

Banco de Bogotá 
Un Banco hecho entre dos

SOMOS **GRUPO** 
AVAL

BOARD OF DIRECTORS

PRINCIPAL ALTERNATE

LUIS CARLOS SARMIENTO GUTIÉRREZ GUILLERMO PERRY RUBIO

SERGIO URIBE ARBOLEDA JORGE IVÁN VILLEGAS MONTOYA

ALFONSO DE LA ESPRIELLA OSSÍO ANA MARÍA CUÉLLAR DE JARAMILLO

CARLOS ARCESIO PAZ BAUTISTA SERGIO ARBOLEDA CASAS

JOSÉ FERNANDO ISAZA DELGADO ÁLVARO VELÁSQUEZ COCK

BOARD OF DIRECTORS ADVISOR

LUIS CARLOS SARMIENTO ANGULO

STATUTORY AUDITORS

KPMG LTDA.

Represented by:

MARÍA LIGIA CIFUENTES ZAPATA

Professional License 30070 – T

FINANCIAL CONSUMER DEFENDER

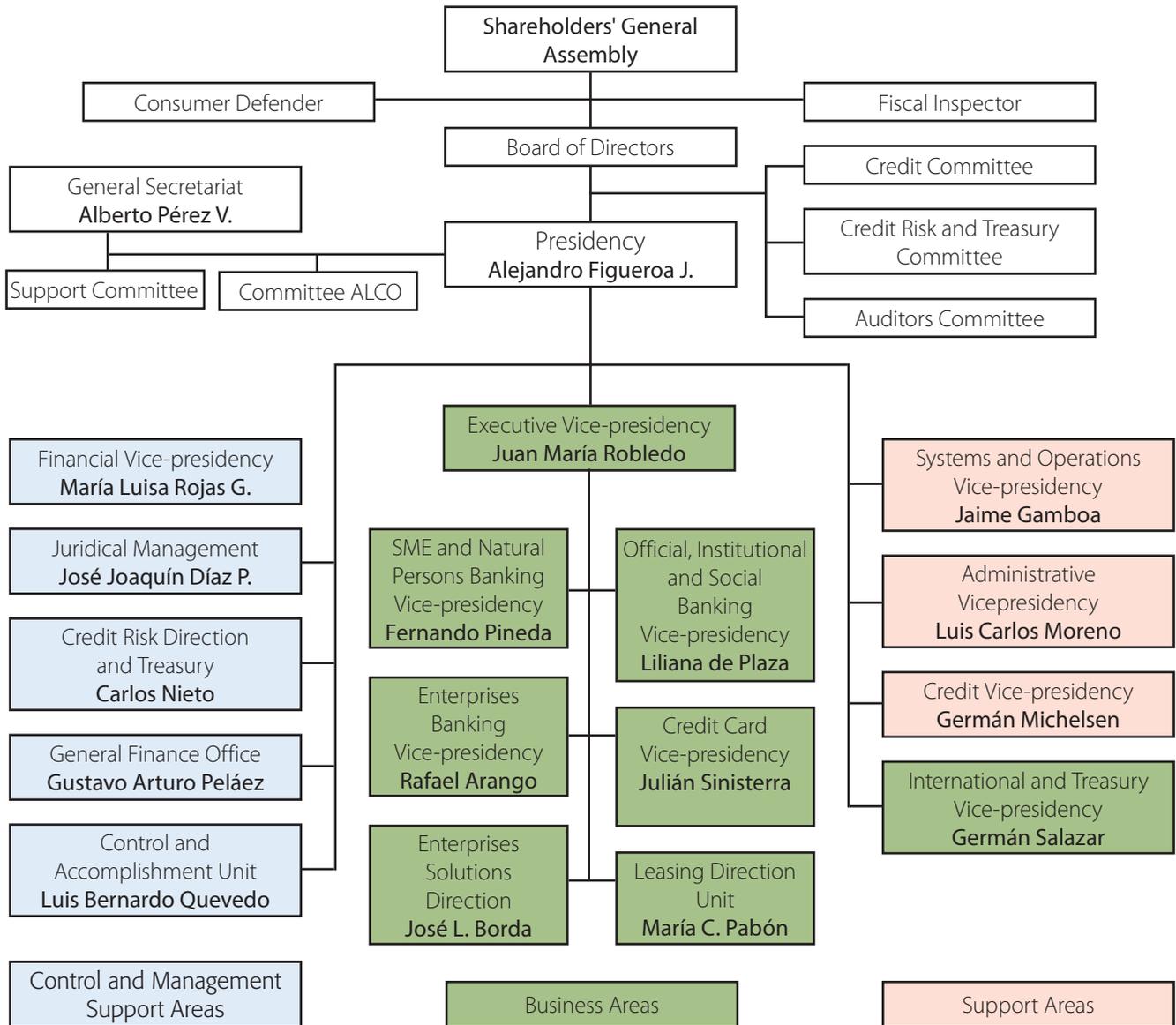
OCTAVIO GUTIÉRREZ DÍAZ

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ORGANIZATIONAL STRUCTURE

GENERAL MANAGEMENT



ORGANIZATIONAL STRUCTURE

BANK AND AFFILIATES



President: Ernesto Cagstenaro

Financial Group from Central America with banking and credit card operations



President: José E. Melo

Financial Corporation with a wide specialized product portfolio in Private Banking, Investment Banking, Treasury and Equity Securities Investment



President: José A. Santana

Operates in the Republic of Panamá, with General and International License which allows it to execute banking business in Panamá and abroad



President: Miguel Largacha

Pensions and Severance Fund Manager



President: Pedro Echeverría

General Warehouse, Customs Agent and Integral Logistics Operator



President: Cesar Prado Villegas

Contracts commercial Trust and fiduciary mandates



President: Daniel H. Gómez

Stock Brokerage Company (brokerage and management of securities funds)



General Manager: Nubia Inés Sanabria

Technical and administrative service company which serves external and internal clients

Finance Corporation

Deputies: Germán Salazar, Luis C. Sarmiento Jr. y John Kennedy

Entity with license to operate as a Financial Corporation

Ficentro

Deputy: José A. Santana

Financial Corporation authorized to place but not to, raise money, while watched over by the Financial Ministry of Panamá



