

## **MANAGEMENT REPORT ON THE INTERNAL CONTROL SYSTEM**

(2019-Prepared by the Audit Committee)

Board of Directors  
Banco de Bogotá S.A.  
Bogotá

The Basic Legal Circular (“Circular Básica Jurídica”) issued by the Colombian Financial Superintendency defines and specifies some general and special requirements related to the Internal Control System, over which the Bank maintains a process of permanent monitoring and continuous improvement, which adjusts itself to new risk circumstances that arise, under an integral and strategic control vision.

In compliance with sections 6.1.2.1 and 6.1.2.5, Chapter IV, Title I, Part I of the Basic Legal Circular (C.E. 029 / 14) issued by the Financial Superintendency, we present a report on the tasks undertaken by the Audit Committee during 2019, as well as the monitoring conducted on risk exposure levels on Banco de Bogotá S.A. and its subsidiaries:

1. Committee members are Álvaro Velásquez Cock, Sergio Uribe Arboleda and Alfonso de la Espriella Ossio.

The committee held sessions on February 14 and 26, March 14, May 13, June 11, August 12, September 5, October 10, November 7 and December 17, 2019, as per the meeting minutes numbered from 164 to 173, respectively, in order to support the Board of Directors in its responsibilities to supervise internal control and risk management systems, as well as to assess accounting procedures, to follow-up on reports from the Statutory Auditor and the Comptroller's Office and to analyze the events that, given their nature, are to be analyzed by this committee.

2. Internal audit functions, on the Bank and its subsidiaries, are performed by the Bank's Comptroller's Office, following corporate guidelines and directions from Grupo Aval, as well as international auditing practices, through risk-based audit evaluations and, as third line of defense, it is independent from the other two. Main conclusions drawn from the audits were presented and analyzed by the Committee in due time.

The Comptroller's Office has an interdisciplinary and sufficient team, in the capacity to have reach over processes and systems of all the Financial Group's companies (including outsourced activities).

3. During 2019, Rules of Procedure for the Internal Audit Committee were updated, in order to fully adopt functions established in Recommendations 18.18, 29.5 and 33.1 of the Better Corporate Practices Code – “Código País”, issued by the Financial Superintendency in Circular 028 / 2014.
4. The Audit Committee ensured that Management provided control bodies with all information needed to perform their duties.
5. It also monitored independence and effectiveness of the internal audit function, that it had the necessary human and material resources to perform its duties and that there were no limitations that prevented its adequate performance.

Consequently, the Audit Committee considers that the Bank has provided the Comptroller's Office with the necessary resources and that the latter has independence to adequately perform its tasks.

6. Likewise, the Statutory Auditor's Work Plan for 2019, as well as the Internal Audit Work Plan prepared based on a self-assessment basis of existing risks for 2019, were presented to the Committee.

7. During 2019, the Committee was informed on the progression of those work plans, through periodic reports on evaluation results and on other matters related to the internal audit function, as well as follow-up on action plans implemented by Management in order to attend suggestions and recommendations.

Additionally, the Committee had the opportunity to request and know the reports it deemed appropriate for the proper performance of its functions.

8. Also, it ensured that preparation, presentation and disclosure of financial information was made in accordance with the provisions of applicable regulations.
9. No relevant conflict of interest situations were reported, that fell outside established corporate governance practices and that might have involved the Bank, its subsidiaries and other related parties, either directly or indirectly.
10. Furthermore, a Management Report was submitted by the Comptroller, including the result of the evaluation of the effectiveness and proper functioning of components of the internal control system, including key controls on main information and risk management systems. No weaknesses were observed that compromise their effectiveness and risk-mitigation capacity, as of December 31, 2019.
11. From the findings reported by the control bodies to the Bank's Management, improvement actions were carried out, such as: redesign of processes; adjustments or implementation of controls; systems development; reinforcement of control monitoring; promotion of training activities; relevant instructions to achieve compliance with current regulation and correction of breaches; and application of disciplinary or administrative measures to employees involved in regulatory breaches or actions contrary to ethics.

The Bank continues strengthening the control culture, in such a way that internal control has become part of day-to-day activities at all levels of the Organization, thus reflecting results in customer service and value generation, strategic pillars of the Bank.

12. The Committee was also notified about the results of the inspection visit's report, performed by the Financial Superintendency on the Bank and some of its Central American subsidiaries (Costa Rica and Nicaragua), along with observations and action plans for their mitigation.
13. It was informed by the Comptroller's Office, the Statutory Auditor and by Management, that Banco de Bogotá and its subsidiaries have a management model for those risks to which they are exposed while carrying out their activities (Credit, Market, Liquidity, Money Laundering and Operational risks, including aspects on Information Security, cybersecurity and business continuity, among others), which are reasonably mitigated and adequately administered, defining key controls for those risks considered of greater impact. These are permanently monitored through control dashboards.

Risk models are adjusted in response to the evolution and dynamics demanded by the company's strategic objectives, within reasonable risk levels and in compliance with current regulation framework.

14. Likewise, the Comptroller's Office and Management expressed that internal control structure and procedures reasonably protect the Entity's assets, as well as those of third parties that it manages through its subsidiaries (pensions, severance payments, trust funds, investment funds, etc) and that there are sufficient controls to verify that transactions are being adequately authorized and registered.

Finally, the Audit Committee was informed by the Statutory Auditor, through its opinion, that Financial Statements, both separate and consolidated, as well as Notes and Annexes as of December 31, 2019, reasonably present the financial situation, in accordance with accounting and financial reporting

standards accepted in Colombia, which is why the Committee approved their presentation to the Board of Directors and recommended their subsequent presentation to the Shareholders' Meeting.

Therefore, the Audit Committee finds that the Bank and its subsidiaries maintain an adequate internal control structure, which has been reviewed to the extent that regulation has required it, or deficiencies and new risk situations have been identified.

No material deficiencies were detected. Consequently, designed procedures and established controls provide reasonable assurance to obtain operational objectives, to rely on financial information and to comply with regulation applicable to the Bank.

Kindly,  
Audit Committee  
Banco de Bogotá S.A.  
Date: February 24, 2020