dollar.

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 above, the following is a breakdown of hedging on these investments, before taxes.

Banco de Bogota S.A.
Notes to the Separate Financial Statements at December 31, 2015
(With comparative figures at June 30, 2015)
(In millions of Colombian pesos, except the exchange rate and net earnings per share)

Investment	December 31, 2015				Millions of Colombian pesos		
	Value of the investment	Value of the hedge in 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 Bogota Panama	\$ 3,165	(1,493)	(1,662)	2,292,987	(677,722)	(1,615,327)	(62)
Other Banco de Bogota subsidiaries and agencies (1)	87	0	(88)	70,142	0	(68,020)	2,122
Total	\$ 3,252	(1,493)	(1,750)	2,363,129	(677,722)	(1,683,347)	2,060

Investment	June 30, 2015				Millions of Colombian pesos		
	Value of the investment	Value of the hedge in 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 Bogota Panama	\$ 3,035	(993)	(2,049)	603,579	(204,776)	(401,267)	(2,464)
Other Banco de Bogota subsidiaries and agencies (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 Bogota Panamá, Banco Bogota Finance, Ficentro and the investments in the foreign branches in Miami, New York and Nassau.

The accounting treatment of the hedging instrument was consistent with the change in the accounting policy on the hedged portion, as described below and in Note 4i.

Note 11 – Loan Portfolio and Capital Leasing Operations

The balance sheet account listing financial assets from the loan portfolio is classified according to commercial loans, consumer loans, home mortgages and microcredit. This is the same classification adopted by the Financial Superintendence of Colombia in its new Unitary Catalogue of Financial Information (CUIF). Nevertheless, considering how important capital leases are to the Bank, this portfolio is listed separately, for disclosure purposes, in all the tables in this note and according to the following reclassification.

December 31, 2015			
Type	Loan portfolio	Capital leases	Balance according to revaluation
Commercial	\$ 34,592,757	2,727,935	37,320,692
Consumer	8,961,804	22,791	8,984,595
Mortgage	1,728,742	223,552	1,952,294
Microcredit	373,348	0	373,348
Total loan portfolio	\$ 45,656,651	2,974,278	48,630,929

June 30, 2015			
Type	Loan portfolio	Capital leases	Balance according to revaluation
Commercial	\$ 34,199,103	2,318,941	36,518,044
Consumer	8,427,117	19,087	8,446,204
Mortgage	1,507,710	162,542	1,670,252
Microcredit	355,213	0	355,213
Total loan portfolio	\$ 44,489,143	2,500,570	46,989,713

Banco de Bogota S.A.
 Notes to the Separate Financial Statements at December 31, 2015
 (With comparative figures at June 30, 2015)
 (In millions of Colombian pesos, except the exchange rate and net earnings per share)

The following shows the loan portfolio and capital leasing, by type:

	December 31, 2015	June 30, 2015
Ordinary loans		
Loans with resources from other institutions	\$ 37,396,754	36,993,076
Non-recourse factoring	1,381,213	1,241,570
Letters of credit, covered	46,926	49,152
Bank overdrafts in checking accounts	81,953	186,575
Discounts	143,657	532,618
Credit cards	283,900	(4)
Reimbursements, in advance	2,432,533	2,279,559
Loans to micro-businesses and SMEs	181,504	215,277
Microcredits	233,887	246,066
Home mortgage loans	364,269	346,114
Employee loans	1,664,541	1,447,510
Foreign loans reimbursable	63,929	62,649
Leased out real estate	1,259,561	1,278,368
Leased out movables	1,683,277	1,196,149
Collateral and guarantees, hedged	1,768	3,071
Loans to builders	628,196	423,491
Other	783,061	488,472
Allowance	<u>(1,624,971)</u>	<u>(1,492,084)</u>
Total	\$ 47,005,958	45,497,629

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

	December 31, 2015					
	Suitable collateral			Other collateral		
	Principal	Interest and Financial Component	Other Items	Principal	Interest and Financial Component	Other Items
Commercial	\$ 12,496,589	89,510	4,397	24,205,950	239,442	284,804
Consumer	930,684	6,433	174	7,938,875	97,458	10,971
Microcredit	124,031	130	1	240,238	7,014	1,934
Mortgage	1,941,501	9,577	1,216	0	0	0
Total gross portfolio	15,492,805	105,650	5,788	32,385,063	343,914	297,709
Allowance	(310,748)	(2,319)	(374)	(1,242,837)	(54,651)	(14,042)
Total net portfolio	\$ 15,182,057	103,331	5,414	31,142,226	289,263	283,667
June 30, 2015						
	Suitable collateral			Other collateral		
	Principal	Interest and Financial Component	Other Items	Principal	Interest and Financial Component	Other Items
	\$ 12,158,610	75,233	4,161	24,019,803	237,537	22,700
Commercial	854,583	6,171	190	7,474,723	99,802	10,735
Consumer	116,730	124	0	229,385	6,845	2,129
Mortgage	1,660,423	8,781	1,048	0	0	0
Total gross portfolio	14,790,346	90,309	5,399	31,723,911	344,184	35,564
Allowance	(267,900)	(1,814)	(196)	(1,154,152)	(54,233)	(13,789)
Total net portfolio	\$ 14,522,446	88,495	5,203	30,569,759	289,951	21,775

Banco de Bogota S.A.
Notes to the Separate Financial Statements at December 31, 2015
(With comparative figures at June 30, 2015)
(In millions of Colombian pesos, except the exchange rate and net earnings per share)

The loan portfolio, by rating, breaks down as follows:

	Suitable Collateral December 31, 2015					
				Allowance		
	Principal	Interest and Financial Component	Other Items	Principal	Interest and Financial Component	Other Items
Commercial						
A – Normal	\$ 10,456,806	80,552	79	130,488	1,042	4
B – Acceptable	334,712	2,777	57	9,007	96	4
C – Appreciable	348,538	1,360	41	36,787	150	6
D – Significant	79,145	209	5	34,728	116	1
E – Uncollectible	12,101	0	0	11,995	0	0
Subtotal	<u>11,231,302</u>	<u>84,898</u>	<u>182</u>	<u>223,005</u>	<u>1,404</u>	<u>15</u>
Consumer						
A – Normal	870,548	6,113	129	13,761	91	6
B – Acceptable	12,474	201	31	625	8	1
C – Appreciable	10,806	27	1	1,768	3	0
D – Significant	17,506	9	5	9,697	5	4
E – Uncollectible	649	0	0	649	0	0
Subtotal	<u>911,983</u>	<u>6,350</u>	<u>166</u>	<u>26,500</u>	<u>107</u>	<u>11</u>
Microcredit						
A – Normal	109,843	130	1	1,098	1	0
B – Acceptable	3,763	0	0	120	0	0
C – Appreciable	2,244	0	0	449	0	0
D – Significant	1,520	0	0	760	0	0
E – Uncollectible	6,661	0	0	6,661	0	0
Subtotal	<u>124,031</u>	<u>130</u>	<u>1</u>	<u>9,088</u>	<u>1</u>	<u>0</u>
Mortgage						
A – Normal	1,697,348	8,414	911	16,974	132	23
B – Acceptable	7,671	67	23	461	67	23
C – Appreciable	8,062	102	48	891	102	48
D – Significant	3,176	55	36	715	49	36
E – Uncollectible	2,737	53	39	1,213	53	39
Subtotal	<u>1,718,994</u>	<u>8,691</u>	<u>1,057</u>	<u>20,254</u>	<u>403</u>	<u>169</u>
Commercial capital leasing						
A – Normal	1,145,145	3,266	4,082	15,690	54	47
B – Acceptable	57,285	312	2	1,576	10	0
C – Appreciable	53,158	1,023	122	5,384	287	120
D – Significant	7,781	7	9	4,589	6	5
E – Uncollectible	1,918	4	0	1,918	4	0
Subtotal	<u>1,265,287</u>	<u>4,612</u>	<u>4,215</u>	<u>29,157</u>	<u>361</u>	<u>172</u>
Consumer capital leasing						
A – Normal	18,325	83	8	327	1	0
B – Acceptable	22	0	0	1	0	0
C – Appreciable	136	0	0	14	0	0
D – Significant	218	0	0	108	0	0
E – Uncollectible	18,701	83	8	450	1	0
Residential capital leasing						
A – Normal	220,955	854	154	2,210	10	2
B – Acceptable	1,038	21	2	33	21	2
C – Appreciable	514	11	3	51	11	3
D – Significant	222,507	886	159	2,294	42	7
E – Uncollectible	\$ 15,492,805	<u>105,650</u>	<u>5,788</u>	<u>310,748</u>	<u>2,319</u>	<u>374</u>
Other collateral						
December 31, 2015						
				Allowance		
	Principal	Interest and Financial Component	Other Items	Principal	Interest and Financial Component	Other Items
Commercial						
A – Normal	\$ 21,472,977	183,869	272,215	315,155	3,186	261
B – Acceptable	393,228	4,049	450	14,723	994	131
C – Appreciable	531,154	10,821	718	72,732	8,316	581

Banco de Bogota S.A.
Notes to the Separate Financial Statements at December 31, 2015
(With comparative figures at June 30, 2015)
(In millions of Colombian pesos, except the exchange rate and net earnings per share)

	Other collateral					
	December 31, 2015					
	Principal	Interest and Financial Component	Other Items	Principal	Interest and Financial Component	Other Items
Commercial						
D – Significant	202,873	12,479	4,882	136,438	12,199	4,863
E – Uncollectible	173,118	11,733	1,809	170,994	7,146	1,809
Subtotal	22,773,350	222,951	280,074	710,042	31,841	7,645
Consumer						
A – Normal	7,341,385	79,253	7,434	205,843	5,340	1,075
B – Acceptable	172,246	4,433	403	21,319	1,966	173
C – Appreciable	168,763	4,250	569	32,560	3,446	495
D – Significant	192,007	6,799	1,776	147,240	6,733	1,767
E – Uncollectible	60,693	2,643	651	60,689	2,643	651
Subtotal	7,935,094	97,378	10,833	467,651	20,128	4,161
Microcredit						
A – Normal	216,401	6,120	598	2,164	272	180
B – Acceptable	6,250	246	98	200	244	98
C – Appreciable	3,349	109	86	670	109	86
D – Significant	2,496	101	87	1,248	101	87
E – Uncollectible	11,742	438	1,065	11,742	438	1,064
Subtotal	240,238	7,014	1,934	16,024	1,164	1,515
Commercial capital leasing						
A – Normal	1,365,204	13,699	3,804	17,492	216	91
B – Acceptable	39,564	960	96	1,306	42	8
C – Appreciable	23,061	886	267	3,332	323	61
D – Significant	2,669	445	286	2,216	422	259
E – Uncollectible	2,102	501	277	2,102	501	277
Subtotal	1,432,600	16,491	4,730	26,448	1,504	696
Consumer capital leasing						
A – Normal	3,657	65	112	67	2	5
B – Acceptable	0	1	1	0	0	0
C – Appreciable	39	6	10	7	4	5
D – Significant	85	8	15	85	8	15
E – Uncollectible	3,781	80	138	159	14	25
General allowance	0	0	0	22,513	0	0
Total	\$ 32,385,063	343,914	297,709	1,242,837	54,651	14,042

	Suitable collateral					
	June 30, 2015					
	Principal	Interest and Financial Component	Other Items	Principal	Interest and Financial Component	Other Items
Commercial						
A – Normal	\$ 9,772,998	62,621	90	121,933	837	4
B – Acceptable	412,916	6,587	53	10,019	157	4
C – Appreciable	278,612	2,329	39	30,765	257	5
D – Significant	54,966	31	2	19,757	17	1
E – Uncollectible	6,267	0	0	6,267	0	0
Subtotal	10,525,759	71,568	184	188,741	1,268	14
Consumer						
A – Normal	800,814	5,937	139	12,776	87	6
B – Acceptable	10,986	171	31	528	6	1
C – Appreciable	9,948	18	3	1,526	3	1
D – Significant	16,900	9	1	9,001	5	0
E – Uncollectible	602	0	0	602	0	0
Subtotal	839,250	6,135	174	24,433	101	8
Microcredit						
A – Normal	102,497	124	0	1,025	1	0
B – Acceptable	3,228	0	0	103	0	0
C – Appreciable	1,753	0	0	351	0	0
D – Significant	1,341	0	0	671	0	0
E – Uncollectible	7,911	0	0	7,911	0	0
Subtotal	116,730	124	0	10,061	1	0

Banco de Bogota S.A.
Notes to the Separate Financial Statements at December 31, 2015
(With comparative figures at June 30, 2015)
(In millions of Colombian pesos, except the exchange rate and net earnings per share)

	Suitable collateral June 30, 2015					
	Principal	Interest and Financial Component	Other Items	Allowance		
				Principal	Interest and Financial Component	Other Items
Home mortgages						
A – Normal	1,484,214	7,934	843	14,863	113	21
B – Acceptable	6,169	60	15	271	60	14
C – Appreciable	5,439	69	30	963	69	30
D – Significant	2,466	53	21	526	53	21
E – Uncollectible	384	5	8	333	5	8
Subtotal	<u>1,498,672</u>	<u>8,121</u>	<u>917</u>	<u>16,956</u>	<u>300</u>	<u>94</u>
Commercial capital leasing						
A – Normal	1,515,134	2,968	3,418	16,050	47	61
B – Acceptable	78,502	571	549	1,868	12	9
C – Appreciable	31,490	119	9	3,174	59	6
D – Significant	6,973	7	1	4,039	6	1
E – Uncollectible	752	0	0	752	0	0
Subtotal	<u>1,632,851</u>	<u>3,665</u>	<u>3,977</u>	<u>25,883</u>	<u>124</u>	<u>77</u>
Consumer capital leasing						
A – Normal	14,895	36	16	226	1	0
B – Acceptable	137	0	0	9	0	0
C – Appreciable	153	0	0	20	0	0
D – Significant	148	0	0	82	0	0
E – Uncollectible	15,333	36	16	337	1	0
Residential capital leasing						
A – Normal	160,910	647	129	1,446	6	1
B – Acceptable	608	6	1	20	6	1
C – Appreciable	233	7	1	23	7	1
D – Significant	161,751	660	131	1,489	19	3
E – Uncollectible	\$ 14,790,346	<u>90,309</u>	<u>5,399</u>	<u>267,900</u>	<u>1,814</u>	<u>196</u>
	Other collateral June 30, 2015					
	Principal	Interest and Financial Component	Other Items	Principal	Interest and Financial Component	Other Items
Commercial						
A – Normal	\$ 22,278,532	185,283	12,097	320,520	4,185	1,190
B – Acceptable	415,834	6,386	518	15,566	1,203	131
C – Appreciable	338,923	10,686	782	46,747	6,784	606
D – Significant	200,073	11,742	4,457	129,698	11,515	4,449
E – Uncollectible	125,330	9,948	1,001	120,824	6,310	1,001
Subtotal	<u>23,358,692</u>	<u>224,045</u>	<u>18,855</u>	<u>633,355</u>	<u>29,997</u>	<u>7,377</u>
Consumer						
A – Normal	6,865,142	80,328	7,070	190,722	6,058	989
B – Acceptable	178,533	5,033	420	21,260	2,232	171
C – Appreciable	286,452	4,280	570	30,158	3,484	495
D – Significant	57,538	6,717	1,596	140,536	6,645	1,588
E – Uncollectible	83,588	3,342	949	83,583	3,342	949
Subtotal	<u>7,471,253</u>	<u>99,700</u>	<u>10,605</u>	<u>466,259</u>	<u>21,761</u>	<u>4,192</u>
Microcredit						
A – Normal	205,804	6,001	721	2,058	275	187
B – Acceptable	5,660	181	112	181	180	112
C – Appreciable	3,260	97	96	652	96	96
D – Significant	2,303	76	85	1,151	77	86
E – Uncollectible	12,358	490	1,115	12,358	490	1,115
Subtotal	<u>229,385</u>	<u>6,845</u>	<u>2,129</u>	<u>16,400</u>	<u>1,118</u>	<u>1,596</u>
Commercial capital leasing						
A – Normal	602,750	11,384	3,095	11,840	74	72
B – Acceptable	39,121	411	63	1,214	21	4
C – Appreciable	14,317	1,045	175	1,151	622	37
D – Significant	2,614	458	264	1,910	436	239
E – Uncollectible	2,309	194	248	2,309	194	248
Subtotal	<u>661,111</u>	<u>13,492</u>	<u>3,845</u>	<u>18,424</u>	<u>1,347</u>	<u>600</u>

Banco de Bogota S.A.
Notes to the Separate Financial Statements at December 31, 2015
(With comparative figures at June 30, 2015)
(In millions of Colombian pesos, except the exchange rate and net earnings per share)

	Other collateral June 30, 2015					
	Principal	Interest and Financial Component	Other Items	Allowance		
				Principal	Interest and Financial Component	Other Items
Consumer capital leasing						
A – Normal	3,248	87	102	61	2	5
B – Acceptable	137	5	1	14	0	0
C – Appreciable	0	4	12	0	2	5
D – Significant	85	6	15	85	6	14
E – Uncollectible	3,470	102	130	160	10	24
General allowance	0	0	0	19,554	0	0
Total	\$ 31,723,911	344,184	35,564	1,154,152	54,233	13,789

• **Loan Portfolio, by Economic Sector**

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

Sectors	December 31, 2015						Portion (%)
	Commercial	Consumer	Microcredit	Home mortgages	Capital Leases	Total	
Agriculture, livestock, forestry and fishing	\$ 1,077,558	164,636	25,723	19,447	106,744	1,394,108	3%
Mining and quarrying	1,193,914	9,388	318	2,456	69,277	1,275,353	3%
Manufacturing industries	5,940,874	150,743	41,496	28,692	580,847	6,742,652	14%
Supply of electricity, gas, steam and air conditioning	2,725,916	538	78	97	2,900	2,729,529	5%
Water distribution; waste water evacuation and treatment, waste management and environmental sanitation activities	153,491	5,276	1,341	512	24,358	184,978	0%
Construction	3,451,876	93,073	3,697	16,887	192,103	3,757,636	8%
Wholesale and Retail; Automobile and motorcycle repair	5,743,681	649,974	182,565	114,696	414,716	7,105,632	14%
Transport, storage	3,585,707	297,082	14,018	53,317	551,134	4,501,258	9%
Accommodation and food services	244,499	67,955	22,617	13,368	31,065	379,504	1%
Information and communications	737,006	22,843	3,222	5,279	17,096	785,446	2%
Financial and insurance activities	3,301,446	9,686	151	3,548	25,973	3,340,804	7%
Real estate activities	1,027,990	30,754	588	5,447	174,647	1,239,426	2%
Professional, scientific and technical activities	1,800,023	638,563	22,644	192,920	128,218	2,782,368	6%
Administrative services and support activities	643,555	33,610	3,701	6,409	91,392	778,667	2%
Public administration and defense; social security plans with mandatory affiliation	1,165,144	0	6	0	754	1,165,904	2%
Education	285,827	19,841	832	6,193	42,871	355,564	1%
Human health care and social assistance activities	609,379	72,455	969	28,746	263,408	974,957	2%
Artistic, entertainment and recreational activities	62,785	157,410	1,140	1,546	6,741	229,622	1%
Other service activities	307,863	33,643	9,796	5,860	12,356	369,518	1%
Activities of individual households as employers	19	482	13	0	0	514	0%

Banco de Bogota S.A.
Notes to the Separate Financial Statements at December 31, 2015
(With comparative figures at June 30, 2015)
(In millions of Colombian pesos, except the exchange rate and net earnings per share)