President: María F. Blanco

General and International License to execute Banking business

GENERAL INFORMATION
AT DECEMBER 31st, 2011

| | |
|-----------------------------------|----------------|
| CUSTOMERS IN COLOMBIA | over 3,150,000 |
| TRADITIONAL OFFICES | 574 |
| OFFICE EXTENSIONS | 14 |
| CASH WINDOWS | 108 |
| PAYMENT CENTERS | 45 |
| BUSINESS ADVISORY OFFICES | 18 |
| CORPORATE AND SME SERVICE CENTERS | 29 |
| CASH SERVICE | 13 |
| BANKING CORRESPONDENTS | 95 |
| TOTAL | 896 |

AGENCIES ABROAD

AGENCY IN NEW YORK
AGENCY IN MIAMI

COLOMBIAN SUBSIDIARIES

SOCIEDAD ADMINISTRADORA DE FONDOS Y PENSIONES Y CESANTÍAS PORVENIR S.A.
CORPORACIÓN FINANCIERA COLOMBIANA S.A.
FIDUCIARIA BOGOTÁ S.A.
ALMAVIVA S.A.
MEGALÍNEA
CASA DE BOLSA S.A.

SUBSIDIARIES ABROAD

BAC CREDOMATIC INC.
BANCO DE BOGOTÁ S.A. PANAMÁ
BANCO DE BOGOTÁ NASSAU LTD. (SUBSIDIARY OF BANCO BOGOTÁ S.A. PANAMA)
LEASING BOGOTÁ S.A. PANAMÁ
BOGOTÁ FINANCE CORPORATION (CAYMAN ISLANDS)
FICENTRO (PANAMÁ)

| | |
|--|------------------|
| EMPLOYEES ¹ | 8,678 |
| UNCONSOLIDATED TOTAL ASSETS | \$ 43.3 trillion |
| CONSOLIDATED TOTAL ASSETS WITH REAL AND FINANCIAL SECTOR SUBSIDIARIES | \$ 68.8 trillion |

¹ Includes 7,598 directly employed staff, 279 trainees and 801 temporary staff. Does not include 3,790 outsourced staff.

1. COLOMBIAN ECONOMY AND CENTRAL AMERICAN ECONOMY

INTERNATIONAL CONTEXT

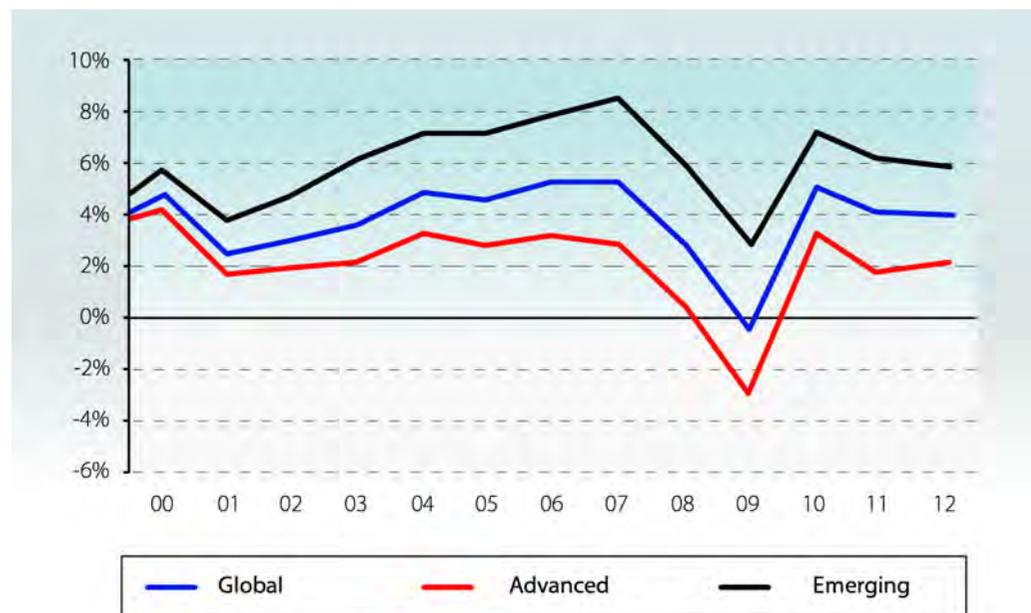
Nervousness prevails due to situation of developed economies

During the second half of 2011, nervousness increased in financial markets in the midst of growing speculation about a possible double-dip of the U.S. economy (a second recession) and the weak fiscal situation of European countries. Specifically, the United States feared a potential relapse of the economic activity due to the lack of political consensus regarding the feasibility of the expansive fiscal policy extension, which disturbed the expectations of consumers and investors.

Finally, the difficult political environment concerning fiscal matters was one of the triggers of the low rating and the drop from the AAA to the AA+ for the United States by Standard and Poor's. Furthermore, a fast increase in the price of major commodities, especially oil, decreased purchasing power in households, negatively affecting their available income.

Thus, the American economy had a 3.6% growth in the fourth quarter of 2011, and a 1.6% growth during the whole year.

Graph 1: World economic growth (% annual variation)



Source: IMF

In Europe, stress also worsened because of the lack of political consensus in the adoption of measures to control the debt crisis and promote long term economic growth. After nearly two years since the beginning of the crisis, several peripheral countries ended the semester, as a result of the above, hitting again interest rates at unsustainable levels (Greece 10 year bond 30% and Portugal 13%). Hence, despite fiscal efforts by European countries to control debt, including cutting back on expenditures and increasing taxes in the short run, growth continued to have a scant performance of 0.7% annual during the fourth quarter and of 1.4% throughout all of 2011.

In terms of inflation, there were no major changes. The main advanced economies had transient recoveries in total inflation on account of the commodity prices (3.9% in the U.S. and 31% in the Eurozone), but basic measurements remained close to the comfort range of central banks. At year-end, inflation closed at 3.0% in the U.S. and 2.7% in Europe.

Graph 2: World inflation (Annual % Var.)



Source: Bloomberg.

With this background scenario, the main central Banks in developed economies adopted new measures to strengthen the economy. Specifically, in January 2012 the US Federal Reserve announced they would keep the interest rate stable at least until mid 2013 and published the estimated path for the interest rate and a document with the long term objectives of the monetary policy to guarantee greater

transparency in the monetary policy language and promote both consumption and investment dynamics. On the other hand, in Europe, the central bank decided to reduce the bank reserve requirements of financial institutions from 2.0% to 1.0%, carry out 3-year repo transactions with full allocation and continue to buy sovereign bonds to increase liquidity.

In 2012 both central Banks might be forced to make their monetary policy even more flexible. For the specific case of the Fed, implementing a third quantitative flexibilization (QE3) has not been discarded if inflation expectations fall below the comfort range of the central bank (between 1.5% and 2.0%). In Europe, expectations indicate that there would be a cutback of 25 basic points at the most in the benchmark rate from the 1.0% of the 2011 closing.

Economic Environment in Central America for 2011

In 2011 the Central American economy continued on its way to recovery after the recession it experienced in 2009, generated by the contraction of the world economy at the end of 2008, caused in turn by the financial crisis which mainly affected developed economies.

The Regional GDP increased by 4.7% in 2011, while in 2010 it had increased by 3.9%. In nominal terms, the output of the region reached US \$164,901 million. While internal demand increased by 5.9% in 2011, external demand (exports of goods and services) increased by 10.7% in the same period.

The Central American economy shows a US\$ 10,352 million deficit in the current account of its balance of payments, offset by higher capital and financial flows reflected in the capital account amounting US \$11,865 million at the end of 2011.

In relation to government finance, the economies of the region continued to recover after a decrease in collections associated to the recession and to the implementation of anticyclic policies that helped to reduce the impact caused by the contraction of private and foreign demand in 2009. In the region, the fiscal imbalance was reduced to 3.5% of the GDP in 2011 as a result of the various tax reforms that took place in 2010 and 2011 in some countries, and of the recovery of domestic spending and economic activity levels.

As to price matters, the region was hit by foreign inflationary pressures, mainly in the international market quotes for raw materials. This led to an increase in the average price variation rate of Consumer prices from 5.2% in 2010 to 5.7% in 2011.

The main macroeconomic indicators per country are indicated below.

| Macroeconomic Indicators | Costa Rica | Guatemala | Honduras | El Salvador | Nicaragua | Panama |
|--|------------|-----------|----------|-------------|-----------|--------|
| Nominal GDP (US\$MM) | 40,962 | 46,809 | 17,015 | 22,488 | 7,061 | 30,565 |
| Real GDP (Var %) | 4.2% | 3.8% | 3.6% | 1.2% | 4.7% | 10.2% |
| Per capita GDP (US\$) | 8,875 | 3,181 | 2,068 | 3,619 | 1,199 | 8,812 |
| Current Account Deficit (% GDP) | 5.2% | 3.6% | 7.9% | 4.9% | 18.1% | 12.5% |
| Fiscal Deficit (% GDP) | 4.1% | 2.9% | 4.4% | 4.1% | 1.4% | 3.6% |
| International monetary reserves (US\$MM) | 4,756 | 5,861 | 2,821 | 2,503 | 1,711 | N/A |

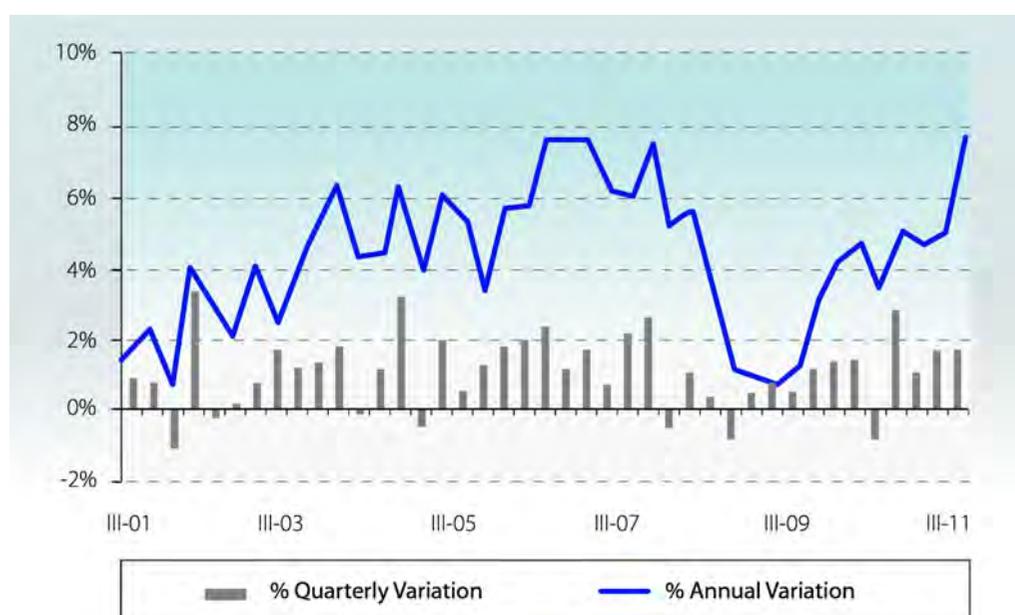
Sources: Central Banks and Statistics agencies of each country

ECONOMIC ACTIVITY IN COLOMBIA

Economic Growth continues to show a positive trend

On the third quarter of the year the economy increased by a surprising 7.7%, more than the growth potential located in a 4.5%-5.5% range.

Graph 3: GDP Growth (quarterly and % annual variation)



Source: DANE (Departamento Administrativo Nacional de Estadística – Colombia's Statistics Department)