Sectors	December 31, 2015						
	Commercial	Consumer	Microcredit	Home mortgages	Capital Leases	Total	Portion (%)
Activities of extraterritorial organizations and entities	28,536	187	22	0	0	28,745	0%
Salaried persons	407,185	6,233,356	35,485	1,171,062	209,037	8,056,125	16%
Capital investors	98,483	270,309	2,926	52,260	28,641	452,619	1%
Total	\$ 34,592,757	8,961,804	373,348	1,728,742	2,974,278	48,630,929	100.00%
June 30, 2015							
Sectors	Commercial	Consumer	Microcredit	Home mortgages	Capital Leases	Total	Portion (%)
Agriculture, livestock, forestry and fishing	\$ 1,207,326	159,705	22,170	15,908	91,806	1,496,915	3%
Mining and quarrying	1,196,790	8,805	238	1,808	70,768	1,278,409	3%
Manufacturing industries	6,549,427	141,189	38,878	24,581	426,005	7,180,080	15%
Supply of electricity, gas, steam and air conditioning	1,796,335	514	84	99	3,172	1,800,204	4%
Water distribution; waste water evacuation and treatment, waste management and environmental sanitation activities	105,955	4,548	1,248	463	18,071	130,285	0%
Construction	3,027,396	87,583	3,495	14,946	174,827	3,308,247	7%
Wholesale and Retail; Automobile and motorcycle repair	5,107,107	599,551	174,508	96,510	346,503	6,324,179	14%
Transport, storage	3,649,236	267,695	14,180	48,236	259,787	4,239,134	9%
Accommodation and food services	213,214	62,592	21,282	11,320	23,054	331,462	1%
Information and communications	714,584	21,581	3,000	4,897	17,987	762,049	1%
Financial and insurance activities	2,679,632	8,248	128	2,961	16,867	2,707,836	6%
Real estate activities	1,017,961	27,906	507	5,333	151,724	1,203,431	2%
Professional, scientific and technical activities	3,291,120	618,400	22,175	149,804	305,020	4,386,519	9%
Administrative services and support activities	798,734	31,058	3,080	5,695	75,095	913,662	2%
Public administration and defense; social security plans with mandatory affiliation	1,040,541	0	0	0	1,407	1,041,948	2%
Education	361,613	18,646	783	6,413	148,384	535,839	1%
Human health care and social assistance activities	514,385	67,517	874	26,917	100,977	710,670	2%
Artistic, entertainment and recreational activities	71,762	134,448	1,181	1,141	5,033	213,565	1%
Other service activities	310,514	35,996	8,894	9,769	86,950	452,123	1%
Activities of individual households as employers	24	566	20	0	0	610	0%
Activities of extraterritorial organizations and entities	28,337	112	26	0	0	28,475	0%
Salaried persons	423,440	5,878,619	35,468	1,032,134	151,666	7,521,327	16%
Capital investors	93,670	251,838	2,994	48,775	25,467	422,744	1%
Total	\$ 34,199,103	8,427,117	355,213	1,507,710	2,500,570	46,989,713	100%

Banco de Bogota S.A.

Notes to the Separate Financial Statements at December 31, 2015

(With comparative figures at June 30, 2015)

(In millions of Colombian pesos, except the exchange rate and net earnings per share)

• **Loan Portfolio, by Geographic Area**

The loan portfolio, by geographic area, breaks down as follows.

	Suitable collateral December 31, 2015					
				Allowance		
	Principal	Interest	Other items	Principal	Interest	Other items
Commercial						
Amazon Region	\$ 16,998	105	0	702	4	0
Andean Region	9,861,363	72,810	165	199,598	1,218	13
Caribbean Region	1,022,999	9,503	14	16,131	134	2
Island Region	12,871	48	0	166	1	0
Orinoco Region	295,908	2,341	3	5,579	45	0
Pacific Region	21,163	91	0	829	2	0
	<u>11,231,302</u>	<u>84,898</u>	<u>182</u>	<u>223,005</u>	<u>1,404</u>	<u>15</u>
Consumer						
Amazon Region	1,688	16	0	37	0	0
Andean Region	852,625	5,828	149	24,842	99	10
Caribbean Region	51,366	443	16	1,224	7	1
Island Region	136	3	0	4	0	0
Orinoco Region	5,038	47	1	328	1	0
Pacific Region	1,130	13	0	65	0	0
	<u>911,983</u>	<u>6,350</u>	<u>166</u>	<u>26,500</u>	<u>107</u>	<u>11</u>
Microcredit						
Amazon Region	1,732	2	1	140	0	0
Andean Region	93,129	105	0	6,749	1	0
Caribbean Region	20,115	15	0	1,633	0	0
Island Region	218	0	0	7	0	0
Orinoco Region	7,557	8	0	452	0	0
Pacific Region	1,280	0	0	107	0	0
Subtotal	<u>124,031</u>	<u>130</u>	<u>1</u>	<u>9,088</u>	<u>1</u>	<u>0</u>
Home mortgages						
Amazon Region	3,488	14	2	35	0	0
Andean Region	1,476,641	7,484	886	17,404	334	145
Caribbean Region	188,228	936	133	2,245	52	18
Island Region	1,250	5	1	13	0	0
Orinoco Region	46,946	241	34	533	17	6
Pacific Region	2,441	11	1	24	0	0
Subtotal	<u>1,718,994</u>	<u>8,691</u>	<u>1,057</u>	<u>20,254</u>	<u>403</u>	<u>169</u>
Commercial capital leasing						
Amazon Region	1,528	3	0	53	0	0
Andean Region	1,098,476	3,151	4,191	22,733	260	170
Caribbean Region	138,088	1,300	16	5,101	96	1
Island Region	1,466	7	0	12	0	0
Orinoco Region	20,788	124	2	1,064	4	1
Pacific Region	4,941	27	6	194	1	0
Subtotal	<u>1,265,287</u>	<u>4,612</u>	<u>4,215</u>	<u>29,157</u>	<u>361</u>	<u>172</u>
Consumer capital leasing						
Andean Region	17,686	79	8	432	1	0
Caribbean Region	953	3	0	17	0	0
Orinoco Region	62	1	0	1	0	0
Subtotal	<u>18,701</u>	<u>83</u>	<u>8</u>	<u>450</u>	<u>1</u>	<u>0</u>
Home capital leasing						
Andean Region	199,226	805	146	2,059	37	7
Caribbean Region	20,285	72	12	205	5	0
Orinoco Region	2,326	8	1	23	0	0
Pacific Region	670	1	0	7	0	0
Subtotal	<u>222,507</u>	<u>886</u>	<u>159</u>	<u>2,294</u>	<u>42</u>	<u>7</u>
Total	\$ 15,492,805	105,650	5,788	310,748	2,319	374

Banco de Bogota S.A.
 Notes to the Separate Financial Statements at December 31, 2015
 (With comparative figures at June 30, 2015)
 (In millions of Colombian pesos, except the exchange rate and net earnings per share)

	Other collateral					
	December 31, 2015			Allowance		
	Principal	Interest	Other items	Principal	Interest	Other items
Commercial						
Amazon Region	\$ 13,373	514	220	1,802	203	108
Andean Region	17,061,915	171,697	277,506	594,808	27,173	5,975
Caribbean Region	2,016,495	24,681	1,539	58,201	3,076	1,111
Island Region	4,173	54	7	176	7	4
Orinoco Region	118,050	2,906	735	9,487	1,004	392
Pacific Region	21,985	263	67	1,642	90	55
Miami	1,808,952	12,716	0	22,619	159	0
New York	1,612,745	9,702	0	19,427	117	0
Panama	115,662	418	0	1,880	12	0
Subtotal	<u>22,773,350</u>	<u>222,951</u>	<u>280,074</u>	<u>710,042</u>	<u>31,841</u>	<u>7,645</u>
Consumer						
Amazon Region	52,217	677	82	3,701	156	32
Andean Region	6,885,093	82,666	9,026	389,257	16,280	3,494
Caribbean Region	665,901	9,366	1,184	49,825	2,540	419
Island Region	14,621	190	20	822	34	5
Orinoco Region	257,168	3,628	413	19,884	940	173
Pacific Region	60,094	851	108	4,162	178	38
Subtotal	<u>7,935,094</u>	<u>97,378</u>	<u>10,833</u>	<u>467,651</u>	<u>20,128</u>	<u>4,161</u>
Microcredit						
Amazon Region	2,992	90	20	215	18	14
Andean Region	194,087	5,587	1,439	12,510	922	1,134
Caribbean Region	27,133	870	352	2,177	143	279
Island Region	227	8	2	7	1	1
Orinoco Region	14,182	409	103	954	72	72
Pacific Region	1,617	50	18	161	8	15
Subtotal	<u>240,238</u>	<u>7,014</u>	<u>1,934</u>	<u>16,024</u>	<u>1,164</u>	<u>1,515</u>
Commercial capital leasing						
Amazon Region	472	5	5	16	0	0
Andean Region	1,273,248	15,258	4,467	23,607	1,362	601
Caribbean Region	142,400	1,019	127	2,512	83	24
Island Region	0	0	1	0	0	0
Orinoco Region	15,370	197	110	288	55	70
Pacific Region	1,110	12	20	25	4	1
Subtotal	<u>1,432,600</u>	<u>16,491</u>	<u>4,730</u>	<u>26,448</u>	<u>1,504</u>	<u>696</u>
Consumer capital leasing						
Andean Region	2,988	73	132	140	14	24
Caribbean Region	793	7	6	19	0	1
Subtotal	<u>3,781</u>	<u>80</u>	<u>138</u>	<u>159</u>	<u>14</u>	<u>25</u>
General allowance	<u>0</u>	<u>0</u>	<u>0</u>	<u>22,513</u>	<u>0</u>	<u>0</u>
Total	\$ 32,385,063	343,914	297,709	1,242,837	54,651	14,042

	Suitable Collateral					
	June 30, 2015			Allowance		
	Principal	Interest	Other items	Principal	Interest	Other items
Commercial						
Amazon Region	\$ 16,576	97	0	757	4	0
Andean Region	9,261,419	60,583	172	168,134	1,084	14
Caribbean Region	914,292	8,412	9	14,346	132	0
Island Region	10,669	46	0	193	1	0
Orinoco Region	272,747	2,365	3	4,651	46	0
Pacific Region	21,099	65	0	660	1	0
Miami	28,957	0	0	0	0	0
Subtotal	<u>10,525,759</u>	<u>71,568</u>	<u>184</u>	<u>188,741</u>	<u>1,268</u>	<u>14</u>

Banco de Bogota S.A.
Notes to the Separate Financial Statements at December 31, 2015
(With comparative figures at June 30, 2015)
(In millions of Colombian pesos, except the exchange rate and net earnings per share)

	Suitable Collateral					
	June 30, 2015			Allowance		
	Principal	Interest	Other items	Principal	Interest	Other items
Consumer						
Amazon Region	1,498	17	0	49	0	0
Andean Region	794,846	5,746	168	23,162	95	7
Caribbean Region	36,446	295	5	867	5	1
Island Region	97	1	0	4	0	0
Orinoco Region	5,451	61	1	320	1	0
Pacific Region	912	15	0	31	0	0
Subtotal	<u>839,250</u>	<u>6,135</u>	<u>174</u>	<u>24,433</u>	<u>101</u>	<u>8</u>
Microcredit						
Amazon Region	1,719	3	0	228	0	0
Andean Region	88,559	104	0	7,381	1	0
Caribbean Region	18,871	10	0	1,918	0	0
Island Region	178	0	0	6	0	0
Orinoco Region	6,374	7	0	396	0	0
Pacific Region	1,029	0	0	132	0	0
Subtotal	<u>116,730</u>	<u>124</u>	<u>0</u>	<u>10,061</u>	<u>1</u>	<u>0</u>
Home mortgages						
Amazon Region	3,285	17	2	33	0	0
Andean Region	1,294,347	7,031	775	14,695	263	83
Caribbean Region	157,264	827	112	1,776	27	8
Island Region	1,019	5	0	10	0	0
Orinoco Region	40,248	227	27	417	10	3
Pacific Region	2,509	14	1	25	0	0
Subtotal	<u>1,498,672</u>	<u>8,121</u>	<u>917</u>	<u>16,956</u>	<u>300</u>	<u>94</u>
Commercial capital leasing						
Amazon Region	1,086	2	0	43	0	0
Andean Region	1,501,506	2,940	3,966	22,505	97	75
Caribbean Region	104,702	629	9	2,231	24	1
Island Region	1,545	7	0	13	0	0
Orinoco Region	20,339	75	2	922	3	1
Pacific Region	3,673	12	0	169	0	0
Subtotal	<u>1,632,851</u>	<u>3,665</u>	<u>3,977</u>	<u>25,883</u>	<u>124</u>	<u>77</u>
Consumer capital leasing						
Andean Region	15,021	34	10	328	1	0
Caribbean Region	231	2	6	8	0	0
Orinoco Region	68	0	0	1	0	0
Pacific Region	13	0	0	0	0	0
Subtotal	<u>15,333</u>	<u>36</u>	<u>16</u>	<u>337</u>	<u>1</u>	<u>0</u>
Home capital leasing						
Andean Region	147,524	599	120	1,351	18	3
Caribbean Region	12,610	53	10	123	1	0
Orinoco Region	902	5	0	8	0	0
Pacific Region	715	3	1	7	0	0
Subtotal	<u>161,751</u>	<u>660</u>	<u>131</u>	<u>1,489</u>	<u>19</u>	<u>3</u>
Total	<u>\$ 14,790,346</u>	<u>90,309</u>	<u>5,399</u>	<u>267,900</u>	<u>1,814</u>	<u>196</u>

Banco de Bogota S.A.
 Notes to the Separate Financial Statements at December 31, 2015
 (With comparative figures at June 30, 2015)
 (In millions of Colombian pesos, except the exchange rate and net earnings per share)

	Other collateral					
	June 30, 2015					
	Principal	Interest	Other items	Principal	Interest	Other items
Commercial						
Amazon Region	\$ 11,929	470	189	1,250	218	88
Andean Region	16,997,807	173,857	16,578	511,201	25,773	6,115
Caribbean Region	2,185,461	25,766	1,304	54,716	2,781	803
Island Region	4,322	52	16	191	8	6
Orinoco Region	124,672	2,722	683	9,653	876	314
Pacific Region	23,057	405	85	1,652	84	51
Miami	1,940,066	9,880	0	26,735	123	0
New York	2,003,348	10,687	0	26,830	130	0
Panama	68,030	206	0	1,127	4	0
Subtotal	<u>23,358,692</u>	<u>224,045</u>	<u>18,855</u>	<u>633,355</u>	<u>29,997</u>	<u>7,377</u>
Consumer						
Amazon Region	30,776	463	84	3,683	183	36
Andean Region	6,831,518	90,321	8,884	388,073	17,646	3,505
Caribbean Region	387,784	5,626	1,103	49,553	2,668	429
Island Region	8,142	110	18	868	45	6
Orinoco Region	174,358	2,608	416	19,979	1,028	178
Pacific Region	38,675	572	100	4,103	191	38
Subtotal	<u>7,471,253</u>	<u>99,700</u>	<u>10,605</u>	<u>466,259</u>	<u>21,761</u>	<u>4,192</u>
Microcredit						
Amazon Region	3,018	83	35	282	19	26
Andean Region	186,382	5,450	1,589	12,884	861	1,191
Caribbean Region	24,901	867	378	2,338	164	290
Island Region	179	6	1	6	1	1
Orinoco Region	13,584	397	102	746	63	70
Pacific Region	1,321	42	24	144	10	18
Subtotal	<u>229,385</u>	<u>6,845</u>	<u>2,129</u>	<u>16,400</u>	<u>1,118</u>	<u>1,596</u>
Commercial capital leasing						
Amazon Region	137	4	3	5	0	0
Andean Region	566,859	11,730	3,654	17,030	1,224	550
Caribbean Region	83,283	1,504	82	1,217	78	22
Island Region	0	0	1	0	0	0
Orinoco Region	9,798	197	96	129	41	28
Pacific Region	1,034	57	9	43	4	0
Subtotal	<u>661,111</u>	<u>13,492</u>	<u>3,845</u>	<u>18,424</u>	<u>1,347</u>	<u>600</u>
Consumer capital leasing						
Andean Region	2,751	92	125	139	10	24
Caribbean Region	719	10	5	21	0	0
Subtotal	<u>3,470</u>	<u>102</u>	<u>130</u>	<u>160</u>	<u>10</u>	<u>24</u>
General allowance	0	0	0	19,554	0	0
Total	\$ 31,723,911	344,184	35,564	1,154,152	54,233	13,789

• Loan Portfolio, by Currency

The following are the details of the loan portfolio, by type of currency:

Loan Types	December 31, 2015			
	Domestic currency	Foreign currency	UVR	Total
Commercial	\$ 28,727,158	5,865,599	0	34,592,757
Consumer	8,961,799	0	5	8,961,804
Microcredit	373,348	0	0	373,348

Banco de Bogota S.A.
 Notes to the Separate Financial Statements at December 31, 2015
 (With comparative figures at June 30, 2015)
 (In millions of Colombian pesos, except the exchange rate and net earnings per share)

Loan Types	December 31, 2015			
	Domestic currency	Foreign currency	UVR	Total
Mortgage	1,723,370	0	5,372	1,728,742
Commercial Leasing	2,692,805	35,130	0	2,727,935
Consumer Leasing	22,791	0	0	22,791
Residential Leasing	223,552	0	0	223,552
Total	\$ 42,724,823	5,900,729	5,377	48,630,929

Loan Types	June 30, 2015			
	Domestic currency	Foreign currency	UVR	Total
Commercial	\$ 27,246,025	6,953,078	0	34,199,103
Consumer	8,427,117	0	0	8,427,117
Microcredit	355,213	0	0	355,213
Mortgage	1,497,931	0	9,779	1,507,710
Commercial Leasing	2,288,300	30,641	0	2,318,941
Consumer Leasing	19,087	0	0	19,087
Residential Leasing	162,542	0	0	162,542
Total	\$ 39,996,215	6,983,719	9,779	46,989,713

- Loan portfolio, by Maturity**

The following are the details of the loan portfolio, by maturity.

	December 31, 2015				
	0 to 1 year	1 to 3 years	1 to 5 years	5 to 10 years	More than 10 Years
Commercial	\$ 17,934,424	8,153,974	4,704,376	3,685,252	114,731
Consumer	3,874,368	3,278,638	1,325,513	482,359	926
Microcredit	231,618	129,962	11,666	102	0
Mortgage	209,371	164,172	184,412	517,214	653,573
Commercial Leasing	1,241,378	562,211	416,640	468,700	39,006
Consumer Leasing	6,393	7,917	8,194	287	0
Residential Leasing	26,381	5,364	11,293	25,350	155,164
Total	\$ 23,523,933	12,302,238	6,662,094	5,179,264	963,400
					48,630,929

	June 30, 2015				
	0 to 1 year	1 to 3 years	1 to 5 years	5 to 10 years	More than 10 Years
Commercial	\$ 16,941,892	8,325,792	4,872,356	3,908,394	150,669
Consumer	3,307,759	3,226,322	1,327,889	564,645	502
Microcredit	174,883	161,465	18,620	245	0
Mortgage	145,277	153,750	171,523	483,517	553,643
Commercial Leasing	1,020,991	588,771	337,528	367,752	3,899
Consumer Leasing	9,169	6,428	3,414	76	0
Residential Leasing	66,963	8,356	9,686	29,853	47,684
Total	\$ 21,666,934	12,470,884	6,741,016	5,354,482	756,397
					46,989,713

- Restructured Loan Portfolio**

The following is a breakdown of the restructured loan portfolio.

	December 31, 2015					
	Principal			Allowance		
	Commercial	Interest	Other Items	Principal	Interest	Other
Law 1116	\$ 225,912	3,017	230	80,058	2,011	222
Law 550	35,615	6,491	9	29,248	1,151	9

Banco de Bogota S.A.
Notes to the Separate Financial Statements at December 31, 2015
(With comparative figures at June 30, 2015)
(In millions of Colombian pesos, except the exchange rate and net earnings per share)

	December 31, 2015					
	Principal	Interest	Other Items	Principal	Interest	Other
Law 617	29,886	372	0	228	2	0
Ordinary loans	365,812	6,033	1,389	58,002	4,416	1,335
Ongoing bankruptcy proceedings	225,302	5,425	551	57,141	5,278	549
Other types of restructuring	109,957	3,573	641	84,267	3,451	641
Subtotal	992,484	24,911	2,820	308,944	16,309	2,756
Consumer						
Law 1116	764	11	9	616	11	9
Ordinary loans	252,559	4,707	584	68,557	3,116	516
Ongoing bankruptcy proceedings	3,425	124	64	3,055	124	64
Other types of restructuring	544	10	2	435	9	2
Subtotal	257,292	4,852	659	72,663	3,260	591
Microcredit						
Law 1116	50	6	1	1	6	1
Ordinary loans	19,285	64	366	5,538	50	364
Ongoing bankruptcy proceedings	10	1	2	10	1	2
Other types of restructuring	1	0	0	1	0	0
Subtotal	19,346	71	369	5,550	57	367
Home mortgages						
Ordinary loans	2,000	8	6	76	4	6
Ongoing bankruptcy proceedings	2,386	55	30	765	55	30
Subtotal	4,386	63	36	841	59	36
Commercial finance leases						
Law 1116	1,906	50	12	874	44	12
Law 550	32	14	0	32	14	0
Ordinary loans	1,412	11	0	158	1	0
Ongoing bankruptcy proceedings	12,470	453	172	2,537	408	158
Other types of restructuring	2,019	130	7	1,969	130	7
Subtotal	17,839	658	191	5,570	597	177
Consumer finance leases						
Ongoing bankruptcy proceedings	85	3	6	85	3	6
Subtotal	85	3	6	85	3	6
Totals						
Law 1116	228,632	3,084	252	81,549	2,072	244
Law 550	35,647	6,505	9	29,280	1,165	9
Law 617	29,886	372	0	228	2	0
Ordinary loans	641,068	10,823	2,345	132,331	7,587	2,221
Ongoing bankruptcy proceedings	243,678	6,061	825	63,593	5,869	809
Other types of restructuring	112,521	3,713	650	86,672	3,590	650
Total	\$ 1,291,432	30,558	4,081	393,653	20,285	3,933

	June 30, 2015					
	Allowance					
	Principal	Interest	Other Items	Principal	Interest	Other
Commercial						
Law 1116	\$ 201,567	2,855	168	64,401	1,717	165
Law 550	37,497	7,066	9	28,631	3,035	9
Law 617	40,311	450	0	311	3	0
Ordinary loans	462,752	7,348	1,211	48,783	3,639	1,161
Ongoing the bankruptcy proceedings	141,571	4,115	516	34,297	4,061	515
Other types of restructuring	76,503	3,004	519	59,580	2,995	519
Subtotal	960,201	24,838	2,423	236,003	15,450	2,369
Consumer						
Law 1116	472	0	6	357	0	6
Ordinary loans	190,693	3,483	617	56,145	2,194	559
Pending the bankruptcy proceedings	3,028	107	51	2,656	107	51
Other types of restructuring	432	10	3	357	9	3
Subtotal	194,625	3,600	677	59,515	2,310	619
Microcredit						
Law 1116	50	7	1	1	7	1
Ordinary loans	17,242	73	347	5,165	49	345

Banco de Bogota S.A.
 Notes to the Separate Financial Statements at December 31, 2015
 (With comparative figures at June 30, 2015)
 (In millions of Colombian pesos, except the exchange rate and net earnings per share)

	June 30, 2015					
				Allowance		
	Principal	Interest	Other Items	Principal	Interest	Other
Pending bankruptcy proceedings	10	1	2	10	1	2
Other types of restructuring	2	0	0	0	0	0
Subtotal	17,304	81	350	5,176	57	348
Mortgages						
Ordinary loans	1,517	6	7	107	2	6
Ongoing bankruptcy proceedings	2,327	55	20	423	55	20
Subtotal	3,844	61	27	530	57	26
Commercial capital leasing						
Law 1116	264	18	3	233	17	3
Law 550	32	14	0	32	14	0
Ordinary loans	25,284	212	0	532	4	0
Ongoing bankruptcy proceedings	14,355	547	36	3,094	410	32
Other types of restructuring	1,071	45	10	776	45	10
Subtotal	41,006	836	49	4,667	490	45
Consumer capital leasing						
Ongoing bankruptcy proceedings	85	3	6	85	3	6
Subtotal	85	3	6	85	3	6
Totals						
Law 1116	202,353	2,880	178	64,992	1,741	175
Law 550	37,529	7,080	9	28,663	3,049	9
Law 617	40,311	450	0	311	3	0
Ordinary loans	697,488	11,122	2,182	110,732	5,888	2,071
Ongoing bankruptcy proceedings	161,376	4,828	631	40,565	4,637	626
Other types of restructuring	78,008	3,059	532	60,713	3,049	532
Total	\$ 1,217,065	29,419	3,532	305,976	18,367	3,413

- Restructured Loan Portfolio, Agreements and Arrangements with Creditors, by Risk Rating**

The restructured loan portfolio, by credit rating, breaks down as follows:

Credit rating	No. Loans	Suitable Collateral			Allowance		
		December 31, 2015			Principal	Interest	Others
		Principal	Interest	Other items	Principal	Interest	Others
Commercial							
A – Normal	188	\$ 59,908	332	0	538	1	0
B – Acceptable	239	52,820	489	0	1,395	9	0
C – Appreciable	394	226,927	535	5	25,490	64	1
D – Significant	248	33,816	187	0	16,926	101	0
E – Uncollectible	47	10,589	0	0	10,483	1	0
Subtotal	1,116	384,060	1,543	5	54,832	176	1
Consumer							
A – Normal	258	4,810	4	0	176	0	0
B – Acceptable	86	2,155	6	0	162	1	0
C – Appreciable	259	4,280	9	0	780	1	0
D – Significant	147	3,067	1	0	1,718	0	0
E – Uncollectible	8	293	0	0	293	0	0
Subtotal	758	14,605	20	0	3,129	2	0
Microcredit							
A – Normal	471	3,610	0	0	36	0	0
B – Acceptable	81	621	0	0	20	0	0
C – Appreciable	62	568	0	0	114	0	0
D – Significant	41	354	0	0	177	0	0
E – Uncollectible	195	1,874	0	0	1,874	0	0
Subtotal	850	7,027	0	0	2,221	0	0

Banco de Bogota S.A.
Notes to the Separate Financial Statements at December 31, 2015
(With comparative figures at June 30, 2015)
(In millions of Colombian pesos, except the exchange rate and net earnings per share)

Home Mortgages							
A – Normal	33	1,681	6	1	17	2	1
B – Acceptable	5	327	2	2	34	2	2
C – Appreciable	2	16	0	0	8	0	0
D – Significant	3	442	9	6	88	9	6
E – Uncollectible	3	1,920	46	27	694	46	27
Subtotal	46	4,386	63	36	841	59	36
Commercial capital leasing							
B – Acceptable	46	3,457	215	119	335	199	119
C – Appreciable	15	686	6	0	487	5	0
D – Significant	10	1,078	1	0	1,078	1	0
Subtotal	71	5,221	222	119	1,900	205	119
Total restructured loans	2,841	\$ 415,299	1,848	160	62,923	442	156

Credit rating	No. Loans	Other Collateral			Allowance		
		Principal	Interest	Other items	December 31, 2015		
					Principal	Interest	Others
Commercial							
A – Normal	534	\$ 46,683	253	20	894	15	17
B – Acceptable	591	47,220	969	72	1,793	514	55
C – Appreciable	1,990	267,295	6,314	358	35,202	4,926	333
D – Significant	1,261	95,647	5,042	1,324	66,768	4,867	1,309
E – Uncollectible	1,222	151,579	10,790	1,041	149,455	5,811	1,041
Subtotal	5,598	608,424	23,368	2,815	254,112	16,133	2,755
Consumer							
A – Normal	13,818	76,802	933	105	5,538	232	73
B – Acceptable	10,424	41,746	828	51	6,633	465	41
C – Appreciable	15,182	74,811	1,510	132	15,976	1,018	108
D – Significant	7,156	37,163	1,078	244	29,223	1,060	242
E – Uncollectible	1,916	12,165	483	127	12,164	483	127
Subtotal	48,496	242,687	4,832	659	69,534	3,258	591
Microcredit							
A – Normal	1,162	6,994	37	57	70	22	55
B – Acceptable	198	1,149	6	20	37	7	20
C – Appreciable	126	840	10	17	168	10	17
D – Significant	87	563	3	19	281	3	19
E – Uncollectible	353	2,773	15	256	2,773	15	256
Subtotal	1,926	12,319	71	369	3,329	57	367
Commercial capital leasing							
C – Appreciable	51	10,212	211	15	1,346	168	2
D – Significant	17	990	73	40	908	72	39
E – Uncollectible	19	1,416	152	17	1,416	152	17
Subtotal	87	12,618	436	72	3,670	392	58
Consumer capital leasing							
D – Significant	2	85	3	6	85	3	6
Subtotal	2	85	3	6	85	3	6
Total	56,109	\$ 876,133	28,710	3,921	330,730	19,843	3,777
Suitable Collateral							
June 30, 2015							
Credit rating	No. Loans	Allowance					
		Principal	Interest	Other items	Principal	Interest	Others
Commercial							
A – Normal	164	\$ 78,098	351	1	660	1	0
B – Acceptable	227	120,681	1,215	1	2,615	25	0
C – Appreciable	366	152,935	572	0	17,527	93	0
D – Significant	264	16,878	24	1	7,496	10	0
E – Uncollectible	35	5,852	0	0	5,852	0	0
Subtotal	1,056	374,444	2,162	3	34,150	129	0

Banco de Bogota S.A.
Notes to the Separate Financial Statements at December 31, 2015
(With comparative figures at June 30, 2015)
(In millions of Colombian pesos, except the exchange rate and net earnings per share)

Credit rating	Suitable Collateral						
	June 30, 2015						
	No. Loans	Principal	Interest	Other items	Principal	Interest	Allowance
Consumer							
A – Normal	195	3,688	7	0	131	0	0
B – Acceptable	64	1,290	2	0	87	0	0
C – Appreciable	169	2,880	5	0	516	1	0
D – Significant	165	3,570	1	0	1,933	1	0
E – Uncollectible	3	75	0	0	76	0	0
Subtotal	596	11,503	15	0	2,743	2	0
Microcredit							
A – Normal	351	3,100	0	0	31	0	0
B – Acceptable	63	680	0	0	22	0	0
C – Appreciable	35	278	0	0	56	0	0
D – Significant	27	240	0	0	120	0	0
E – Uncollectible	176	1,860	0	0	1,860	0	0
Subtotal	652	6,158	0	0	2,089	0	0
Home Mortgages							
A – Normal	24	1,191	5	1	12	1	1
B – Acceptable	2	148	1	1	18	1	1
C – Appreciable	7	554	9	5	91	9	5
D – Significant	2	1,907	46	17	381	46	16
E – Uncollectible	3	44	0	3	28	0	3
Subtotal	38	3,844	61	27	530	57	26
Commercial capital leasing							
B – Acceptable	7	23,831	202	0	380	3	0
C – Appreciable	28	4,798	67	1	497	53	1
D – Significant	10	1,155	5	1	598	5	1
E – Uncollectible	5	375	0	0	375	0	0
Subtotal	50	30,159	274	2	1,850	61	2
Total restructured loans	2,392	\$ 426,108	2,512	32	41,362	249	28
Other Collateral							
June 30, 2015							
Credit rating	No. Loans	Principal	Interest	Other items	Principal	Interest	Allowance
Commercial							
A – Normal	580	\$ 88,838	647	45	1,276	18	23
B – Acceptable	420	93,113	1,667	65	2,432	505	55
C – Appreciable	1,424	197,986	6,079	330	30,239	3,804	312
D – Significant	1,073	97,944	5,338	1,301	64,494	5,169	1,299
E – Uncollectible	970	107,876	8,945	679	103,412	5,825	680
Subtotal	4,467	585,757	22,676	2,420	201,853	15,321	2,369
Consumer							
A – Normal	10,267	54,070	667	85	3,810	148	61
B – Acceptable	7,085	30,096	619	45	4,732	288	34
C – Appreciable	10,896	55,791	1,080	115	11,882	673	94
D – Significant	4,328	28,709	724	242	21,892	704	240
E – Uncollectible	2,169	14,456	495	190	14,456	495	190
Subtotal	34,745	183,122	3,585	677	56,772	2,308	619
Microcredit							
A – Normal	1,003	6,364	52	54	64	28	52
B – Acceptable	146	1,073	4	23	34	4	23
C – Appreciable	92	600	5	17	120	5	17
D – Significant	74	479	2	19	239	2	19
E – Uncollectible	363	2,630	18	237	2,630	18	237
Subtotal	1,678	11,146	81	350	3,087	57	348

Banco de Bogota S.A.
Notes to the Separate Financial Statements at December 31, 2015
(With comparative figures at June 30, 2015)
(In millions of Colombian pesos, except the exchange rate and net earnings per share)

Credit rating	Other Collateral							
	June 30, 2015							
	No. Loans	Principal	Interest	Other items	Allowance			
Commercial capital leasing					Principal	Interest	Others	
C – Appreciable	24	8,583	378	2	767	245	0	
D – Significant	13	893	63	43	679	63	41	
E – Uncollectible	15	1,371	121	2	1,371	121	2	
Subtotal	52	10,847	562	47	2,817	429	43	
Consumer capital leasing								
D – Significant	2	85	3	6	85	3	6	
Subtotal	2	85	3	6	85	3	6	
Total	40,944	\$ 790,957	26,907	3,500	264,614	18,118	3,385	

- Restructured Loans, Agreements and Arrangements with Creditors, by Economic Sector**

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

Sectors	December 31, 2015						
	Commercial	Consumer	Microcredit	Home Mortgages	Capital Leases	Total	%
Agriculture, livestock, forestry and fishing	\$ 55,118	7,297	1,092	0	364	63,871	5%
Mining and quarrying	44,311	731	12	0	154	45,208	3%
Manufacturing industries	391,207	7,282	2,282	234	4,053	405,058	30%
Supply of electricity, gas, steam and air conditioning	6,646	36	1	0	0	6,683	0%
Water distribution; waste water evacuation and treatment, waste management and environmental sanitation activities	1,630	178	87	0	0	1,895	0%
Construction	176,312	4,859	212	211	2,658	184,252	14%
Wholesale and retail, automobile and motorcycle repair	139,856	26,550	9,352	285	313	176,356	13%
Transport, storage	30,525	11,141	747	77	8,426	50,916	4%
Accommodation and food services	3,121	2,905	1,458	71	367	7,922	0%
Information and communications	8,506	1,023	134	0	0	9,663	1%
Financial and insurance activities	762	308	7	0	0	1,077	0%
Real estate activities	764	671	74	0	0	1,509	0%
Professional, scientific and technical activities	26,584	28,640	1,411	2,430	301	59,366	5%
Administrative services and support activities	4,887	1,743	273	0	1,839	8,742	1%

Banco de Bogota S.A.
Notes to the Separate Financial Statements at December 31, 2015
(With comparative figures at June 30, 2015)
(In millions of Colombian pesos, except the exchange rate and net earnings per share)

Sectors	December 31, 2015						
	Commercial	Consumer	Microcredit	Home Mortgages	Capital Leases	Total	%
Public administration and defense; social security plans with mandatory affiliation	90,942	0	0	0	0	90,942	7%
Education	6,548	1,175	32	0	0	7,755	1%
Human health care and social assistance activities	9,298	2,032	24	0	0	11,354	1%
Artistic, entertainment and recreational activities	663	985	72	0	0	1,720	0%
Other service activities	994	1,622	283	0	113	3,012	0%
Activities of individual households as employers	5	54	0	0	0	59	0%
Activities of extraterritorial organizations and entities	5	1	0	0	0	6	0%
Salaried persons	18,911	156,497	2,107	896	100	178,511	14%
Capital investors	2,620	7,073	126	281	94	10,194	1%
Total	\$ 1,020,215	262,803	19,786	4,485	18,782	1,326,071	100%
June 30, 2015							
Sectors	Commercial	Consumer	Microcredit	Home Mortgages	Capital Leases	Total	%
Agriculture, livestock, forestry and fishing	\$ 54,522	5,069	968	0	513	61,072	5%
Mining and quarrying	41,567	343	9	0	24,314	66,233	5%
Manufacturing industries	379,449	6,180	2,179	238	2,067	390,113	31%
Supply of electricity, gas, steam and air conditioning	6,643	15	0	0	0	6,658	1%
Water distribution; waste water evacuation and treatment, waste management and environmental sanitation activities	1,116	168	88	0	0	1,372	0%
Construction	106,506	3,527	207	0	3,011	113,251	9%
Wholesale and retail, automobile and motorcycle repair	179,496	19,956	8,093	153	7,490	215,188	17%
Transport, storage	24,392	9,478	762	0	2,990	37,622	3%
Accommodation and food services	1,534	2,318	1,288	0	0	5,140	0%
Information and communications	10,274	627	105	0	42	11,048	1%
Financial and insurance activities	825	279	7	0	0	1,111	0%

Banco de Bogota S.A.
Notes to the Separate Financial Statements at December 31, 2015
(With comparative figures at June 30, 2015)
(In millions of Colombian pesos, except the exchange rate and net earnings per share)

Sectors	June 30, 2015						
	Commercial	Consumer	Microcredit	Home Mortgages	Capital Leases	Total	%
Real estate activities	3,267	418	21	0	0	3,706	0%
Professional, scientific and technical activities	22,868	18,797	1,209	2,501	41	45,416	4%
Administrative services and support activities	6,077	1,111	210	0	1,517	8,915	1%
Public administration and defense; social security plans with mandatory affiliation	99,539	0	0	0	0	99,539	8%
Education	16,719	978	34	0	0	17,731	1%
Human health care and social assistance activities	10,117	1,432	49	0	0	11,598	1%
Artistic, entertainment and recreational activities	1,167	835	94	0	0	2,096	0%
Other service activities	1,234	1,341	243	0	0	2,818	0%
Activities of individual households as employers	3	47	0	0	0	50	0%
Activities of extraterritorial organizations and entities	0	1	0	0	0	1	0%
Salaried persons	17,990	120,571	2,096	760	0	141,417	11%
Capital investors	2,157	5,411	73	280	0	7,921	1%
Total	\$ 987,462	198,902	17,735	3,932	41,985	1,250,016	100%

- Restructured Loans, Agreements and Arrangements with Creditors, by Geographic Area**

The restructured loan portfolio, by geographic area, breaks down as follows:

	Suitable Collateral					
	December 31, 2015					
	Principal	Interest	Other items	Principal	Interest	Other items
Commercial						
Amazon Region	\$ 47	0	0	2	0	0
Andean Region	357,914	1,485	5	52,602	172	1
Caribbean Region	22,741	40	0	1,238	2	0
Island Region	12	0	0	0	0	0
Orinoco Region	2,220	18	0	483	2	0
Pacific Region	1,126	0	0	507	0	0
Subtotal	\$ 384,060	1,543	5	54,832	176	1
Consumer						
Amazon Region	4	0	0	4	0	0
Andean Region	13,910	15	0	2,983	1	0
Caribbean Region	418	1	0	95	0	0
Island Region	28	0	0	3	0	0
Orinoco Region	221	4	0	42	1	0
Pacific Region	24	0	0	2	0	0
Subtotal	\$ 14,605	20	0	3,129	2	0

Banco de Bogota S.A.
Notes to the Separate Financial Statements at December 31, 2015
(With comparative figures at June 30, 2015)
(In millions of Colombian pesos, except the exchange rate and net earnings per share)

Suitable Collateral December 31, 2015					
	Principal	Interest	Other items	Principal	Interest
					Allowance
Microcredit					
Amazon Region	115	0	0	11	0
Andean Region	5,183	0	0	1,665	0
Caribbean Region	1,302	0	0	375	0
Island Region	8	0	0	1	0
Orinoco Region	329	0	0	135	0
Pacific Region	90	0	0	34	0
Subtotal	<u>7,027</u>	<u>0</u>	<u>0</u>	<u>2,221</u>	<u>0</u>
Home Mortgages					
Andean Region	3,927	56	32	782	53
Caribbean Region	326	7	3	55	6
Orinoco Region	133	0	1	4	0
Subtotal	<u>4,386</u>	<u>63</u>	<u>36</u>	<u>841</u>	<u>59</u>
Commercial capital leasing					
Andean Region	5,082	212	119	1,862	195
Caribbean Region	138	10	0	38	10
Orinoco Region	1	0	0	0	0
Subtotal	<u>5,221</u>	<u>222</u>	<u>119</u>	<u>1,900</u>	<u>205</u>
Total	<u>\$ 415,299</u>	<u>1,848</u>	<u>160</u>	<u>62,923</u>	<u>442</u>
					<u>156</u>
Other Collateral December 31, 2015					
	Principal	Interest	Other items	Principal	Interest
					Allowance
Commercial					
Amazon Region	\$ 104	1	4	30	1
Andean Region	538,363	21,499	2,284	234,244	14,388
Caribbean Region	63,660	1,548	446	16,640	1,463
Island Region	16	0	0	1	0
Orinoco Region	4,831	273	67	2,552	236
Pacific Region	1,450	47	14	645	45
Subtotal	<u>608,424</u>	<u>23,368</u>	<u>2,815</u>	<u>254,112</u>	<u>16,133</u>
Consumer					
Amazon Region	1,472	30	3	413	19
Andean Region	197,477	3,836	553	56,268	2,559
Caribbean Region	30,134	676	74	8,982	486
Island Region	450	8	0	93	4
Orinoco Region	10,781	242	23	3,103	166
Pacific Region	2,373	40	6	675	24
Subtotal	<u>242,687</u>	<u>4,832</u>	<u>659</u>	<u>69,534</u>	<u>3,258</u>
Microcredit					
Amazon Region	170	1	1	17	1
Andean Region	9,891	59	285	2,595	45
Caribbean Region	1,479	9	63	418	9
Island Region	8	0	0	0	0
Orinoco Region	674	2	16	263	2
Pacific Region	97	0	4	36	0
Subtotal	<u>12,319</u>	<u>71</u>	<u>369</u>	<u>3,329</u>	<u>57</u>
Commercial capital leasing					
Andean Region	12,392	421	68	3,553	378
Caribbean Region	226	15	4	117	14
Subtotal	<u>12,618</u>	<u>436</u>	<u>72</u>	<u>3,670</u>	<u>392</u>
Consumer capital leasing					
Andean Region	85	3	6	85	3
Subtotal	<u>85</u>	<u>3</u>	<u>6</u>	<u>85</u>	<u>3</u>
Total	<u>\$ 876,133</u>	<u>28,710</u>	<u>3,921</u>	<u>330,730</u>	<u>19,843</u>
					<u>3,777</u>

Banco de Bogota S.A.
Notes to the Separate Financial Statements at December 31, 2015
(With comparative figures at June 30, 2015)
(In millions of Colombian pesos, except the exchange rate and net earnings per share)

		Suitable Collateral					
		June 30, 2015					
		Principal	Interest	Other items	Principal	Interest	Allowance
Commercial							Other items
Amazon Region	\$ 71	0	0	0	6	0	0
Andean Region	341,236	1,967	3	32,445	114	0	0
Caribbean Region	30,117	159	0	1,117	12	0	0
Island Region	24	0	0	0	0	0	0
Orinoco Region	2,328	36	0	268	3	0	0
Pacific Region	668	0	0	314	0	0	0
Subtotal	<u>374,444</u>	<u>2,162</u>	<u>3</u>	<u>34,150</u>	<u>129</u>	<u>0</u>	<u>0</u>
Consumer							
Amazon Region	4	0	0	4	0	0	0
Andean Region	11,076	12	0	2,648	2	0	0
Caribbean Region	279	2	0	64	0	0	0
Island Region	31	1	0	3	0	0	0
Orinoco Region	103	0	0	24	0	0	0
Pacific Region	10	0	0	0	0	0	0
Subtotal	<u>11,503</u>	<u>15</u>	<u>0</u>	<u>2,743</u>	<u>2</u>	<u>0</u>	<u>0</u>
Microcredit							
Amazon Region	141	0	0	30	0	0	0
Andean Region	4,630	0	0	1,608	0	0	0
Caribbean Region	977	0	0	335	0	0	0
Island Region	7	0	0	0	0	0	0
Orinoco Region	326	0	0	88	0	0	0
Pacific Region	77	0	0	28	0	0	0
Subtotal	<u>6,158</u>	<u>0</u>	<u>0</u>	<u>2,089</u>	<u>0</u>	<u>0</u>	<u>0</u>
Home Mortgages							
Andean Region	3,382	54	24	498	51	23	
Caribbean Region	328	6	2	28	5	2	
Orinoco Region	134	1	1	4	1	1	
Subtotal	<u>3,844</u>	<u>61</u>	<u>27</u>	<u>530</u>	<u>57</u>	<u>26</u>	
Commercial capital leasing							
Andean Region	6,263	58	1	1,451	44	1	
Caribbean Region	23,896	216	1	399	17	1	
Subtotal	<u>30,159</u>	<u>274</u>	<u>2</u>	<u>1,850</u>	<u>61</u>	<u>2</u>	
Total	<u>\$ 426,108</u>	<u>2,512</u>	<u>32</u>	<u>41,362</u>	<u>249</u>	<u>28</u>	

		Other Collateral					
		June 30, 2015					
		Principal	Interest	Other items	Principal	Interest	Other items
Commercial							
Amazon Region	\$ 125	2	6	64	2	6	
Andean Region	516,991	20,548	1,999	185,020	13,936	1,953	
Caribbean Region	64,365	1,886	344	13,939	1,177	340	
Island Region	24	0	0	1	0	0	
Orinoco Region	3,421	208	56	2,242	176	55	
Pacific Region	831	32	15	587	30	15	
Subtotal	<u>585,757</u>	<u>22,676</u>	<u>2,420</u>	<u>201,853</u>	<u>15,321</u>	<u>2,369</u>	
Consumer							
Amazon Region	953	15	4	319	10	4	
Andean Region	152,116	2,941	570	46,861	1,891	521	
Caribbean Region	20,241	428	74	6,636	283	68	
Island Region	355	5	1	67	4	1	
Orinoco Region	7,812	164	22	2,352	99	20	
Pacific Region	1,645	32	6	537	21	5	
Subtotal	<u>183,122</u>	<u>3,585</u>	<u>677</u>	<u>56,772</u>	<u>2,308</u>	<u>619</u>	

Banco de Bogota S.A.
 Notes to the Separate Financial Statements at December 31, 2015
 (With comparative figures at June 30, 2015)
 (In millions of Colombian pesos, except the exchange rate and net earnings per share)

	Other Collateral					
	June 30, 2015					
				Allowance		
	Principal	Interest	Other items	Principal	Interest	Other items
Microcredit						
Amazon Region	194	1	6	31	0	5
Andean Region	9,109	69	273	2,500	52	271
Caribbean Region	1,076	7	47	372	2	48
Island Region	7	0	0	0	0	0
Orinoco Region	676	4	20	155	3	20
Pacific Region	84	0	4	29	0	4
Subtotal	11,146	81	350	3,087	57	348
Commercial capital leasing						
Andean Region	10,188	552	46	2,562	421	42
Caribbean region	659	10	1	255	8	1
Subtotal	10,847	562	47	2,817	429	43
Consumer capital leasing						
Andean region	85	3	6	85	3	6
Subtotal	85	3	6	85	3	6
Total	\$ 790,957	26,907	3,500	264,614	18,118	3,385

- Loan Portfolio Write-offs**

The loan portfolio write-offs break down as follows.

	December 31, 2015		
	Principal	Interest	Other items
Commercial	\$ 26,851	1,613	1,813
Consumer	207,555	8,626	7,864
Microcredit	13,507	423	1,366
Commercial leasing	556	29	45
Consumer leasing	44	1	1
Total	\$ 248,513	10,692	11,089

	June 30, 2015		
	Principal	Interest	Other items
Commercial	\$ 27,721	1,570	1,899
Consumer	195,290	8,209	6,127
Microcredit	14,883	502	1,210
Commercial leasing	1,092	0	0
Consumer leasing	196	102	67
Total	\$ 239,182	10,383	9,303

- Recovery of Write-offs and Loan Portfolio Allowances**

The following is a breakdown of the recovery of write-offs and loan portfolio allowances.

	December 31, 2015		June 30, 2015	
	Recovery of Loans Written Off	Recovery of Allowance	Recovery of Loans Written Off	Recovery of Allowance
Consumer	\$ 39,176	154,795	30,655	131,753
Commercial	7,093	217,832	7,873	213,001
Home Mortgage	42	1,791	40	1,277
Microcredit	4,262	8,612	5,134	6,419
Consumer leasing	18	165	47	212

Banco de Bogota S.A.
 Notes to the Separate Financial Statements at December 31, 2015
 (With comparative figures at June 30, 2015)
 (In millions of Colombian pesos, except the exchange rate and net earnings per share)

	December 31, 2015		June 30, 2015	
	Recovery of Loans Written Off	Recovery of Allowance	Recovery of Loans Written Off	Recovery of Allowance
Commercial leasing	119	13,398	16	10,440
Residential leasing	0	292	0	2,539
Total	\$ 50,710	396,885	43,765	365,641

- **Loan Portfolio Allowance**

The following are the details of the loan portfolio allowance.

	December 31, 2015	June 30, 2015
Balance at start of period	\$ 1,492,084	1,349,081
Allowance charged to income	803,864	772,007
Write-offs	(270,294)	(258,867)
Debt forgiveness	(9,135)	(6,420)
Recovery of allowance	(396,885)	(365,641)
Exchange adjustment	5,337	1,924
Closing balance	\$ 1,624,971	1,492,084

- The following is the reconciliation between the gross investment in capital leases and the present value of the minimum lease payments receivable at December 31 and June 30, 2015.

Capital leasing agreements	December 31, 2015	June 30, 2015
Total gross rent receivable in the future	\$ 3,850,784	3,781,457
Less unrealized financial income	(876,506)	(1,306,941)
Net investment in capital leasing agreements	\$ 2,974,278	2,474,516

- Gross investment maturity and net investment maturity in capital leases is shown as follows

	December 31, 2015			
	0-1 years	1-5 years	More than 5 years	Total
Gross investment in capital leasing	\$ 869,387	1,266,139	1,715,258	3,850,784
Financial income not earned from capital leasing - interest	(2,090)	(302,573)	(571,843)	(876,506)
Total minimum capital leasing receivable (present value)	\$ 867,297	963,566	1,143,415	2,974,278

	June 30, 2015			
	0-1 years	1-5 years	More than 5 years	Total
Gross investment in capital leasing	\$ 86,270	2,238,234	1,456,953	3,781,457
Financial income not earned from capital leasing – interest	(215)	(803,213)	(503,513)	(1,306,941)
Total minimum capital leasing receivable (present value)	\$ 86,055	1,435,021	953,440	2,474,516

The Bank grants loans in the form of capital leases for machinery and equipment, computer equipment, movable goods, furniture and fixtures, vehicles and boats, trains and airplanes. The amount of financing generally fluctuates between a maximum of 100% of the value of the asset, in the case of new assets, and 70% for used assets. The installments for these loans are between 120 months maximum and 24 month minimum for borrowers who have a tax benefit. In most cases, the option to buy is a maximum of 20% of the value of the asset and a minimum of 1% in the specific case of furniture and fixtures.

Banco de Bogota S.A.
 Notes to the Separate Financial Statements at December 31, 2015
 (With comparative figures at June 30, 2015)
 (In millions of Colombian pesos, except the exchange rate and net earnings per share)

Note 12 – Other Accounts Receivable

The following are the details of other accounts receivable:

	December 31, 2015	June 30, 2015
Collateral deposits (1)	\$ 348,121	229,823
Adjustment for income tax and CREE (2) (3)	328,921	168,205
Electronic transactions in process	131,075	14,345
Transfers to the National Treasury- inactive accounts	30,792	28,413
Dividends	22,158	28,714
Commissions and fees	17,700	18,266
Compensation electronic deposits– Credibanco	17,233	2,795
Seller commitments	16,991	39,801
Forward compliance	6,658	9,895
Savings account shortfall	4,077	3,367
Clearing shortfalls	3,687	2,257
Expenses paid in advance	3,411	0
Advances on contract with suppliers	3,119	2,843
Insurance claims	555	1,505
Rental income	252	245
Other interest	209	0
Cash shortfalls	96	120
Fees	19	24
Advances and withholding	0	6,913
Staff advances	0	78
Miscellaneous – Others	9,824	9,981
Subtotal	944,898	567,590
Allowance for other accounts receivable	(27,045)	(27,751)
Total	\$ 917,853	539,839

(1) Collateral deposits for the margin call on derivatives with off-shore counterparties at December 31 and June 30, 2015 came to \$345,052 and \$226,790, in that order.

(2) Positive balances for the 2015 and 2014 tax years were recorded for the periods ended at December 31 and June 30, 2015; namely, \$268,246 for income tax and \$60,675 for CREE at December 2015 and \$153,809 for income tax and \$14,396 for CREE at June 2015.

3) See Note 2 with respect to the balance restated at June 2015.

The following are the details of activity in the allowance at December 31 and June 30, 2015.

	December 31, 2015	June 30, 2015
Net balance	\$ 27,751	25,721
Allowance	5,052	2,307
Write-offs	0	(1)
Recoveries	(5,758)	(276)
Closing balance	\$ 27,045	27,751

Note 13 – Non-current Assets Held for Sale

Non-current assets held for sale are primarily assets received through foreclosure on assets pledged as loan collateral. Accordingly, the Bank's intention is to sell them immediately, and it has departments, processes and special sales programs for that purpose. Foreclosed assets are either sold for cash or financing for their sale is provided to potential buyers under normal market conditions. Consequently, they are expected to be sold within a period of 24 months subsequent to their classification as assets held for sale. In fact, purchase commitment agreements already exist for some of these assets. Note 7 on credit risk contains information on assets received

Banco de Bogota S.A.

Notes to the Separate Financial Statements at December 31, 2015

(With comparative figures at June 30, 2015)

(In millions of Colombian pesos, except the exchange rate and net earnings per share)

through foreclosure and sold during the period. In the two six-month periods ended at December 31, 2015 and June 30, 2015, there were no changes in plans for the disposal of non-current assets held for sale.

The Bank had 45 assets classified as available for sale at December 31, 2015, including 26 real estate properties (lots, warehouses and apartments); 5 movable assets (machinery and equipment, stock and fiduciary rights), and 14 returned assets (vehicle, machinery and equipment).

During the second half of 2015, the Bank sold 24 assets that were registered as available for sale, while 48 assets that did not meet the regulatory requirements to be classified in that group were reclassified to other fronts.

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

	December 31, 2015				June 30, 2015			
	Cost	Allowance	% Imp	Total	Cost	Allowance	% Imp	Total
Foreclosed assets								
Movable assets	\$ 12,881	(6,919)	54%	5,962	4,353	(3,606)	83%	747
Real estate other than housing	12,502	(6,614)	53%	5,888	21,650	(16,356)	76%	5,294
	<u>25,383</u>	<u>(13,533)</u>	<u>53%</u>	<u>11,850</u>	<u>26,003</u>	<u>(19,962)</u>	<u>77%</u>	<u>6,041</u>
Assets returned under leasing agreements								
Machinery and equipment	704	(545)	77%	159	931	(920)	99%	11
Vehicles	283	(99)	35%	184	1,793	(1,718)	96%	75
Real estate	0	0	0%	0	2,019	(159)	8%	1,860
	<u>987</u>	<u>(644)</u>	<u>65%</u>	<u>343</u>	<u>4,743</u>	<u>(2,797)</u>	<u>59%</u>	<u>1,946</u>
Other non-current assets held for sale								
Moveable property	0	0	0%	0	26,632	0	0%	26,632
	<u>0</u>	<u>0</u>	<u>0%</u>	<u>0</u>	<u>26,632</u>	<u>0</u>	<u>0%</u>	<u>26,632</u>
Total	\$ 26,370	(14,177)	54%	12,193	57,378	(22,759)	40%	34,619

The following shows the activity in non-current assets held for sale during the six-month periods ended at December 31 and June 30, 2015.

	December 31, 2015	June 30, 2015
Opening balance	\$ 57,378	50,834
Additions	20,171	10,820
Reclassifications (1)	(40,305)	0
Cost of assets sold	(10,874)	(4,276)
Closing balance	\$ 26,370	57,378

(1) Includes \$2,357 in assets transferred to investments, \$687 to other assets, \$23,605 to investment properties, and \$13,656 to plant and equipment.

The following shows the activity in the allowance for foreclosed assets.

	Foreclosed assets	Leased assets returned	Total
Balance at December 31, 2014	\$ 15,762	3,275	19,037
Allowance charged to expenses (1)	5,767	1,330	7,097
Allowance used in sales	(423)	(581)	(1,004)
Recoveries	(2,896)	(1,067)	(3,963)

Banco de Bogota S.A.
Notes to the Separate Financial Statements at December 31, 2015
(With comparative figures at June 30, 2015)
(In millions of Colombian pesos, except the exchange rate and net earnings per share)

	Foreclosed assets	Leased assets returned	Total
Reclassifications to investment	1,752	(160)	1,592
Balance at June 30, 2015	<u>19,962</u>	<u>2,797</u>	<u>22,759</u>
Allowance charged to expenses	9,242	781	10,023
Allowance used in sales	(215)	(245)	(460)
Recoveries	(661)	(1,647)	(2,308)
Reclassifications (2)	(14,795)	(1,042)	(15,837)
Balance at December 31, 2015	<u>\$ 13,533</u>	<u>644</u>	<u>14,177</u>

- (1) The difference of \$5 at June 30, 2015 pertains to the investment allowance.
(2) These pertain to the transfer of \$682 to "other assets", \$12,798 to investment properties, and \$2,357 to investments.