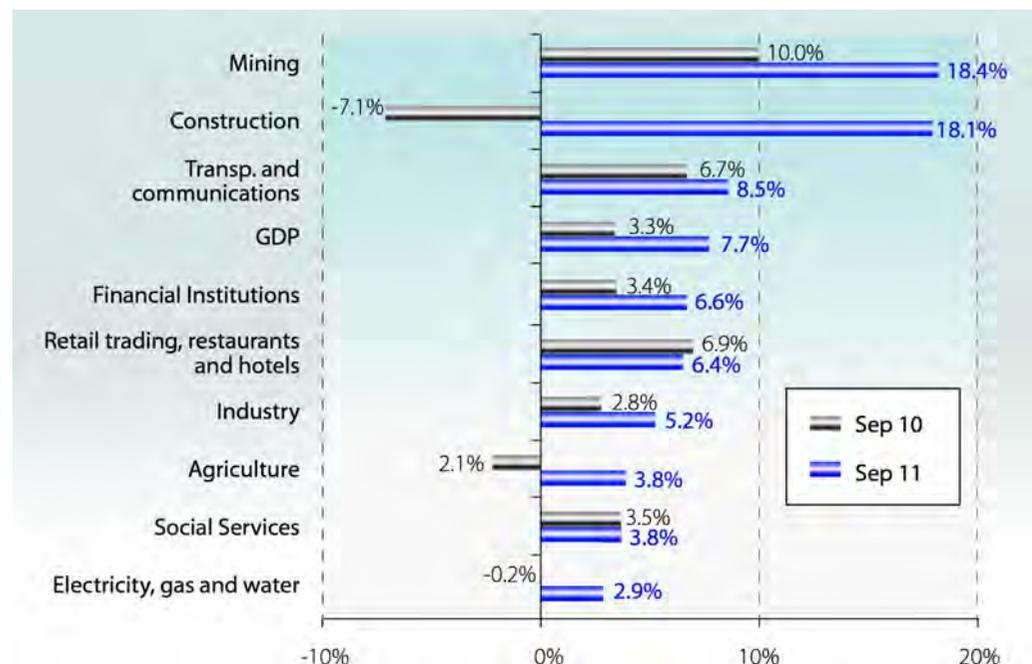
On the supply side, mining and construction accounted for most of the growth variation with figures of 18.4% y 18.1% respectively. Specifically, the good performance of mining was driven by an increase of 18.4% in the production of oil and an increase of 27% in the production of coal. On the other hand, construction showed a remarkable performance both for the private sector (14.0%), and for the public sector (20.9%) this quarter, a difference vs. other quarters, assisted by a base line effect, given that in 2010 civil works had fallen more than 10% during the same period.

In addition to the above, we must highlight that the financial sector that represents almost 20% of the entire GDP grew 6.6% contributing with 130 basic points to the total GDP, the highest of any sector. Specifically, financial intermediation services grew by more than 12.0% given the robust increase of the actual portfolio (close to 20%). Industry grew by 5.2%, a figure that seems high if we take into account that the sector grew 2.4% last quarter. During the quarter, transportation showed an increase of 8.5%, mainly explained by a variation of 14.3% in airline services.

Lastly, as has been seen during the past years, the agricultural sector lagged behind the economic activity, with a variation of 3.8%.

According to the data above, the non tradeable GDP increased 7.0% while the tradeable GDP excluding mining grew 4.7%.

Graph 4. Economic Growth by Sector (% annual variation)



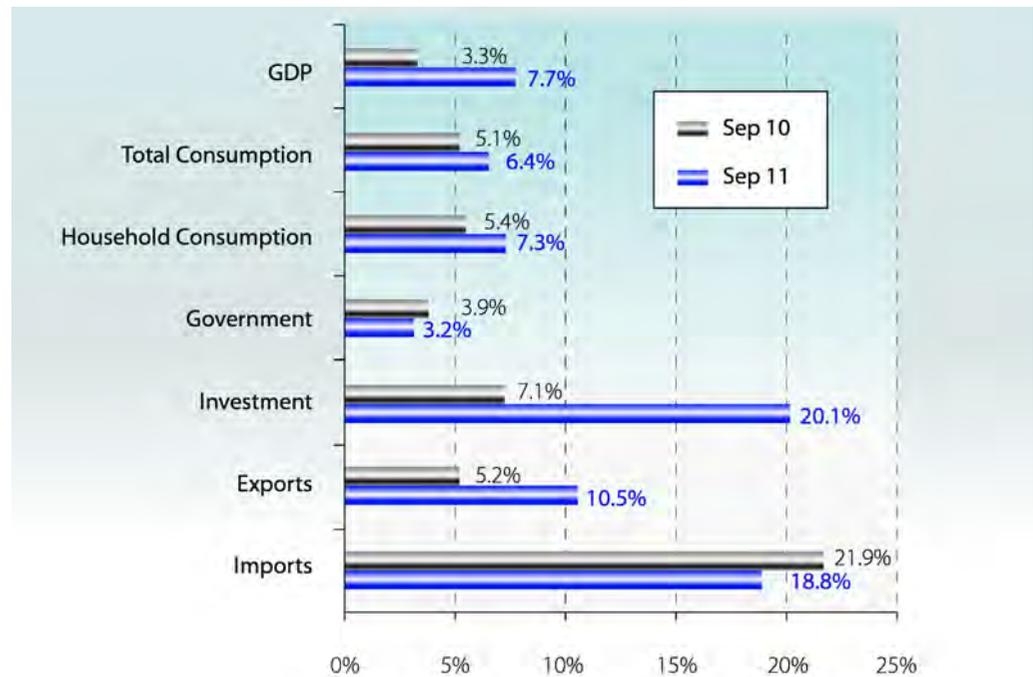
Source: DANE (Departamento Administrativo Nacional de Estadística – Colombia’s Statistics Department)

From the demand side, household consumption contributed with almost two thirds of the total GDP, with an increase of 7.3%. The favorable performance of this item is explained by a positive outcome in the labor market (decrease in unemployment and sub employment), increased household incomes, a strong increase in receivables, and a low real interest rate.

Gross fixed capital formation was up by 20.1%, compared to the 7.1% expansion during the same quarter of the former year. This time, all the components showed exceptional performance: equipment and transportation 32%, civil works 20.9%, machinery and equipment 17.4%, and construction and buildings 15.2%. This allows the country to continue to gain ground in capital deepening (investment as a percentage of the GDP), this indicator being close to 26% of the GDP.

With these results in investments and consumer spending, internal demand increased 9.4%, reaching its highest level since the first quarter of 2007.

**Graph 5: Economic growth by components of demand
(% annual variation)**



Source: DANE (Departamento Administrativo Nacional de Estadística – Colombia’s Statistics Department)

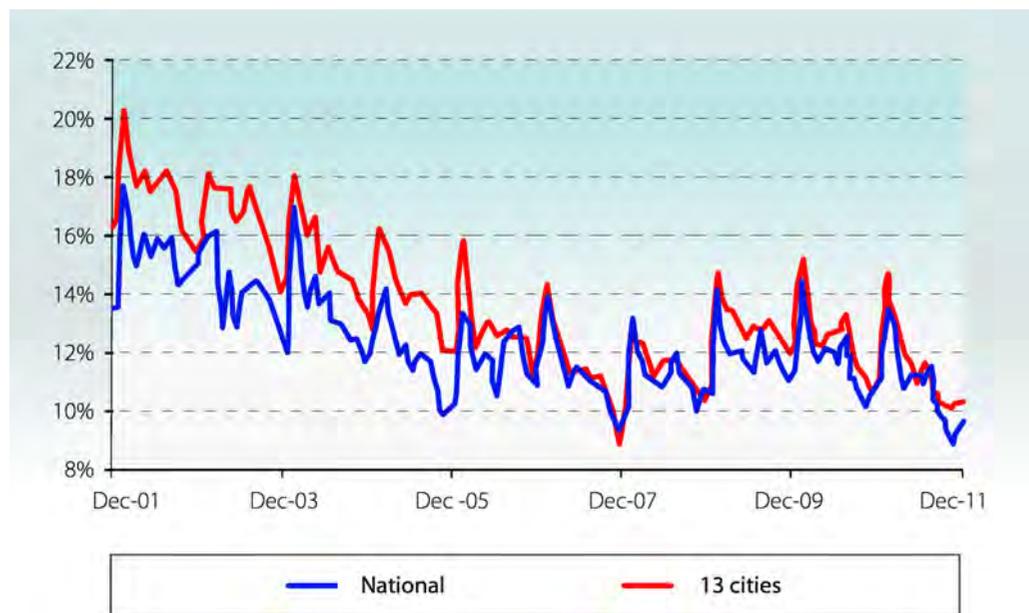
Despite their exceptional performance in Q3, the indicators showed several signals of moderation in the last part of the year: 1) lower increase in durable goods spending, 2) slower growth of actual exports, and 3) a 17% decrease in coffee production.

Banco de Bogotá believes that the economy will grow in a range of 4.5% - 5.0% during the fourth quarter of the year, and hence the complete year would close at about 5.5%. Should this expectation materialize, the end of the product gap would be confirmed (difference between the real GDP and the Potential GDP).

The labor market continues to exhibit good results

In the second half of the year the labor market showed a positive outcome. The unemployment rate was 9.8% in December, 130 basic points below the one seen at the close of 2010 (11.1%).

Graph 6. National and urban unemployment (%)



Source: DANE (Departamento Administrativo Nacional de Estadística – Colombia's Statistics Department)

As seen during the first part of the year, the favorable performance of the unemployment rate was backed by a strong increase in labor demand, which was enough to offset the entry of new workers into the market. In fact, in December 2011, the occupation rate for the thirteen main cities was 60.2%, compared to the historical mean of 56.0%.

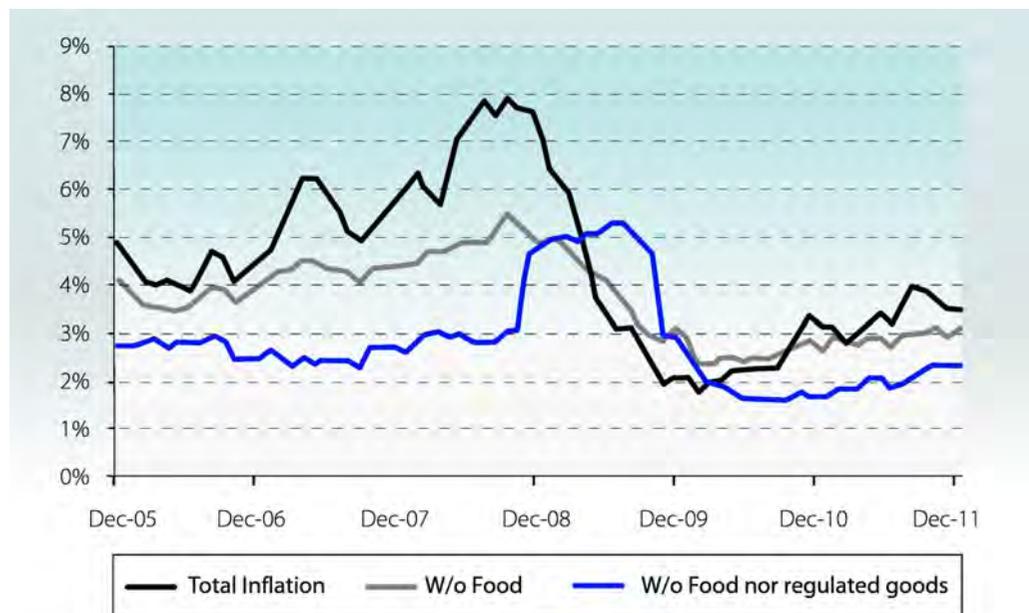
Specifically, the industrial and retail sectors account for almost 50% of the new jobs created. The unemployment rate for January 2012 was 12.5%, 100 basic points lower than the one seen in January 2011.

The Central Bank (Banco de la República) met the goal of inflation for 2011

In 2011, inflation closed at 3.73%, exceeding the middle point of the target range (2.0% to 4.0%) set by the Central Bank. In general terms, the stronger pressure over prices can be explained by two issues: food, which closed in 5.3 % when the effects of the heavy rainfall season worsened, and the prices of regulated goods, which are either decreed or supervised by the National Government.

The basic inflation indicators showed favorable figures. Inflation without food was 3.1%, only 10 basic points above the inflation figure one year back, and the measurement that excludes food and regulated goods went from 2.2% to 2.4%, remaining in the low portion of the target range.

Graph 7: Inflation (% annual variation)



Source: DANE (Departamento Administrativo Nacional de Estadística – Colombia's Statistics Department)

Economic Research considers that inflation risks will be relatively balanced in 2012. On the downward side, the revaluation of the Colombian peso continues to favor the performance of tradeables (item that closed in 2011 with an annual variation of 0.8%); a global decrease in inflation, especially for agricultural commodities, should generate a downward pressure on the inflation rate of food. On the other hand, a positive product gap, the likely reactivation of trade with Venezuela, and a 5.8% increase in the minimum wage should exert an upward pressure on the dynamics of prices.

In February 2012, the CPI showed a monthly increase of 0.61%, year to date this index shows a variation of 1.35%, while the variation for 12 months is 3.55%.