Foreclosed and returned assets break down as follows, according to length of permanence.

	Less than 2 years	Between 2 and 3 years	Between 3 and 5 years	More than 5 years	Total	Allowances
<u>Balances at December 31, 2015</u>						
Foreclosed assets:						
Real estate	\$ 12,502	0	0	0	12,502	(6,614)
Movable property	12,881	0	0	0	12,881	(6,919)
Total	<u>25,383</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>25,383</u>	<u>(13,533)</u>
Leased assets returned						
Movable property	987	0	0	0	987	(644)
Total	<u>\$ 987</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>987</u>	<u>(644)</u>
<u>Balances at June 30, 2015</u>						
Foreclosed assets:						
Real estate	\$ 7,626	1,295	0	12,729	21,650	(16,356)
Movable property	4,333	20	0	0	4,353	(3,606)
Total	<u>11,959</u>	<u>1,315</u>	<u>0</u>	<u>12,729</u>	<u>26,003</u>	<u>(19,962)</u>
Leased assets returned						
Real estate	2,019	0	0	0	2,019	(159)
Movable property	2,383	0	0	341	2,724	(2,638)
Total	<u>\$ 4,402</u>	<u>0</u>	<u>0</u>	<u>341</u>	<u>4,743</u>	<u>(2,797)</u>

The following are the liabilities associated with the groups of assets held for sale.

	December 31, 2015	June 30, 2015
Commercial accounts payable	\$ 7,125	6,305
Other accounts payable	0	0
Total	\$ 7,125	6,305

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 steps taken to obtain an urban standard applicable to real estate in order to verify its highest and best potential for development, and takes part in committees to attend to and monitor the various ongoing negotiations.

Banco de Bogota S.A.
 Notes to the Separate Financial Statements at December 31, 2015
 (With comparative figures at June 30, 2015)
 (In millions of Colombian pesos, except the exchange rate and net earnings per share)

- Real estate properties are visited regularly in order to keep the sales force and management familiar with the properties the Bank 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.
- Sales are promoted through advertisements in major national newspapers and in the Bank's real estate magazine. The results, in this respect, have been satisfactory. Information is sent directly to potential customers and a list of properties is published on the Banks website (www.bancodebogota.com.co).

Note 14 – Investments in Subsidiaries, Associates and Joint Ventures

Investment in subsidiaries, associates and joint ventures break down as follows.

	December 31, 2015	June 30, 2015
Subsidiaries	\$ 14,707,108	12,513,630
Associates	1,415	1,415
Joint ventures	1,384	1,384
Total	<u>14,709,907</u>	<u>12,516,429</u>

Breakdown of Investments in Subsidiaries

Name of the company	% Stake	Headquarters	Book value at: December 31, 2015		
			Assets	Liabilities	Profit
Almaviva S.A.	94.92%	Bogota	\$ 119,301	54,426	592
Banco de Bogota Panamá S.A.	100.00%	Panama	5,483,232	5,272,562	10,267
Bogota Finance Corporation.	100.00%	Cayman Island	269	0	1
Casa de Bolsa S.A.	22.79%	Bogota	68,277	41,682	1,631
Corficolombiana S.A.	38.19%	Bogota	21,896,247	15,279,968	465,300
Corporación Financiera Centroamericana S.A. (Ficentro)	49.78%	Panama	0	1	0
Fiduciaria Bogota S.A.	94.99%	Bogota	350,844	79,991	33,209
AFP – Porvenir S.A.	36.51%	Bogota	2,241,849	954,040	127,422
Aportes en Línea S.A.	2.04%	Bogota	32,043	7,486	6,117
Leasing Bogota Panamá	100.00%	Panama	64,282,462	54,313,677	476,385
Megalínea – S.A.	94.90%	Bogota	14,955	11,717	218
Pizano S.A.	16.85%	Barranquilla	\$ 329,184	180,829	(10,851)

Name of the company	% Stake	Headquarters	Book value at: June 30, 2015		
			Assets	Liabilities	Profit
Almaviva S.A.	94.92%	Bogota	\$ 109,530	48,192	10,928
Banco de Bogota Panamá S.A.	100.00%	Panama	3,951,849	3,776,884	9,681
Bogota Finance Corporation.	100.00%	Cayman Islands	221	0	1
Casa de Bolsa S.A.	22.79%	Bogota	61,489	34,135	953
Corficolombiana S.A.	38.19%	Bogota	13,331,067	9,466,352	368,209
Corporación Financiera Centroamericana S.A. (Ficentro)	49.78%	Panama	0	1	0
Fiduciaria Bogota S.A.	94.99%	Bogota	305,286	68,506	32,797
AFP – Porvenir S.A.	36.51%	Bogota	2,167,575	913,953	152,534
Aportes en Línea S.A.	2.04%	Bogota	33,404	14,964	5,555
Leasing Bogota Panamá	100.00%	Panama	50,770,498	42,882,955	412,835
Megalínea – S.A.	94.90%	Bogota	12,249	9,220	650
Pizano S.A.	16.85%	Barranquilla	\$ 327,464	171,048	(5,743)

Banco de Bogota S.A.
 Notes to the Separate Financial Statements at December 31, 2015
 (With comparative figures at June 30, 2015)
 (In millions of Colombian pesos, except the exchange rate and net earnings per share)

- The following is the corporate purpose of the investments in subsidiaries.

Subsidiaries	Corporate Purpose
1 Almaviva S.A.	Warehouse services
2 Banco de Bogota Panamá S.A.	Banking business abroad
3 Banco Finance Corporation	Financial transactions and investment activities
4 Casa de Bolsa S.A.	Brokerage firm
5 Corficolombiana S.A.	Financial business and investment
6 Corporación Financiera Centroamericana S.A. (Ficentro)	Loan recovery
7 Fiduciaria Bogota S.A.	Mercantile trust and fiduciary mandates
8 AFP – Porvenir S.A.	Pension and severance fund management
9 Aportes en Linea S.A.	Information operator
10 Leasing Bogota Panamá	Financial transactions and investment activities
11 Megalínea – S.A.	Loan portfolio management and collection
12 Pizano S.A.	Producer

Investments in Associates and Joint Ventures

As to investments of this type, the Bank has a 19.99% stake in A Toda Hora, domiciled in Bogotá.

Name of the Company	December 31, 2015	June 30, 2015
Investments in associates		
A Toda Hora		
Assets	\$ 36,369	54,370
Liabilities	29,040	47,023
Profits	77	94

- The following is the corporate purpose of the investments in associates and joint ventures.

Associates and Joint Ventures	Corporate purpose
A Toda Hora	A service company

Note 15 – Property, Plant and Equipment

The following is a breakdown of property, plant and equipment

	December 31, 2015		
	Cost	Accumulated depreciation	Net
Land	\$ 138,783	0	138,783
Buildings and constructions	420,370	(74,946)	345,424
Vehicles	2,264	(1,208)	1,056
Office furniture, fixtures and equipment	221,504	(135,368)	86,136
Computer equipment	355,116	(271,085)	84,031
Improvements to other's property	44,220	(10,656)	33,564
Ongoing construction	79,860	0	79,860
Total property, plant and equipment	<u>\$ 1,262,117</u>	<u>(493,263)</u>	<u>768,854</u>
June 30, 2015			
	Cost	Accumulated depreciation	Net
Land	\$ 136,089	0	136,089
Buildings and constructions	445,314	(105,242)	340,072
Vehicles	2,187	(538)	1,649
Office furniture, fixtures and equipment	165,786	(76,042)	89,744
Computer equipment	160,506	(73,912)	86,594
Improvements to other's property	26,175	(6,916)	19,259
Ongoing construction	63,629	0	63,629
Total property, plant and equipment	<u>\$ 999,686</u>	<u>(262,650)</u>	<u>737,036</u>

Banco de Bogota S.A.
Notes to the Separate Financial Statements at December 31, 2015
(With comparative figures at June 30, 2015)
(In millions of Colombian pesos, except the exchange rate and net earnings per share)

The following is the activity in property, plant and equipment.

	Balances at June 30, 2015	Exchange difference	Additions	Retirement	Reclassifications (1)	Balances at December 31, 2015
Land	\$ 136,089	0	66	0	2,628	138,783
Buildings and constructions	445,314	0	10,577	(620)	(34,901)	420,370
Vehicles	2,187	0	0	(366)	443	2,264
Office furniture, fixtures and equipment	165,786	262	11,705	(10,154)	53,905	221,504
Computer equipment	160,506	306	21,462	(10,962)	183,804	355,116
Improvements to other's property	26,175	30	19,630	(2,599)	984	44,220
Ongoing construction	63,629	0	31,073	(14,842)	0	79,860
Total assets	\$ 999,686	598	94,513	(39,543)	206,863	1,262,117

	Balances at December 31, 2015	Exchange difference	Additions	Retirement	Reclassifications (1)	Balances at June 30, 2015
Land	\$ 139,868	0	0	(625)	(3,154)	136,089
Buildings and constructions	440,443	0	7,674	0	(2,803)	445,314
Vehicles	1,957	0	230	0	0	2,187
Office furniture, fixtures and equipment	159,499	94	10,222	(4,029)	0	165,786
Computer equipment	164,373	109	12,342	(16,318)	0	160,506
Improvements to other's property (2)	25,020	6	1,264	(115)	0	26,175
Ongoing construction	58,219	0	12,146	(6,736)	0	63,629
Total assets	\$ 989,379	209	43,878	(27,823)	(5,957)	999,686

- (1) The following reclassifications were on the record at December 31, 2015: \$237,755 in reactivation of fully depreciated assets in use, \$13,656 in transfer of non-current assets held for sale, \$1,774 in investment property and \$46,322 in measurement adjustments.
- (2) These include the cost of necessary dismantling to restore the assets received on lease; namely, \$12,161 and \$1,927, at December 31 and June 30, 2015, in that order. The variation is due to the recalculation of dismantling costs.

The following is the activity in depreciation on property, plant and equipment.

	Buildings	Vehicles	Furniture and fixtures	Computer equipment	Improvement to others' property	Total
Balances at December 31, 2014	\$ 91,905	303	71,436	72,524	4,974	241,142
Depreciation	15,046	235	8,425	17,640	1,942	43,288
Retirements/sales	(1,709)	0	(3,895)	(16,318)	0	(21,922)
Adjustment for the exchange difference	0	0	76	66	0	142
Balances at June 30, 2015	105,242	538	76,042	73,912	6,916	262,650
Depreciation	17,823	263	8,549	16,867	2,747	46,249
Retirement/sales	(416)	(36)	(3,438)	(3,640)	0	(7,530)
Reclassifications (1)	(47,703)	443	54,141	183,568	984	191,433
Adjustment for the exchange difference	0	0	74	378	9	461
Balances at December 31, 2015	\$ 74,946	1,208	135,368	271,085	10,656	493,263

- (1) These include \$237,755 in reactivation of fully depreciated assets in use and \$46,322 in measurement adjustments at December 31, 2015..

Banco de Bogota S.A.
Notes to the Separate Financial Statements at December 31, 2015
(With comparative figures at June 30, 2015)
(In millions of Colombian pesos, except the exchange rate and net earnings per share)

The variations at December 31, 2015 are due to the fact that derecognized assets in use, mainly furniture and fixtures and computer equipment, were activated in the second half of the year.

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

The Bank conducted a qualitative analysis of impairment at December 31 and June 30, 2015, taking into account internal and external sources of information. In light of that analysis, it was determined that certain assets might have some impairment and their recoverable value was identified based on their fair value, which was determined through an independent technical appraisal.

Note 16 – Investment Properties

The following is a breakdown of investment properties.

	December 31, 2015			June 30, 2015		
	Land	Buildings	Total	Land	Buildings	Total
Cost	\$ 115,910	19,201	135,111	43,735	9,150	52,885
Accumulated depreciation	0	0	0	0	(1,120)	(1,120)
Impairment	(89,107)	(5,468)	(94,575)	(34,878)	(2,308)	(37,186)
Total	\$ 26,803	13,733	40,536	8,857	5,722	14,579

The following shows the activity in the cost of investment properties.

	Land	Buildings	Total
Balances at December 31, 2014	\$ 48,631	10,238	58,869
Reclassifications	(3,880)	(296)	(4,176)
Retirements	(1,016)	(792)	(1,808)
Balances at June 30, 2015	43,735	9,150	52,885
Changes in measurement of fair value	59,237	2,837	62,074
Reclassifications (1)	14,617	7,214	21,831
Retirements	(1,679)	0	(1,679)
Balances at December 31, 2015	\$ 115,910	19,201	135,111

- (1) Pertains to \$23,605 in the transfer of properties held for sale and \$1,774 in the transfer of investment properties to property, plant and equipment.

The following is the activity in impairment of investment properties.

	Land	Buildings	Total
Balances at December 31, 2014	\$ 34,525	2,626	37,151
Impairment charged to expenses	743	249	992
Adjustments in subsequent measurement	(390)	(567)	(957)
Balances June 30, 2015	34,878	2,308	37,186
(+) Impairment charged to expenses	57,703	2,178	59,881
Reclassifications (1)	11,110	1,688	12,798
(-) Recovery	(13,386)	(706)	(14,092)
(-) Retirement/sales	(1,198)	0	(1,198)
Balances at December 31, 2015	\$ 89,107	5,468	94,575

- (1) Assets held for sale reclassified as investment properties.

Income for the period is shown below.

	December 31, 2015	June 30, 2015
Rental income from investment properties	\$ 232	410
Total	\$ 232	410

Banco de Bogota S.A.
 Notes to the Separate Financial Statements at December 31, 2015
 (With comparative figures at June 30, 2015)
 (In millions of Colombian pesos, except the exchange rate and net earnings per share)

- There were no contractual obligations to acquire investment properties during the periods in question.
- There are no restrictions on the sale of investment properties.

Note 17 – Intangible Assets

Goodwill

i. Assessment of Impairment of the Cash-generating Units to which Goodwill is Allocated

The Bank's management evaluates impairment of the goodwill listed on its consolidated financial statements, doing so annually and considering that the useful life of goodwill is indefinite. This assessment is based on respective studies done by independent experts who were engaged for that purpose, as per IAS 36 - Impairment of Assets.

These studies are based on valuations of the cash-generating units to which goodwill is assigned when acquired. In this case, valuation is done by the discounted cash flow method and takes into account 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, considering 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 assigned were reviewed by management and, based on that review, it was concluded there is no need to record impairment at December 31, 2015, inasmuch as the recoverable amounts are significantly higher than their carrying amounts.

The value of goodwill registered in the financial statements of the Bank is subsequent to the following acquisitions.

Company	December 31, 2015	June 30, 2015
Megabanco	\$ 465,905	465,905
AFP Horizonte	90,162	90,162
	<hr/> <hr/> <hr/>	<hr/> <hr/> <hr/>
	<hr/> <hr/> <hr/>	<hr/> <hr/> <hr/>

ii. Details of Goodwill, by Acquired Company

• Banco de Crédito y Desarrollo Social – Megabanco S.A.

Goodwill was generated with 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 as per Resolution No. 917 dated 2 June 2006.

Banco de Bogota S.A.
 Notes to the Separate Financial Statements at December 31, 2015
 (With comparative figures at June 30, 2015)
 (In millions of Colombian pesos, except the exchange rate and net earnings per share)

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

	<u>Ownership interest (%)</u>	<u>Value</u>
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	<u>100.0%</u>	<u>\$ 465,905</u>

The latest 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 30 November, 2015, given 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 studies on the groups of cash-generating units with allocated goodwill. These studies were done at December 31 and June 30, 2015.

	December 31, 2015				
	2016	2017	2018	2019	2020
Lending rate on the loan portfolio and investments	10.7%	10.7%	11.0%	11.2%	11.2%
Borrowing rate	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 rate on the loan portfolio and investments	10.0%	10.5%	10.8%	10.8%	10.9%
Borrowing rate	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%			

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

- Lending rates on loans and investments were projected based on the Bank's past earnings and the projection for the FTD rate.
- Borrowing rates were projected based on the Bank's historical earnings and how these rates could be affected by the FTD rate.

Banco de Bogota S.A.
 Notes to the Separate Financial Statements at December 31, 2015
 (With comparative figures at June 30, 2015)
 (In millions of Colombian pesos, except the exchange rate and net earnings per share)

- Estimated growth in commissions and expenses is based on the growth in loans and other operations estimated by the Bank, and according to the prevailing structure in each line of business, so as to keep its efficiency level steady.
- 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 La Nota Económica.
- The growth rate used for the terminal value was 3%, which is the rate employed in the latest studies.

The discount rate after taxes used to discount dividend flows reflects the specific risks relative to each cash-generating unit. If the estimated discount rate of 13.9% had been 0.5% higher than the rate estimated in the independent studies, it would not have been 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 exceeds the book value, which comes to \$ 5,502,572.

- **AFP Horizonte Pensiones y Cesantías**

The goodwill generated with the acquisition of sixteen point seventy-five percent (16.75%) of the shares of stock in AFP Horizonte, was entered on the books in the first half of 2014, as instructed by the Financial Superintendence of Colombia, which authorized the acquisition as per Resolution 0628/2013.

After its acquisition, AFP Horizonte Pensiones y Cesantías S.A. was absorbed by Porvenir. The goodwill was assigned to the cash-generating units that comprise Porvenir as a whole.

The latest valuation update on those groups of cash-generating units was done by PricewaterhouseCoopers, based on Porvenir's financial statements at December 31, 2015. PricewaterhouseCoopers presented its report on January 19, 2016 and noted there are no situations indicative of possible impairment, since \$3,139,880 in fair value exceeds \$1,273,751 in book value for the cash-generation units to which the goodwill was allocated.

The following are the main premises used as a basis for the impairment reports.

	December 31, 2015				
	2016	2017	2018	2019	2020
Lending rate on loan portfolio and investments	51.4%	50.7%	52.1%	52.6%	52.3%
Borrowing rate	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%				

	June 30, 2015				
	2015	2016	2017	2018	2019
Lending rate on loan portfolio and investments	53.4%	51.7%	51.7%	51.2%	50.9%
Borrowing rate	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%				

Banco de Bogota S.A.
 Notes to the Separate Financial Statements at December 31, 2015
 (With comparative figures at June 30, 2015)
 (In millions of Colombian pesos, except the exchange rate and net earnings per share)

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 table. The following is a description of that process.

- Lending rates on loans and investments and the borrowing rates were projected using historical data on the business.
- The estimated increases in commissions and expenses are based on business growth and other transactions estimated by the entity.
- The inflation rate used in the projections was taken from several domestic and international sources, as well as from the analysis developed by the appraiser firm.
- Finally, the growth rate used for the terminal value was 4%.

The discount rate after taxes that was used to discount dividend flows reflects the specific risks relative to each cash-generating unit. If the estimated discount rate of 13.49% had been 1% higher than the estimated rate in the valuation done by outside experts, it would not have been necessary 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. This is well above their book value, which comes to \$1,273,571.

Activity in Intangible Assets

The following table shows the activity in the cost of intangible assets other than goodwill.