The Central Bank (Banco de la República) continued to gradually withdraw the monetary stimulus.

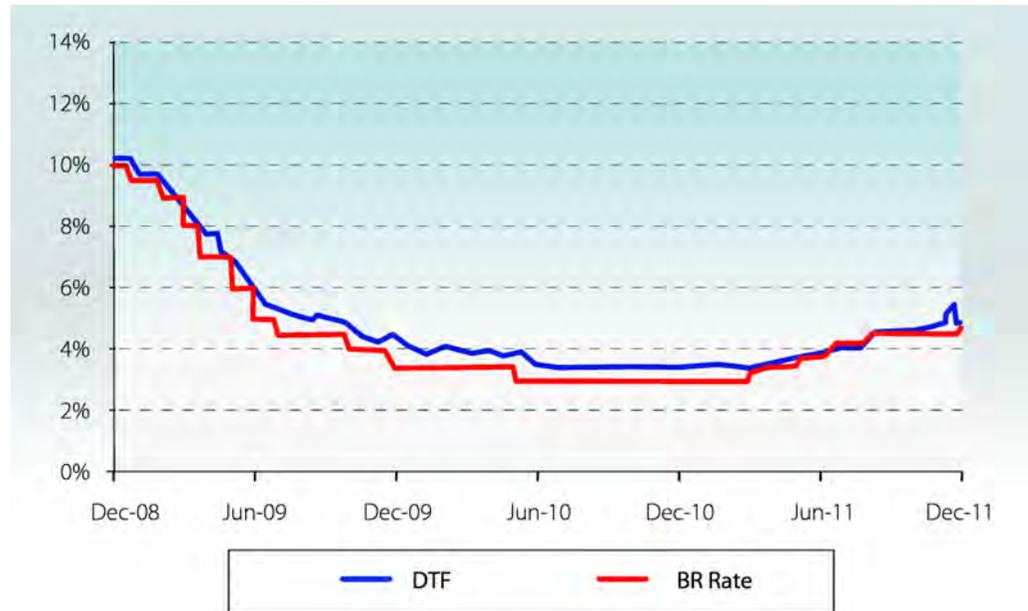
Banco de la República increased the benchmark rate twice during the second half of the year, from 4.25% to 4.75%. It justified the withdrawal of the monetary stimulus with the robust growth of the economy (as explained earlier, it grew above its potential), the rapid growth of the portfolio and an inflation rate showing an upward trend during most of the period.

Banco de Bogotá believes that the uncertainties in interest rate matters will continue in 2012 for Banco de la República. While the world economy presents challenges, the local dynamics continues to be positive. In fact, the local factors continue to indicate additional increases for the interest rate, while international risk factors will tip the scale towards caution.

The deposit rate DTF closed at 4.98% in 2011, 151 basic point above the one seen at the closing of the former year (3.47%). Banco de Bogotá believes that the spread between the benchmark rate and the DTF will remain around 25 basic points, therefore the benchmark rate should close at 5.75% by the end of 2012, and the DTF should close around 5.93%.

In March 2012 the intervention rate used by Banco de la República was 5.25% while the DTF was 5.31% for the week of March 12-18.

Graph 8: Interest Rate of Banco de la República (Colombia's Central Bank) and the effective annual DTF (%)



Source: Banco de la República (Colombia's Central Bank)

EXTERNAL ACCOUNTS CONFIRM THE SOUNDNESS OF THE COLOMBIAN ECONOMY

Trade Balance

According to the figures published by DANE (Departamento Administrativo Nacional de Estadística – Colombia's Statistics Department) during the period between July and December exports were USD29,434 million, showing a variation of 43.1% vs. the same period in the preceding year- The variation in sales abroad was driven both by traditional and non-traditional products.

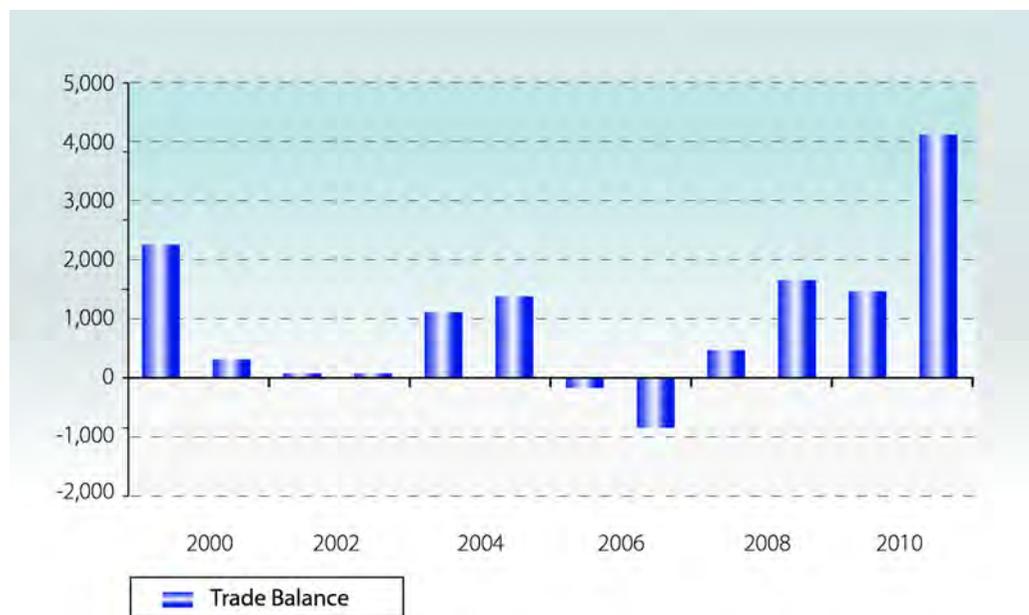
Sales abroad of traditional goods grew by 54.1%, given the positive performance of oil, which showed an increase of more than 63.3%. Coal exports also showed a strong increase reaching a year on year variation of 54%. In both cases, performance shows a positive effect both in prices and volume. In relation to prices, it is relevant to highlight that these commodities reached high price levels despite the half hearted performance of the world economy, to a large extent explained by the political tensions in the Middle East and the relative stability of demand in some emerging countries such as China. Volume wise, both products showed a variation of approx. 18.0%.

The variation in non-traditional exports in the period that goes from July 2011 to December 2011 was 23.1% vs. the same period the former year (excluding gold and emeralds it was 28.7%). In this case, growth is also explained by a price effect and also by volume. Concentration of non-traditional products in terms of their destination shows the significant efforts done by the country to diversify the number of countries it trades with through an expansion of the trade agenda.

In imports, the outcome shows the strong performance of internal demand. In fact, in the second half of the year, the figures show a 20.0% increase in consumables (28.7% in non-durable and 13.0% in durable goods) and 36.4% in capital goods. As mentioned earlier, in the case of consumer spending, their behavior is associated to an improved labor market; and for capital goods, the data respond to the upturn in the use of installed capacity.

With this figures, the trade balance closed in USD2,753 M for the period mentioned above, and in USD4,174 M for the entire year.

Graph 9: Annual trade balance (USD million)



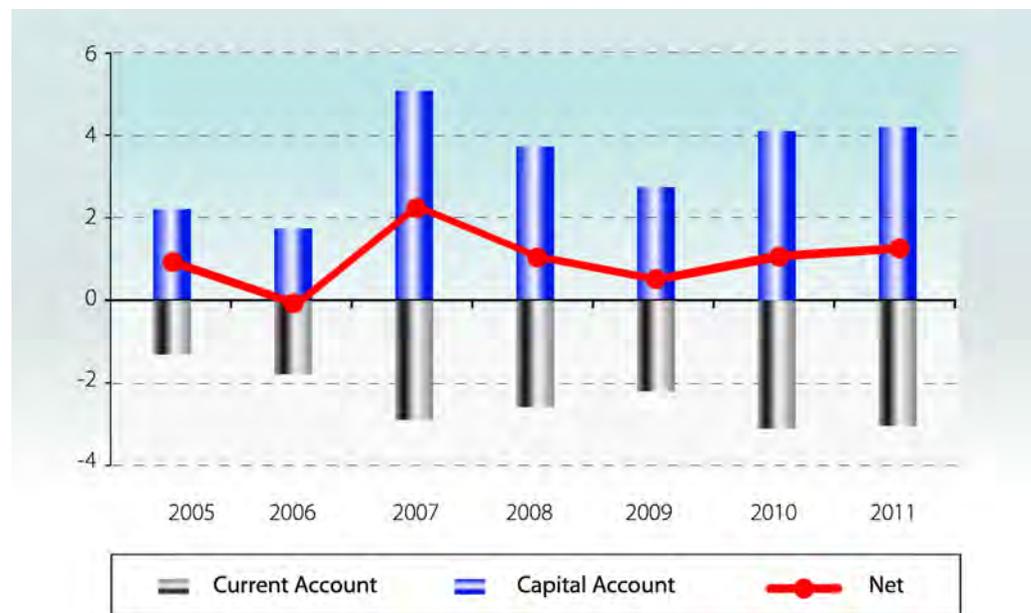
Source: DANE (Departamento Administrativo Nacional de Estadística – Colombia’s Statistics Department)

Balance of Payments

In terms of the Balance of Payments, the results for the 3rd quarter evidenced that the capital surplus (USD3,922 M), was more than enough to offset the deficit of the current account (USD2,834 M). Therefore the net of the balance of payments for the quarter was USD1,088 M, far from the USD369.1 M observed exactly one year earlier.

The balance of the capital account continued to be supported by Foreign Direct Investment (FDI), amounting to USD5,900 M for the quarter, accumulating to date USD10,821 M. Of the total, 60% corresponds to investment flows towards hydrocarbons and mining, due both to the prospective potential of the Colombian fields and to the good price perspectives of raw materials for the following years.

Graph 10: Balance of Payments, annual (USD million)



Source: Banco de la República (Colombia's Central Bank)

For next year, Banco de Bogotá considers that the item of capital will continue to finance the current account, even though the net balance should decrease slightly.

Specifically, an increase is expected in the deficit of the current account, from 3.1% of the GDP in 2011 to 3.7% in 2012 (exceeding USD 13,000 M). This is due to the decrease in the trade surplus on account of the sound performance of imports based on a robust domestic demand vs. a slower increase of exports in the midst of a weak

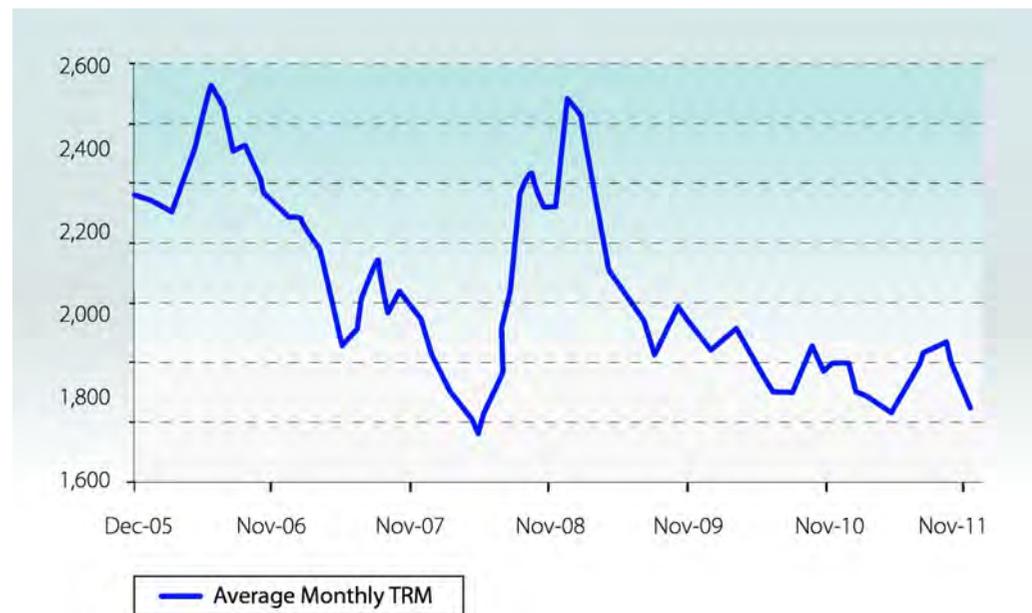
external demand scenario. In addition to the above, the factor income shall continue to be the largest vehicle for the dollar outflow from the country, given the large stock of foreign direct investment.