	Balance at June 30, 2015	Acquisitions/ additions	Retirements	Transfers (increase/ decrease)	Balance at December 31, 2015
Licenses	\$ 1,090	14,380	0	242	15,712
Computer software and applications	146,588	44,189	0	(5,518)	185,259
Other intangible assets	7,813	0	0	5,276	13,089
	<u>\$ 155,491</u>	<u>58,569</u>	<u>0</u>	<u>0</u>	<u>214,060</u>
	Balance at June 30, 2015	Acquisitions/ additions	Retirements	Transfers (increase/ decrease)	Balance at December 31, 2015
Licenses	\$ 1,090	0	0	1,090	0
Computer software and applications	146,588	36,570	0	(8,903)	118,921
Other intangible assets	7,813	0	(9)	7,813	9
	<u>\$ 155,491</u>	<u>36,570</u>	<u>(9)</u>	<u>0</u>	<u>118,930</u>

The activity in amortization of intangible assets other than goodwill is shown below.

	Balance at June 30, 2015	Amortization charged to expenses (1)	Balance at December 31, 2015
Licenses	\$ 0	683	683
Computer software and applications	7,900	9,868	17,768
Other intangible assets	390	391	781
	<u>\$ 8,290</u>	<u>10,942</u>	<u>19,232</u>

Banco de Bogota S.A.
 Notes to the Separate Financial Statements at December 31, 2015
 (With comparative figures at June 30, 2015)
 (In millions of Colombian pesos, except the exchange rate and net earnings per share)

	Balance at December 31, 2014	Amortization charged to expenses (1)	Balance at June 30, 2015
Computer software and applications	\$ 5,032	2,868	7,900
Other intangible assets	0	390	390
	<u>\$ 5,032</u>	<u>3,258</u>	<u>8,290</u>

(1) Amortization charged to the expense for intangibles at December 31 and June 30, 2015 includes \$10,262 and \$2,579 in respective amortization of intangible assets (computer software and applications) and \$680 and \$679 respectively in sundry items.

Note 18 – Income Tax

i. Components of the Income Tax Expense:

The income tax expense for the years ended at December 31, 2015 and December 31, 2014 includes the following:

	December 31, 2015	June 30, 2015
Current tax	\$ 212,883	280,676
Allowance for tax positions	1,212	201
Deferred taxes	(41,031)	(37,702)
Total income tax	\$ 173,064	243,175

Under IAS 12, current and deferred taxes are recognized in the statement of income as income or as an expense, unless they originate with a transaction or event that is recognized outside the statement of income (e.g., in equity under other comprehensive income). Accordingly, during the six months ended at June 30, 2015, \$133,291 in income from current taxes and \$550,848 in income from deferred taxes, primarily associated with operations to hedge the exchange difference in investments in foreign subsidiaries, were registered in equity under "other comprehensive income". For accounting purposes, these amounts were entered in the OCI account; for tax purposes, they are part of taxable income (See Note 18, Section v.).

For tax purposes, pursuant to Article 165 of Law 1607 / 2012 and Regulatory Decree 2548 / 2014, the waivers or remissions contained in the tax law on accounting standards refer to the standards in effect up to December 31, 2014 which will remain in force, for tax purposes, during a period of four (4) years after the International Financial Reporting Standards take effect. Consequently, from 2015 up to and including 2018, the tax bases for the entries that are included in the tax declarations will remain unchanged, and the liability for current income tax and CREE will be determined based on the tax laws in force. In some cases, these refer to the previous GAAP up to December 31, 2014 as included in the Basic Accounting and Financial Circular of the Financial Superintendence of Colombia, Decree 2649 / 1993 and other related provisions.

In keeping with these stipulations, income tax and CREE for the six months ended at December 31, 2015 and June 30, 2015 were calculated based on the applicable tax provisions.

ii. Reconciliation between the Nominal Tax Rate and the Effective Tax Rate

The following are the basic parameters applicable to income tax in Colombia.

- The levy on taxable income is 25% for income and supplementary taxes.
- The so-called "income tax for equality" (CREE) was created under Law 1607 in December 2012 as a contribution from companies, legal entities and other taxpayers who are required to file an

Banco de Bogota S.A.
 Notes to the Separate Financial Statements at December 31, 2015
 (With comparative figures at June 30, 2015)
 (In millions of Colombian pesos, except the exchange rate and net earnings per share)

income and supplementary tax declaration. This tax is intended to benefit employees, generate employment and promote social investment. The CREE tax rate for 2014, 2015 and thereafter is 9%.

- An additional CREE surcharge was created 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.

The following is a breakdown of the reconciliation between the total tax expense on the Bank's income calculated at the tax rates currently in force and the tax expense actually entered on the income statement for the six months ended at December 31 and June 30, 2015.

	December 31, 2015	June 30, 2015
Profit before income tax	1,182,012	1,524,851
Income tax expense calculated at the nominal rates of 39% and 34%, respectively	460,985	594,691
Plus or (minus) taxes related to the following items:		
Non-deductible expenses	17,022	13,439
Dividends received, not constituting income	0	(72,341)
Income by the equity method, not constituting income	(249,327)	(252,744)
Interest and other income not subject to income tax	(6,148)	(956)
Effect on deferred tax from measuring the expected rates at which the differences will be reverted	(15,116)	(12,846)
Uncertain tax positions	1,212	201
Other items	(35,564)	(26,269)
Total tax expense for the period	173,064	243,175

iii. Deferred Taxes on Investments in Subsidiaries, Associates and Joint Ventures

Pursuant to IAS 12, the Bank did not record differed tax liabilities for temporary differences on investments in subsidiaries, primarily for items pertaining to accounting measurements of valuation at market prices, appraisals and application of the equity methods as of January 1, 2015. This is because: i) the Bank controls the subsidiaries and, consequently, can decide on the reversal of those temporary differences; and ii) the Bank is not planning to do so in the medium term; therefore, these temporary differences are not likely to be reversed in the foreseeable future. The temporary differences for these items at December 31 and June 30, 2015 came to \$6,653,399 and \$3,916,511, respectively

iv. Deferred Taxes, by Type of Temporary Difference:

The differences between the book value of assets and liabilities and their tax base give rise to temporary differences that generate deferred tax. These were calculated and recorded for the six months ended at June 30, 2015 and December 31, 2014 based on the tax rates in effect as references for the years when those temporary differences will reversed.

	Balance at June 30, 2015	Credited (charged) to income	Credited (charged) to OCI	Balance at December 31, 2015
Deferred tax assets				
Valuation of fixed-income investments	\$ 38,273	3,789	51,524	93,586
Valuation of derivatives	172,633	50,794	(19,496)	203,931
Differences between the accounting base and tax base for the loan portfolio	4,190	8,733	0	12,923
Differences between the accounting and tax bases for non-current assets held for sale	24,275	(23,281)	0	994

Banco de Bogota S.A.
Notes to the Separate Financial Statements at December 31, 2015
(With comparative figures at June 30, 2015)
(In millions of Colombian pesos, except the exchange rate and net earnings per share)

Differences between the accounting and tax bases for deferred charges and intangible assets	0	10,540	0	10,540
Tax losses and surplus presumptive income attributable to hedging	119,144	0	522,606	641,750
Non-deductible allowances	12,994	9,028	0	22,022
Employee benefits	32,423	(1,944)	(3,786)	26,693
Others	0	1,383	0	1,383
Subtotal	403,932	59,042	550,848	1,013,822
Deferred tax liabilities				
Valuation of fixed-income investments	(2,899)	(390)	0	(3,289)
Valuation of derivatives	(33,573)	(38,024)	0	(71,597)
Differences between the accounting and tax bases for non-current assets held for sale	(11,241)	8,823	0	(2,418)
Differences between the accounting and tax bases for the cost of property, plant and equipment	(88,560)	10,932	0	(77,628)
Differences between the accounting and tax bases for deferred charges and intangible assets	(33,867)	4,105	0	(29,762)
Goodwill	(16,086)	(3,024)	0	(19,110)
Others	(11,056)	(433)	0	(11,489)
Subtotal	(197,282)	(18,011)	0	(215,293)
Total	\$ 206,650	41,031	550,848	798,529

	Balance at December 31, 2014	Credited (charged) to Income	Credited (charged) to OCI	Balance at June 30, 2015
Deferred tax assets				
Valuation of fixed-income investments	31,658	(174)	6,789	38,273
Valuation of derivatives	415,875	(177,715)	(65,527)	172,633
Differences between the accounting and tax bases for the loan portfolio	4,153	37	0	4,190
Differences between the accounting and tax bases for Non-current assets held for sale	11,746	12,529	0	24,275
Differences between the accounting and tax bases for deferred charges and intangible assets	9,187	(9,187)	0	0
Tax losses and surplus presumptive income attributable to hedging	0	0	119,144	119,144
Non-deductible allowances	7,612	5,382	0	12,994
Employee benefits	33,698	(1,275)	0	32,423
Subtotal	513,929	(170,403)	60,406	403,932
Deferred tax liability				
Valuation of fixed-income investments	(40,676)	37,777	0	(2,899)
Valuation of derivatives	(234,447)	200,874	0	(33,573)
Differences between the accounting and tax bases for non-current assets held for sale	(11,853)	612	0	(11,241)
Differences between the accounting and tax bases for the cost of property, plant and equipment	(71,956)	(16,604)	0	(88,560)
Differences between the accounting and tax bases for deferred charges and intangible assets	(20,274)	(13,593)	0	(33,867)
Goodwill	(10,595)	(5,491)	0	(16,086)
Others	(15,586)	4,530	0	(11,056)
Subtotal	(405,387)	208,105	0	(197,282)
Total	108,542	37,702	60,406	206,650

Banco de Bogota S.A.
 Notes to the Separate Financial Statements at December 31, 2015
 (With comparative figures at June 30, 2015)
 (In millions of Colombian pesos, except the exchange rate and net earnings per share)

v. Effect of Current and Deferred Taxes on Each Component of the Statement of Other Comprehensive Income in Equity

The effects of current and deferred taxes on each component of the statement of other comprehensive income in equity are detailed below.

	Six months ended at:							
	December 31, 2015							
	(Expense) - Income	Amount before taxes	Current tax	Deferred tax	Net			
Items that can be reclassified later to income for the period								
Unrealized net profit (loss) on hedging foreign operations								
Exchange difference on derivatives in foreign currency	(1,263,104)	(51,158)	503,110	(811,152)	(420,244)	121,285	53,617	(245,342)
Exchange difference on bonds in foreign currency	(472,946)	184,449	0	(288,497)	(204,777)	79,862	0	(124,915)
Exchange difference on investments in foreign subsidiaries	1,738,306	0	0	1,738,306	624,823	0	0	624,823
Profit (loss) on unrealized investments in debt securities available for sale	(133,109)	0	51,524	(81,585)	(139,924)	0	6,789	(133,135)
Stake in other comprehensive income of subsidiaries and adjustment for the exchange difference for foreign branches	(126,216)	0	0	(126,216)	(150,248)	0	0	(150,248)
Profits in foreign branches	137,331	0	0	137,331	0	0	0	0
Subtotals	(119,738)	133,291	554,634	568,187	(290,370)	201,147	60,406	(28,817)
Entries that will not be reclassified to income								
Actuarial gain (loss) on defined benefit plans	2,674	0	(3,786)	(1,112)	7,807	0	0	7,807
Subtotals	2,674	0	(3,786)	(1,112)	7,807	0	0	7,807
Total other comprehensive income for the period	(117,064)	133,291	550,848	567,075	(282,563)	201,147	60,406	(21,010)

- vi. Open tax positions:** The allowances for tax positions came to \$1.212 and \$201 at December 31 and June 30, 2015, in that order. Related penalties and interest on arrears are accumulated and recorded in the respective expense account. The balances at December 31 and June 30, 2015 are expected to be used entirely or released when the tax authority's right to review tax returns expires (See Note 20 for details).
- vii. Realization of deferred tax assets:** As for deferred tax assets, the trend in the foreign exchange rate has had a significant impact on investments in subsidiaries abroad. These taxes will be recoverable, according to fiscal projections, and considering how the exchange rate is expected to perform in the next five years, based on reports from recognized sources outside the Bank.
- viii. Wealth tax:** The Bank is liable for wealth tax during the period from 2015 to 2017, as stipulated in Law 1739/2014. This tax is levied on net worth at January 1, 2015, 2016 and 2018, less the exclusions expressly provided for by law. The net asset value of shares held in Colombian companies is one of these exclusions. The wealth tax is charged at progressive rates; for the Bank, these fluctuate from 1.15% in 2015 to 1% in 2016 and 0.40% in 2017. For the year ended at June 30, 2015, the Bank paid \$156.383 in wealth tax charged to equity, as allowed under the accounting standards currently in effect in Colombia.

Banco de Bogota S.A.
 Notes to the Separate Financial Statements at December 31, 2015
 (With comparative figures at June 30, 2015)
 (In millions of Colombian pesos, except the exchange rate and net earnings per share)

Note 19 – Other Assets

Other assets include the following.

	December 31, 2015	June 30, 2015
Artistic and cultural assets	\$ 15,865	11,361
Expenses paid in advance	0	4,793
Office supplies and stationary in warehouse and plastic CC-DC	2,263	2,279
Pending credits correspondent banks – letters of credit	1,161	508
Sundry items	657	898
	<hr/> <hr/> \$ 19,946	<hr/> <hr/> 19,839

Note 20 – Deposits

Customer Deposits

The following is a breakdown of the deposits the Bank received from customers in the development of its operations.

	December 31, 2015	June 30, 2015
By classification		
At amortized cost	\$ 44,806,317	44,958,660
By nature		
Demand deposits		
Checking accounts	9,765,781	9,070,827
Savings deposits	20,455,892	19,001,540
Special savings accounts	45,240	35,231
Other demand deposits		
Trust funds and special accounts	430	412
Time deposits		
Time certificates of deposit	14,509,968	16,799,045
Others	<hr/> 29,006	<hr/> 51,605
	<hr/> <hr/> 44,806,317	<hr/> <hr/> 44,958,660
By currency		
In Colombian pesos	40,177,015	39,764,613
In US dollars	4,629,302	5,194,047
	<hr/> <hr/> \$ 44,806,317	<hr/> <hr/> 44,958,660

The following are the maturities on the time deposits outstanding at December 31, 2015.

Year	Amount
2016	\$ 11,176,215
2017	2,466,732
2018	117,391
2019	1,040
2020	2,054
After 2020	746,536
Total	<hr/> <hr/> 14,509,968

Customer Deposits – Interest Rates

Effective annual interest rates on customer deposits are shown below.

	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%	6.35%	0%	0.55%	0%	4.96%	0%	0.55%
Savings accounts	0%	6.43%	0%	1.25%	0%	4.80%	0%	0.75%
Time certificates of deposit	0.05%	11.5%	0%	2.40%	1.02%	9.27%	0%	2.40%

Banco de Bogota S.A.
 Notes to the Separate Financial Statements at December 31, 2015
 (With comparative figures at June 30, 2015)
 (In millions of Colombian pesos, except the exchange rate and net earnings per share)

Deposits, by Sector

The following shows the concentration of deposits from customers, by economic sector.

	December 31, 2015		June 30, 2015	
	Amount	%	Amount	%
Government or agencies of the Colombian government	\$ 6,708,493	15%	6,711,843	15%
Colombian municipalities and departments	2,579,505	6%	348,231	1%
Manufacturing	7,193,693	16%	1,189,377	3%
Real estate	5,899,700	13%	418,748	1%
Commerce	7,993,671	18%	1,830,228	4%
Agriculture and livestock	1,990,232	4%	521,961	1%
Persons	3,893,196	9%	13,545,279	30%
Others	8,547,827	19%	20,392,993	45%
Total	\$ 44,806,317	100%	44,958,660	100%

The Bank reported \$37,414,592 and \$21,812,339 in deposits at December 31 and June 30, 2015. These came from 8,407 and 6,647 customers with more than \$250, respectively.

Customer deposits in the form of guaranteed irrevocable commitments under letters of credit came to \$ 96,815 and \$ 1,727 at December 31 and June 30, 2015, respectively.

Note 21 – Financial Obligations

Short term

Short-term financial obligations break down as follows.

	December 31, 2015	June 30, 2015
Domestic currency		
Interbank funds purchased	\$ 69,032	116,051
Commitment to sell investments in closed repo operations	0	1,602,126
Transfer commitments in simultaneous operations	0	22,147
Investment transfer commitments in simultaneous operations	1,949,706	1,339,049
Correspondent Banks	3,058	1,385
Subtotal in domestic currency	2,021,796	3,080,758
Foreign currency		
Interbank funds purchased	0	116,946
Letters of credit with deferred payment	0	4,575
Correspondent Banks	628	99,920
Subtotal in foreign currency	628	221,441
Total	\$ 2,022,424	3,302,199

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 Min. %	Rate Max. %	Rate Min. %	Rate Max. %
Interbank funds and repos and simultaneous operations	1.00%	5.75%	0.00%	0.00%
June 30, 2015				
	In Colombian pesos		In foreign currency	
	Rate Min. %	Rate Max. %	Rate Min. %	Rate Max. %
	2.00%	4.55%	0.35%	0.35%
Interbank funds and repos and simultaneous operations.				

Banco de Bogota S.A.
 Notes to the Separate Financial Statements at December 31, 2015
 (With comparative figures at June 30, 2015)
 (In millions of Colombian pesos, except the exchange rate and net earnings per share)

Long Term

The following is a breakdown of the long-term financial obligations.

Entity		December 31, 2015	June 30, 2015	Interest rate in force
Banco de Comercio Exterior	\$	239,825	216,760	Between 1.26% & 19.21%
Fondo para el Financiamiento del Sector Agropecuario - FINAGRO		142,308	152,312	Between 1.01% & 13.64%
Financiera de Desarrollo Territorial S.A. - FINDETER		735,971	582,359	Between 1.01% & 10.80%
Banks abroad		233,492	192,429	Between 0.53% & 2.24%
Current portion (1)		4,209,925	2,255,203	
Others		1,577,959	0	
Total	\$	7,139,480	3,399,063	

(1) The maturity bands for short-term and long-term obligations are listed in the note on liquidity risk.

The following is a breakdown of maturities in terms of financial obligations.

Year	December 31, 2015
2016	\$ 4,209,849
2017	482,334
2018	191,308
2019	131,466
After 2019	2,124,523
Total	\$ 7,139,480

Total Bonds Outstanding

The following is a breakdown of the outstanding bonds.

December 31, 2015							
	Type of issue	Series	Amount of issue	Balance	Interest rate	Issue date	Maturity date
2010 Issue (1)	Subordinated bonds	"AS1" (CPI)	\$ 45,470	49,105	CPI + 5.33% AA	23-Feb-10	Between 23-Feb-17 & 23-Feb-20
		"AS4" (CPI)	50,250	54,321	CPI + 5.45% AA		
		"BS1" (UVR)	49,195	62,877	UVR + 5.29% AA		
		"BS4" (UVR)	55,084	70,458	UVR + 5.45% AA		
			199,999	236,761			
2011 Issue (2)	Ordinary bonds abroad	Single series (fixed rate)	1,163,634	1,924,852	5.00% SA	19-Dec-11	15-Jan-17
2013 Issue (2)	Subordinated bonds abroad	Single series (fixed rate)	897,315	1,599,293	5.375% SA	19-Feb-13	19-Feb-23
			\$ 2,060,949	3,524,145			
			\$ 2,260,948	3,760,906			

Banco de Bogota S.A.
 Notes to the Separate Financial Statements at December 31, 2015
 (With comparative figures at June 30, 2015)
 (In millions of Colombian pesos, except the exchange rate and net earnings per share)

June 30, 2015							
	Type of issue	Series	Amount of issue	Balance	Interest rate	Issue date	Maturity date
2010 Issue (1)	Subordinated bonds	"AS1" (CPI)	\$ 45,470	46,646	CPI + 5.33% AA		
		"AS4" (CPI)	50,250	52,236	CPI + 5.45% AA		
		"BS1" (UVR)	49,195	59,142	UVR + 5.29% AA	23-Feb-10	Between 23-Feb-17 & 23-Feb- 20
		"BS4" (UVR)	55,084	67,403	UVR + 5.45% AA		
			<u>199,999</u>	<u>225,427</u>			
2011 Issue (2)	Ordinary bonds abroad	Single series (fixed rate)	1,163,634	1,584,898	5.00% SA	19-Dec-11	15-Jan-17
2013 Issue (2)	Subordinated bonds abroad	Single series (fixed rate)	897,315	1,319,061	5.375% SAV	19-Feb-13	19-Feb-23
			<u>2,060,949</u>	<u>2,903,959</u>			
			<u>\$ 2,260,948</u>	<u>3,129,386</u>			

- (1) The bonds issued in 2010 pay interest annually in arrears and the principal at maturity. These are unsecured notes.
 (2) The bonds issued in 2011 and 2013 pay interest semi-annually in arrears and the principal at maturity. These are unsecured notes.

Note 22 – Employee Benefits

Under Colombian labor law and pursuant to the labor agreements and collective bargaining pacts signed by the Bank, its employees are entitled to a series of short- and long-term benefits such as retirement bonuses, retirement pensions and severance pay in the case of employees who are still subject to the labor laws that were in effect prior to Law 50/1990.

The Bank is exposed to a number of risks (interest rate and operational risks) inherent in its employee benefit plans. It tries to minimize them by implementing policies and procedures for risk management.

The following is a breakdown of the allowances for employee benefits at December 31 and June 30, 2015.

	December 31, 2015	June 30, 2015
Short-term benefits	\$ 75,665	63,684
Post-employment benefits	105,565	111,023
Long-term benefits	77,142	79,523
	<u>\$ 258,372</u>	<u>254,230</u>

Short-term Benefits

Short-term benefits for 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, as per Law 50/1990.

Banco de Bogota S.A.
 Notes to the Separate Financial Statements at December 31, 2015
 (With comparative figures at June 30, 2015)
 (In millions of Colombian pesos, except the exchange rate and net earnings per share)

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, so the employee will have a pension upon retirement. However, in the case of some employees who were hired before 1968 and have met the requirements with respect to time of service and age, their pensions are assumed directly by the Bank.
- The Bank recognizes an additional bonus, either discretionary or provided for in collective bargaining agreements, for employees who retire once they comply with the age and years of service required for a pension fund to grant them a retirement pension.
- The Bank has a group of employees with severance pay benefits that were recognized by law 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 post-employment and other long-term employee benefits during the six months ended at December 31 and June 30, 2015.

	Retirement benefits		Other benefits (1)	
	December 31, 2015	June 30, 2015	December 31, 2015	June 30, 2015
Opening balance	\$ 111,023	118,823	79,523	78,904
Costs incurred during the period	1,657	0	6,191	0
Interest costs	2,277	5,498	(10)	5,062
	3,934	5,498	6,181	5,062
Increase (decrease) in employee benefit liabilities	(7,302)	1,239	(8,892)	1,732
Changes in the actuarial assumptions	3,482	0	7,074	0
(Gain)/loss on changes in interest rates, inflation rates and salary adjustments	1,567	(7,807)	(2,862)	0
(Gain)/loss on actuarial assumptions for staff turnover	84	0	1,419	0
	(2,169)	(6,568)	(3,261)	1,732
Payments to employees	(7,223)	(6,730)	(5,301)	(6,175)
Closing balance	\$ 105,565	111,023	77,142	79,523

(1) These include voluntary seniority bonuses.

Actuarial Assumptions

The variables used to calculate the projected liability for retirement and other long-term benefits are listed below:

	December 31, 2015	June 30, 2015
Discount rate	9.00%	7.60%
Inflation rate	3.50%	3.00%
Rate of salary increase	3.50%	3.00%
Rate of increase in pensions	3.50%	3.00%
Employee turnover rate	3.98%	4.42%

The employee turnover rate is calculated based on an average between year one of service and 40 for men and women.

Banco de Bogota S.A.
 Notes to the Separate Financial Statements at December 31, 2015
 (With comparative figures at June 30, 2015)
 (In millions of Colombian pesos, except the exchange rate and net earnings per share)

Employee life expectancy is calculated according to the mortality tables published by the Financial Superintendence of Colombia. These are constructed on the basis of mortality experiences provided by several 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. Accordingly, for plans with longer horizons, the higher rate will be the TES curve.

Sensitivity Analysis

The following is a sensitivity analysis of post-employment liabilities, based on the financial and actuarial variables, with the other variables remaining constant.

Post-employment	Change in the variable	Increase in the variable	Decline in the variable
Discount rate	0.50%	+50 points 3.21% decline	-50 points 3.36% increase
Salary growth rate	0.50%	3.84% increase	3.62% decline
Pension growth rate	0.50%	3.84% increase	3.62% decline
Long-term Benefits	Change in the variable	Increase in the variable	Decline in the variable
Discount rate	0.50%	+50 points 2.77% decline	-50 points 2.93% increase
Salary growth rate	0.50%	3.05% increase	2.91% decline
Pension growth rate	0.50%	3.05% increase	2.91% decline

Expected Payments for Future Benefit

Future benefits, which reflect service, as appropriate, are expected to be paid as follows.

Year		Retirement benefits	Other benefits
2016	\$	15,393	6,284
2017		14,242	9,991
2018		13,783	10,986
2019		14,986	12,532
2020		15,028	12,913
Years 2021–2025	\$	73,276	57,839

Other Long-term Benefits:

The Bank grants its employees discretionary, long-term seniority bonuses, depending on their years of service. These bonuses are given every five, ten, fifteen and twenty years, etc. Each payment is calculated according to a certain number of salary days (between 15 and 180 days).

Compensation for key management personnel in each benefit category is described in Note 31 - Related Parties.

Banco de Bogota S.A.
 Notes to the Separate Financial Statements at December 31, 2015
 (With comparative figures at June 30, 2015)
 (In millions of Colombian pesos, except the exchange rate and net earnings per share)

Note 23 – Allowances

The following is the activity in allowances.

	Lawsuits, fines, penalties and damages (1)	Taxes other than income tax (2)	Other sundry allowances (3)	Total
Balance at December 31, 2014	\$ 31,622	648	5,964	38,234
New allowances	251	8,549	313	9,113
Increase (decrease) in existing allowances	148	0	0	148
Balance at December 31, 2014	\$ 31,622	648	5,964	38,234
Allowances used	(16,201)	0	(135)	(16,336)
	Lawsuits, fines, penalties and damages (1)	Taxes other than income tax (2)	Other sundry allowances (3)	Total
Balance at June 30, 2015	15,820	9,197	6,142	31,159
New allowances	985	0	3,079	4,064
Increase (decrease) in existing allowances	(6,348)	(9,197)	6,994	(8,551)
Allowances used	(95)	0	0	(95)
Reversed unused allowances	(228)	0	0	(228)
Balance at December 31, 2015	\$ 10,134	0	16,215	26,349

- (1) At December 31 and June 30, 2015, allowances for lawsuits included \$ 4,494 and \$ 4,093 for labor claims and \$ 1.810 and \$ 1.833 for civil cases, in that order. A disbursement schedule for these allowances cannot be determined, since each of these cases is at a different stage. In addition, there are the following tax uncertainties.

At June 30, 2015 the Bank registered an allowance of \$ 7,477 to cover additional income tax owed as a result of an amendment to the Bank's income tax return for 2013. It was used in July 2015. The amendment was due to a difference in calculating the realization of futures contracts recorded in 2013.

Estimated allowances of \$ 3.830 and \$ 2.417 for tax positions were included at December 31 and June 30, 2015, in that order.

- (2) These pertain mainly to non-deductible sales taxes during May-June 2015. The amount was used in July 2015.
- (3) These expenses are mainly for dismantling ATMs and improvements to other's property.

Note 24 – Accounts Payable and Other Liabilities

The following is a breakdown of accounts payable and other liabilities.

	December 31, 2015	June 30, 2015
Liabilities due for services – collections	\$ 270,056	211,298
Payments to suppliers and for services	266,252	164,095
Cashier's checks	230,543	223,056
Dividends and Surpluses	200,626	75,029
Compensation for Grupo Aval entities	107,780	83,342
Electronic transfers – ACH	93,151	0
Withholdings and other employee contributions	71,156	48,448
Other accounts payable	48,466	64,910

Banco de Bogota S.A.
 Notes to the Separate Financial Statements at December 31, 2015
 (With comparative figures at June 30, 2015)
 (In millions of Colombian pesos, except the exchange rate and net earnings per share)

	December 31, 2015	June 30, 2015
Anticipated income	41,611	38,985
Visa Smart card payments – Visa Electrón	36,010	25,923
Other taxes	31,148	26,396
Account payable for principal & interest on Peace Bonds	29,010	29,216
Collection services	26,972	28,722
Unhedged forward accounts	26,134	4,682
Electronic purse for coffee growers	25,245	13,124
Time certificates of deposit - due	24,205	24,408
Contributions on financial transactions	18,512	24,681
Cancelled accounts	15,586	15,607
Intended purchases	14,042	26,678
Lien orders	12,264	14,492
Sales tax payable	10,396	5,162
Checks drawn but not cashed	8,918	10,153
Security bonds	7,375	7,363
Exchange rates, restatement in foreign currency	5,910	869
Accounts payable for the loan portfolio or prepaid sanctions	5,712	8,508
Balance in favor of paid loans	5,264	6,721
Distribution of funds pending payment to customers	4,851	31,634
Cash surpluses – clearing	2,112	28,554
Commissions and fees	1,771	9,273
Wealth tax	0	78,192
Interest originating with the restructuring process (1)	0	17,473
Payments applicable to the loan portfolio (1)	0	29,272
Total	<u>\$ 1,641,078</u>	<u>1,376,266</u>

(1) These items were reclassified at December 31, 2015 as lesser portfolio value.

Note 25 – Shareholders' Equity

Capital in Shares of Stock

The face value of authorized, issued and outstanding common shares of stock in the Bank was \$ 10.00 pesos each at December 31 and June 30, 2015. These shares are 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
Subscribed and paid-in capital	<u>\$ 3,313</u>	<u>3,313</u>

The Bank has issued no preferred shares.

Reserves

The following is the make-up of reserves at December 31 and June 30, 2015.

	December 31, 2015	June 30, 2015
Legal reserves		
Appropriation of net profit	\$ 4,137,790	3,753,288
Statutory and occasional reserves		
Tax provisions	5,202	3,451
Long-term investments (1)	44,998	44,998
Reserves to maintain stability of the dividend	669,088	210,966
Capital Adequacy Decree 1771 / 12	361,590	361,590
Subtotal	<u>1,080,878</u>	<u>621,005</u>
Total	<u>\$ 5,218,668</u>	<u>4,374,293</u>

(1) These pertain to income from capitalization due to a revaluation of equity by Corporación Financiera Colombiana S.A.. This income is available only when shares are disposed of, or as long as the sale price confirms their profit.

Banco de Bogota S.A.
 Notes to the Separate Financial Statements at December 31, 2015
 (With comparative figures at June 30, 2015)
 (In millions of Colombian pesos, except the exchange rate and net earnings per share)

Legal Reserve

By law, all lending institutions are required to create 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 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 during the meetings of shareholders.

Declared Dividends

Dividends are declared and paid to shareholders based on unconsolidated net profits from the immediately preceding six months. The declared dividends were the following:

	December 31, 2015	June 30, 2015
Unconsolidated earnings from the preceding period	<u>\$ 1,281,676</u>	770,734
Dividends paid in cash	\$220.00 per share payable in the first ten (10) days of each month between October 2015 and March 2016 (based on profits in the first half of 2014).	\$210.00 per share payable in the first ten (10) days of each month between April 2015 and September 2015 (based on profits in the first half of 2014).
Total outstanding common shares	331,280,555	331,280,555
Total declared dividends	<u>\$ 437,290</u>	<u>417,413</u>

Earning per Basic Share

The calculation of earnings per share in the six months ended at December 31 and June 30, 2015 breaks down as follows.

	December 31, 2015	June 30, 2015
Earning for the period	\$ 1,008,948	1,281,676
Ordinary outstanding shares	<u>331,280,555</u>	<u>331,280,555</u>
Earnings per basic share	<u>\$ 3,046</u>	<u>3,869</u>

(1) There are no rights or privileges on outstanding common shares of stock.

The Bank had no transactions with diluted effects at December 31 and June 30, 2015. Consequently, basic earnings are equal to diluted earnings.
 See Note 32 on policies for capital management.

Adjustments for First-time Adoption of IFRS

As instructed by the Financial Superintendence of Colombia in Circular 36/2014, the 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.

Banco de Bogota S.A.
Notes to the Separate Financial Statements at December 31, 2015
(With comparative figures at June 30, 2015)
(In millions of Colombian pesos, except the exchange rate and net earnings per share)

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 the minimum amount 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 will be deducted from regulatory capital.

Note 26 – Other Comprehensive Income

The following is a breakdown of the balances and activity in “other comprehensive income” included under equity during the periods ended at December 31 and June 30, 2015.

	First-time adoption	Unrealized gain on investments in debt securities	Unrealized gain on investments in equity securities	Adjustment for conversion of financial statements	Equity method of subsidiaries and exchange difference adjustment for foreign branches	Hedging obligations in foreign currency	Derivative hedging	Employee benefits	Deferred tax	TOTAL OCI
Balance at January 1, 2015	\$ 169,198	(89,290)	2,703,287	0	0	0	0	0	837	2,784,032
Adjustment for conversion of subsidiaries abroad	0	0	0	624,823	0	0	0	0	0	624,823
Variation in investments in equity securities available for sale	0	0	(140,843)	0	0	0	0	0	0	(140,843)
Exchange difference in foreign currency derivatives	0	0	0	0	0	0	(420,244)	0	0	(420,244)
Exchange difference in bonds in foreign currency	0	0	0	0	0	(204,777)	0	0	0	(204,777)
Profit from measurement of financial assets available for sale	0	920	0	0	0	0	0	0	0	920
Interest in other comprehensive income of subsidiaries	0	0	0	0	(150,248)	0	0	0	0	(150,248)
Income tax	0	0	0	0	0	0	0	0	261,553	261,553
Changes in actuarial assumption for employee benefits	0	0	0	0	0	0	0	7,807	0	7,807
Balance at June 30, 2015	169,198	(88,370)	2,562,444	624,823	(150,248)	(204,777)	(420,244)	7,807	262,390	2,763,023
Adjustment for conversion of subsidiaries abroad	0	0	0	1,738,306	0	0	0	0	0	1,738,306
Variation in investments in equity securities available for sale	0	0	(39,627)	0	0	0	0	0	0	(39,627)
Exchange difference in foreign currency derivatives	0	0	0	0	0	0	(1,263,104)	0	0	(1,263,104)
Exchange difference in bonds in foreign currency	0	0	0	0	0	(472,946)	0	0	0	(472,946)
Profit from measurement of financial assets available for sale	0	(93,482)	0	0	0	0	0	0	0	(93,482)
Interest in other comprehensive Income of subsidiaries and exchange difference adjustment for foreign branches	0	0	0	0	11,115	0	0	0	0	11,115
Income tax	0	0	0	0	0	0	0	0	684,138	684,138
Changes in actuarial assumption for employee benefits	0	0	0	0	0	0	0	2,674	0	2,674
Balance at December 31, 2015	\$ 169,198	(181,852)	2,522,817	2,363,129	139,133	(677,723)	(1,683,348)	10,481	946,528	3,330,098

Note 27 – Income, Expenses for Commissions and Other Services

The following is a breakdown of income, expenses for commissions and other services for the six month ended at December 31 and June 30, 2015.

	December 31, 2015	June 30, 2015
Income from commissions, net		
Banking services	\$ 253,103	232,031
Guarantees by endorsement, bank guarantees and letters of credit	0	8,363
Sale of checkbooks	20,106	20,734
Credit/debit card handling fees	91,820	92,546
Establishments affiliated to credit and debit cards	46,383	40,589

Banco de Bogota S.A.
Notes to the Separate Financial Statements at December 31, 2015
(With comparative figures at June 30, 2015)
(In millions of Colombian pesos, except the exchange rate and net earnings per share)

	December 31, 2015	June 30, 2015
Services rendered to branches in the office network	13,567	13,250
Other commissions	1,918	806
Subtotal	426,897	408,319
Expenses for commissions and fees		
Letters of credit	34	76
Banking services	41,371	39,524
Bank guarantees	83	32
Expenses for commissions and fees		
Services rendered to branches in the office network	13,327	13,963
Data processing services	5,193	4,818
Others	13,306	9,922
Subtotal	73,314	68,335
Total	\$ 353,583	339,984

Note 28 – Other Income

The following is a breakdown of other income during the six months ended at December 31 and June 30, 2015.

	December 31, 2015	June 30, 2015
Gain on exchange operations, net	\$ 139,935	62,171
Gain on financial derivatives for trading, net	0	43,827
Interest in investments, using the equity method (1)	639,301	648,062
Dividends and interest (2)	7	216,725
Real estate rentals (3)	833	798
Gain on the disposal of non-current assets held for sale	1,892	383
Gain on the sale of property and equipment	30	277
Gain on the sale of investment properties	37	0
Compensation for claims	3,025	4,015
Reimbursement for occupational illness	1,321	1,355
Income from exchange activities	1,040	221
Prescription of liabilities declared as abandoned	3,625	1,638
Recovery of loan write-off fees	15,714	12,469
Recovery of CREE 2014 tax allowance	0	77,777
Reversals - exempt GMF	0	3,710
Cash transportation service	2,999	3,936
Prescription of dividends on shares in favor of the Bank	3,995	0
Recovery of allowances for employee benefits	7,007	0
Changes in fair value of investment property	55,289	0
Recovery of loan and leasing write-offs	50,710	43,765
Others	41,034	11,421
Total income from commissions, net	\$ 967,794	1,132,550

- 1) The following is a breakdown of received income, by subsidiary and based on the equity method.

Subsidiaries	Income received	
	December 31, 2015	June 30, 2015
Leasing Bogota Panamá	\$ 481,166	418,857
Corficolombiana	57,147	124,145
Porvenir	45,100	57,580
FiduBogota	44,937	31,155
Banco de Bogota Panamá	10,499	8,297
Casa de Bolsa	756	217
Almaviva	491	8,939
Megalinea	206	617
Aportes en Línea	125	113
Finance	1	1
Pizano	(1,127)	(1,859)
Total	\$ 639,301	648,062

- 2) The equity method has been applied as of 2015; therefore, no income from dividends of subsidiaries is recorded.

- 3) \$232 and \$410 in rental income from investment property is included at December 31 and June 30, 2015, in that order.

Banco de Bogota S.A.
 Notes to the Separate Financial Statements at December 31, 2015
 (With comparative figures at June 30, 2015)
 (In millions of Colombian pesos, except the exchange rate and net earnings per share)

Note 29 – Other Expenses

The following are “other expenses” registered during the six months ended at December 31 and June 30, 2015.

	December 31, 2015	June 30, 2015
Employee benefits	\$ 320,198	289,887
Allowance for foreclosed assets	10,023	7,097
Depreciation	46,249	43,410
Amortization of intangible assets (1)	10,682	11,255
Administration (2)	305,257	257,425
Loss on financial derivatives for trading, net	6,955	0
Taxes and rates	108,842	90,191
Insurance	58,323	55,711
Rental fees	42,227	39,658
Contributions, memberships and transfers	42,593	36,033
Fees	29,335	29,623
Maintenance and repairs	33,181	23,520
Loss from claims and operational risk	6,849	8,006
Donations	218	0
Expenses for impairment in the value of other assets	61,840	180
Adaptations and installations	6,714	5,982
Fines, penalties, litigation and compensation	6,109	1,770
Loss on disposal of non-current assets held for sale	60	400
Loss on sale of property and equipment	27	7
Loss on sale of investment properties	117	0
Others of a lesser amount	1,343	988
Total	\$ 1,097,142	901,143

- (1) There was a balance of \$10,682 and \$11,255 at December 31 and June 30, 2015. These amounts include \$10,262 and \$2,579 in amortization of intangible assets, respectively, and \$419 and \$1,762 for improvements to rental property received on lease.
- (2) The administrative expenses disclosed at December 31 and June 30, 2015 include expenses for outsourcing services, reward incentives and the promotion of financial projects, building and personnel management, travel expenses, public utilities, janitorial and security services and temporary services.

Note 30 – Commitments and Contingencies

Credit Commitments

The Bank grants guarantees and letters of credit to its customers as part of the normal course of its operations. In doing so, it irrevocably commits to make payments to third parties in the event the customer does not comply with its obligations to the same third parties. These guarantees and letters of credit have 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. Collateral considered appropriate under the circumstances is obtained.

Commitments to extend credit represent unused portions of authorizations to extend credit in the form of loans, credit card use, overdraft quotas and letters of credit. With respect to the credit risk involved in commitments to extend lines of credit, the Bank 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 Bank monitors the maturities on lines of credit, since long-term commitments imply more credit risk than short-term commitments.

Banco de Bogota S.A.
 Notes to the Separate Financial Statements at December 31, 2015
 (With comparative figures at June 30, 2015)
 (In millions of Colombian pesos, except the exchange rate and net earnings per share)

The unused balances on lines of credit and guarantees do not necessarily represent future cash requirements, because lines of credit can expire or not be used all or in part.

The table below provides details on unused guarantees, letters of credit and credit commitments in unused lines of credit at December 31 and June 30, 2015.

Commitments in Unused Lines of Credit

	December 31, 2015		June 30, 2015	
	Notional amount	Fair value	Notional amount	Fair value
Collateral	\$ 1,955,231	1,399,859	1,742,578	1,636,305
Unused letters of credit	181,523	171,855	162,989	106,273
Overdraft limits	183,538	183,538	210,155	210,155
Unused credit card limits	2,706,518	2,706,518	2,488,500	2,488,500
Opened lines of credit	2,291,739	2,291,739	2,015,359	2,015,359
Undisbursed approved loans	178,671	178,671	35,000	35,000
Others	355,154	355,154	385,494	385,494
Total	\$ 7,852,374	7,287,334	7,040,075	6,877,086

The following is a breakdown of credit commitments, by type of currency.

	December 31, 2015	June 30, 2015
Credit commitments, by type of currency		
Colombian pesos	\$ 6,844,778	6,235,551
US dollars	981,742	777,938
Euros	21,911	24,569
Others	3,943	2,017
Total	\$ 7,852,374	7,040,075

Commitments to Disburse Funds for Capital Expenses

In the second half of 2015, the Bank disbursed \$1,414 for capital expenses pertaining to contracts for the purchase of property, plant and equipment (real estate). These contracts imply commitments for \$3,241 in disbursements to be made during 2016 and up until 2017.

In the first half of 2015, the Bank disbursed \$1,559 for capital expenses pertaining to contracts for the purchase of property, plant and equipment (real estate). These contracts imply commitments for \$1,912 in disbursements to be made during the second half of 2015 and up until 2017.

Operating Lease Commitments

In developing its operations, the Bank signs agreements to receive property, plant and equipment and certain kinds of intangible assets under operating leases. The following is a breakdown of the payment commitments in operating leases during the years ahead.

Not more than one year	\$ 65,651	68,267
More than one year and less than five years	234,961	254,117
More than five years	104,889	199,639
Total	\$ 405,501	522,023

Banco de Bogota S.A.
Notes to the Separate Financial Statements at December 31, 2015
(With comparative figures at June 30, 2015)
(In millions of Colombian pesos, except the exchange rate and net earnings per share)

Contingencies

Legal Contingencies

Several administrative and legal cases involving claims filed against the Bank were pending at December 31 and June 30, 2015. These lawsuits were assessed based on the analysis and opinions of the lawyers in charge, and the following contingencies were established.

Labor Cases

There were \$16,605 and \$14,964 in labor claims on the books at December 31 and June 30, 2015, in that order. A portion of these claims (\$4,493 and \$10,826) likely will be decided against the Bank.

Civil Cases

Claims in civil suits were valued at \$3,018 and \$3,095 at December 31 and June 30, 2015. This does not include claims with only a remote possibility of success.

Administrative Cases and Other Proceedings

Note 31 – 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; namely, the reporting entity. An entity is related to the reporting entity if it has control or joint control over the reporting entity, has significant influence over the reporting entity, or could be considered a member of the key management personnel of the reporting entity or a controller of the reporting entity. The definition of related parties includes: a) persons and/or family members related to the entity, b) entities that are members of the same group (controller and subsidiary), c) associates or business combinations of the entity or of the entities in the group, and d) post-employment defined benefit plans for the benefit of employees of the reporting entity or an entity related to the reporting entity.

Accordingly, the following are deemed to be related parties.

1) An economically related party is a person or entity that is related to any entity in the Group, through transactions such as those involving a transfer of resources, services or obligations, regardless of whether a price is charged.

Transactions between economic associates are understood as any economic operation conducted with Grupo Aval shareholders or entities thereof.

2) Shareholders who individually own more than 10% of the Bank's capital stock (Grupo Aval Acciones y Valores).

3) Key management personnel: Persons with authority and responsibility for planning, ordering and controlling the activities of the entity, either directly or indirectly, including any manager or administrator (executive or otherwise) of the Bank, as well as its president, vice presidents and members of its Board of Directors.

4) Subordinate entities: Companies where the Bank exercises control, according to the definition of control outlined in the Commercial Code and in IFRS 10 – Consolidation.

Banco de Bogota S.A.
 Notes to the Separate Financial Statements at December 31, 2015
 (With comparative figures at June 30, 2015)
 (In millions of Colombian pesos, except the exchange rate and net earnings per share)

5) Associate entities: Companies over which the Bank has significant influence. Generally, significant influence is considered to exist when the Bank owns between 20% and 50% of the capital stock in the company.

6) Other related parties: These include Banco de Occidente and subordinates, Banco AV Villas and subordinates, Banco Popular and subordinates, Seguro de Vida Alfa S.A, Seguros Alfa S.A and other related parties.

Transactions with Related Parties

The Bank may enter into transactions, agreements or contracts with related parties. However, it is understood that such operations shall be conducted at fair value, with market conditions and rates being taken into account

During the periods ended at December 31 and June 30, 2015, the Bank and its related parties registered no:

- Loans involving an obligation to the borrower that does not coincide with the essence or nature of a loan agreement.
- Loans at interest rates other than those normally paid or charged under similar terms with respect to risk, maturity, etc.
- Operations of a different nature than those conducted with third parties.

According to the Bank's manual on agreements, specifically Chapter VI- "Special Agreements with Subsidiaries on Using the Bank's Network," Banco de Bogotá S.A. has agreements that allow Fiduciaria Bogotá S.A. and Porvenir S.A. to use its network of offices.

The national government has authorized trust companies to use bank offices to develop their operations. This being the case, Fiduciaria Bogotá S.A. entered into a contract with Banco de Bogotá S.A. to use its network of offices. The agreement outlines how the transactions of customers with mutual funds managed by Fiduciaria Bogotá S.A. will be handled from an operational standpoint.

In keeping with the provisions outlined in Law 50/ 1990 (Labor Reform Act) and Law100 /1993 (the 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 the Bank's offices as a support network to provide services associated with the severance and mandatory pension funds it manages.

Fees paid to members of the Board of Directors during the six months ended at December 31 and June 30, 2015, for their attendance at Board and committee meetings, came to \$392 and \$362, respectively.

The following shows the Bank's balances for loans and deposits with related parties, 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

Banco de Bogota S.A.
Notes to the Separate Financial Statements at December 31, 2015
(With comparative figures at June 30, 2015)
(In millions of Colombian pesos, except the exchange rate and net earnings per share)

All transactions and disbursements were made at market prices. Credit card operations and overdrafts were conducted at the full rates for those products.

Balances and operations with related parties are shown in the following table, organized into groups, including details on transactions with key management personnel.

	December 31, 2015					
	Economically related	Grupo Aval	Key management personnel (1)	Related entities		
				Non- subordinates	Associates	Subordinates
Assets						
Cash and cash equivalents	\$ 0	0	0	25		9,766
Investments in subsidiaries, associate companies and joint ventures	0	0	0	0	1,415	14,708,329
Investment allowance	0	0	0	0		1,196
Loan portfolio and capital leasing operations	403,278	389,902	16,627	573		148,267
Other accounts receivable	0	0	0	3		22,237
Liabilities						
Financial liabilities	625,877	2,306,091	7,396	2,013	1	1,094,314
Accounts payable and other liabilities	1,791	150,289	0	4,710		742
Income						
Interest	10,682	8,396	572	0		7,239
Commissions and other services	0	123	0	35		1,701
Other income	0	0	0	1,257		173
Expenses						
Financial expenses	6,593	16,870	116	8		16,946
Expenses for commissions and other services	0	0	0	26		860
Other expenses	\$ 14,635	9,170	473	3,952	2,027	52,070

(1) Includes all transactions with key management personnel, except the employee benefits explained later.

	June 30, 2015					
	Economically related	Grupo Aval	Key management personnel (1)	Related entities		
				Non- subordinates	Associates	Subordinates
Assets						
Cash and cash equivalents	\$ 0	0	0	8	0	6,814
Investments in subsidiaries, associate companies and joint ventures	0	0	0	0	1,415	12,514,637
Investment allowance	0	0	0	0	0	1,007
Loan portfolio and capital leasing operations	378,454	130,103	18,133	4,236	0	166,980
Other accounts receivable	0	0	0	122	0	28,432
Liabilities						
Financial liabilities	151,401	1,942,284	12,038	3,395	4	374,676
Accounts payable and other liabilities	1,708	143,356	0	5,260	544	2,137
Income						
Interest	12,149	1,894	619	0	0	6,941
Commissions and other services	0	111	0	41	0	2,209
Other income	0	0	0	1,292	0	214,567
Expenses						
Financial expenses	1,413	9,942	111	37	0	3,627
Expenses for commissions and other services	0	0	0	53	0	697
Other expenses	\$ 1,572	10,023	362	2,336	2,180	45,387

Banco de Bogota S.A.
Notes to the Separate Financial Statements at December 31, 2015
(With comparative figures at June 30, 2015)
(In millions of Colombian pesos, except the exchange rate and net earnings per share)

The Bank enters into transactions with its subordinates in development of its commercial operations. These transactions include interest in those entities, loans and financial liabilities, which are detailed below.

	December 31, 2015										
	Banco de Bogota	Almaviva	Banco de Bogota Panamá	Casa de Bolsa	Corfi-colombiana	Fidu-Bogota	Leasing Bogota Panamá	Mega-linea	Porvenir	Bogota Finance Corp.	Corp. Ficentro
Assets											
Cash and cash equivalents	\$ 0	9,766	0	0	0	0	0	0	0	0	0
Investments in subsidiaries, associates and joint ventures	170,053	210,669	6,029	3,428,301	257,801	9,966,894	3,146	663,947	269	1,220	
Investment allowance	0	0	0	0	0	0	0	0	0	0	1,196
Loan portfolio and capital leasing operations	10	0	0	148,037	0	0	148	72	0	0	0
Other accounts receivable	0	0	0	13,785	79	0	0	8,373	0	0	0
Liabilities											
Financial liabilities	5,399	1,782	176	853,119	28,525	7,657	3,827	193,885	0	0	0
Accounts payable and other liabilities	8	0	0	84	9	407	201	33	0	0	0
Income											
Interest	0	0	0	7,239	0	0	0	0	0	0	0
Commissions and other services	59	13	0	141	7	0	57	1,424	0	0	0
Other income	8	8	0	0	155	0	2	0	0	0	0
Expenses											
Financial expenses	43	0	0	13,306	307	17	30	3,243	0	0	0
Expenses for commissions and other services	0	0	0	0	93	0	0	767	0	0	0
Other expenses	\$ 218	0	0	869	0	0	50,930	53	0	0	0
	June 30, 2015										
	Banco de Bogota	Almaviva	Banco de Bogota Panamá	Casa de Bolsa	Corfi-colombiana	Fidu-Bogota	Leasing Bogota Panamá	Mega-linea	Porvenir	Bogota Finance Corp.	Corp. Ficentro
Assets											
Cash and cash equivalents	\$ 0	6,814	0	0	0	0	0	0	0	0	0
Investments in subsidiaries, associates and joint ventures	167,207	174,964	6,236	3,397,080	224,461	7,886,150	2,942	654,369	221	1,007	
Investment allowance	0	0	0	0	0	0	0	0	0	0	1,007

Banco de Bogota S.A.
Notes to the Separate Financial Statements at December 31, 2015
(With comparative figures at June 30, 2015)
(In millions of Colombian pesos, except the exchange rate and net earnings per share)

June 30, 2015										
Banco de Bogota	Almaviva	Banco de Bogota Panamá	Casa de Bolsa	Corfi-colombiana	Fidu-Bogota	Leasing Bogota Panamá	Mega-linea	Porvenir	Bogota Finance Corp.	Corp. Ficentro
Loan portfolio and capital leasing operations	21	0	0	166,862	0	0	97	0	0	0
Other accounts receivable	875	0	0	11,987	6,910	0	0	8,660	0	0
Liability										
Financial liabilities	3,835	800	105	327,056	11,470	8,267	1,909	21,234	0	0
Accounts payable and other liabilities	27	0	0	138	4	588	1,380	0	0	0
Income										
Interest	0	0	0	6,941	0	0	0	0	0	0
Commissions and other services	130	35	0	105	6	0	51	1,882	0	0
Other income	8,762	31,240	82	95,470	27,434	0	2	51,577	0	0
Expenses										
Financial expenses	47	0	0	2,616	368	101	27	468	0	0
Expenses for commissions and other services	0	0	0	0	4	0	0	693	0	0
Other services	\$ 225	0	0	355	0	0	44,757	50	0	0

The outstanding amounts are guaranteed and no expense in the current period or prior periods has been recognized for uncollectible or doubtful accounts concerning amounts owed by related parties.

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	\$ 11,608	6,726
Compensation for key management personnel, other long-term employee benefits	0	89
	<u>\$ 11,608</u>	<u>6,815</u>

Note 32 – Adequate Capital Management

Claims in tax-related administrative and legal suits brought by national and local tax authorities sometimes involve penalties incurred by the Bank in exercise of its activity as a collector of national and regional taxes. In other cases, they result in higher taxes for the Bank in its capacity as a taxpayer. These claims amounted to \$7,674 and \$13,957 at December 31 and June 30, 2015, in that order.

The Bank's objectives in terms of adequate capital management focus on: a) complying with the capital requirements defined for financial entities by the Colombian government; and b) maintaining an adequate equity structure that allows the Bank to generate value for its shareholders.

The capital adequacy ratio, which is defined as the ratio of the Bank's regulatory capital to its risk-weighted assets, may be no less than nine point zero percent (9.0%); while its basic capital

Banco de Bogota S.A.
 Notes to the Separate Financial Statements at December 31, 2015
 (With comparative figures at June 30, 2015)
 (In millions of Colombian pesos, except the exchange rate and net earnings per share)

adequacy ratio, defined as the ratio of basic ordinary capital to risk-weighted assets, may be no less than four point five percent (4.5%), as indicated, respectively, in Articles 2.1.1.1.2 and 2.1.1.1.3 of Decree 2555 / 2010, amended by Decree 1771 / 2012 and Decree 1648 / 2014.

The risk-weighted assets in each category are based on the percentages defined by the Financial Superintendence of Colombia, which are applied to each of the items pertaining to assets, creditor contingent accounts, businesses and fiduciary funds, as defined in the Single Accounts Plan. In addition, market risk is included as part of risk-weighted assets as of January 30, 2002.

In an effort to manage capital from an economic perspective and in a way that generates value for the Bank's shareholders, management keeps a close eye on the level of returns for each line of business and on capital requirements in line with growth expectations for each line. Managing economic capital also involves analyzing how it can be affected by credit, the market, liquidity and the operational risks to which the Bank is exposed in the course of its operations.

The following is a breakdown of the minimum amount of regulatory capital the Bank is required to hold.

	December 31, 2015	June 30, 2015
Regulatory capital		
Ordinary basic capital		
Subscribed and paid-in capital	\$ 3,313	3,301
Capital investments of other financial institutions	(3,628)	(3,631)
Deferred income tax	(798,528)	0
Intangible assets	(280,201)	(90,162)
Additional basic capital		
Subordinated debts	3,337,084	1,476,546
Earnings in the ongoing period	504,474	384,503
Discretionary reserves	0	406,588
50% tax reserve	2,334	1,534
30% asset valuation	69,670	108,875
Mandatory convertible bonds	(278)	-56,590
Unrealized retained earnings on equity securities	1,035,449	1,034,073
Accumulated losses on unrealized debt securities	(261,588)	(109,368)
Value of general impairment (allowance)	22,513	19,554
Additional paid-in capital	5,721,621	5,721,621
Legal reserve	4,544,378	3,753,287
Total regulatory capital	<hr/> \$ 13,896,614	<hr/> 12,650,131
Risk-weighted assets		
Credit risk		
Category II (Highly secure assets weighted at 20%)	101,997	140,941
Category III (Highly secure but low liquidity assets weighted at 50%)	1,238,764	1,166,010
Category IV (Other assets at risk that are weighted at 100%) + special weights	66,856,521	63,630,600
Total credit risk	<hr/> \$ 68,197,282	<hr/> 64,937,551
Market risk		
Total risk-weighted assets	<hr/> \$ 71,623,286	<hr/> 68,718,896
Total solvency risk ratio.	19.40%	18.41%
Basic solvency risk ratio.	12.83%	13.57%

Note 33 – Statutory Controls

In the six months ended at December 31 and June 30, 2015, the Bank fulfilled all requirements for cash reserves (See Note 7, Section ii), own position, capital adequacy (See Note 32) and mandatory investments.

Banco de Bogota S.A.
Notes to the Separate Financial Statements at December 31, 2015
(With comparative figures at June 30, 2015)
(In millions of Colombian pesos, except the exchange rate and net earnings per share)

Note 34 Subsequent Events

The Bank signed an agreement with TransUnion Netherlands II B.V. to dispose of one hundred percent (100%) of its ownership interest in CIFIN S.A. (hereinafter the Company"), a corporation classified as a technical and administrative services companies and accredited as a financial, credit, commercial and service data operator.

On Monday, 8 February, the shareholders approved the sale of 71% of the Bank's ownership interest in CIFIN S.A., based on the aforementioned agreement. The Bank disposed of 65.062 common share of stock for a total of \$ 629.563,37 per share and received the funds.

Banco de Bogota S.A.
Notes to the Separate Financial Statements at December 31, 2015
(With comparative figures at June 30, 2015)
(In millions of Colombian pesos, except the exchange rate and net earnings per share)