In the capital account, FDI should approach USD13,000 M due to the perspectives of commodities prices that continue to be favorable (especially in oil and coal). Debt will continue to be high given the low interest rates in the international markets that will continue to drive the demand for credit from the private sector.

Exchange Rate

The exchange rate dollar/peso closed at \$1,933.65 in the second half of the year 2011, more than \$150 above rate seen at the end of June 2011. The local currency adjustment stemmed from both internal and external factors.

Graph 11: Market Exchange Rate (TRM) (USD/COP monthly average)



Source: Superintendencia Financiera de Colombia (Banking and Securities Surveillance Agency of Colombia)

At the local level, the pressure to increase the exchange rate was due to an increase in the investment operations made by the Colombian companies abroad, which rapidly drained the cash of the market as the end of the year approached.

Despite the above, we must note that the fundamentals of the economy prevented a larger depreciation of the local currency. Specifically, the high exchange terms, the

gains in productivity and the differentials of the real interest rate with the US acted in favor of the local currency. As well, as mentioned earlier, the foreign currency from external sales of commodities also provided support to the exchange rate.

Banco de Bogotá expects a moderate revaluation of local currency in 2012 due to the surplus of dollars (as was mentioned in the section on the balance of payments) and to the sound fundamentals of the economy. In any case, periods of depreciation during the year are not to be discarded, in the midst of a new episode of risk aversion generated by the uncertainty about the fiscal situation of the European nations and the slow performance of the economic activity in the US.

Banco de Bogotá specifically believes that the exchange rate might continue with its appreciation trend until it reaches a quotation of \$1,800 per dollar.

Favorable fiscal outlook at the close of 2011

Fiscal results at the close of 2011 were positive. According to the information by tax authority DIAN, the country was able to collect \$86.5 billion which compares favorably to the figure of the former year, \$72.0 billion. The 23.3% tax increase was based not only on the sound performance of the economy, but also on the tax reform implemented towards the end of 2010 to increase formalization of the economy and increase tax collections to provide funds for the economic, social and ecologic emergency generated by the heavy rainfall season. Thus, during the year the income tax collections increased by 23.8% and the collection of the value added tax (VAT) increased by 15.8%. With this favorable performance, tax collections in 2011 exceeded the government's annual goal of \$79.2 billion (the initial goal proposed was \$76.1 billion).

Nevertheless, the Financial Plan for 2012 suggests that the fiscal outlook for the economy will continue to improve. According to the government's forecasts, prepared in the review carried out in February of 2012, the deficit of the central government should decrease from 2.9% to 2.8% and the Consolidated Public Sector from 2.2% to 1.7%. This is positive if we consider that the assumptions behind the forecast are moderately conservative.

Colombia's General Stock exchange Index (IGBC) is negative at year end

In the second half of the year, the IGBC continued with its downward trend (-10.0%) and closed at 12,666 points, which compares to the level of 14,068 seen at the end of June. This downward behavior was also seen in other stock markets of Latin-America, thus: Bovespa of Brazil -9.1%, and Chile -12.9%.

Graph 12: Colombia's General Stock Exchange Index (IGBC)
(Index as of July 2001= 1,000, % annual variation)



Source: Colombia's Stock Exchange

However, it recovered during the first months of the year, reaching 15,288 points in March 13, 2012.

2. RATINGS

In 2011 Banco de Bogotá achieved an Investment Grade Rating for its main instruments from three international rating agencies: Moody's Investor Services, Fitch Ratings and Standard & Poor's and from the local agency BRC Investor Services.

The ratings are summarized in the table below:

| Issuer | Internacional Scale | | | | Local Scale | | |
|--|---------------------|---------|--------|---------|-------------|---------|--------|
| | Oct-11 | Outlook | Dec-11 | Outlook | Dec-11 | Outlook | Dec-11 |
| Foreign currency – Long term | Baa3 | stable | BBB- | Estable | BBB- | stable | |
| Foreign currency – Short term | P-3 | stable | F3 | | A-3 | | |
| Local Currency- Long term | Baa1 | stable | BBB- | Estable | BBB- | stable | AAA |
| Local Currency – Short Term | P-2 | stable | F3 | | A-3 | | BRC1+ |
| Financial strength | C- | stable | | | | | |
| Bonds | Dec-11 | Outlook | Dec-11 | Dec-11 | Dec-11 | Dec-11 | Dec-11 |
| Subordinated Bonds - Second Issue 2008 | | | | | | | AA+ |
| Process of multiple and successive issues Subordinated Bonds 2010 | | | | | | | AA+ |
| Senior Unsecured Notes (due 2017) | Baa2 | stable | BBB- | | BBB- | | |

All of the ratings have Investment Grade

The different rating agencies based their opinion on the good performance shown by the Bank, the successful integration with BAC Credomatic, its adequate risk management and its conservative policy, and the investment grade also held by Colombia, among others.

On October 31, 2011, the agency Moody's Investors Service confirmed their Financial Strength C- rating, Local Currency Debt Baa1/Prime-2, and Foreign Currency Debt Baa3/Prime-3, all with a stable outlook. Senior obligations in foreign currency issued by the Bank on December 12, 2011, were rated Baa2 by Moody's Investor Service.

The ratings granted by Moody's are the result of the Bank's strong position as the second largest bank of Colombia; of its being part of the largest financial

conglomerate of the country (Grupo Aval Acciones y Valores SA), and being the third largest financial institution of Central America (BAC); they are also the result of its profile as a high growth bank and its ongoing acquisition strategy in Colombia and in select Latin American and Caribbean markets; of its stable financial profile throughout the years with adequate profitability levels, and because it has an efficient cost structure, conservative credit management policies and its challenge to withstand local Competition and large international Banks.

On December 8, 2011, **Standard & Poor's** rated Banco de Bogotá and its affiliates with the global BBB- (Long Term)/ A-3 (short term) issuer credit rating with a stable outlook. In the same date it rated the Senior obligation issue in foreign currency with a BBB- as mentioned earlier.

S&P's ratings reflect the bank's strong business position, derived from a strong market share and good business stability, and an adequate risk position resulting from a satisfactory diversification of risk and experience of credit losses, an average funding profile and adequate liquidity. The Bank's management practices, corporate government and origination standards are appropriate. These factors are offset by a moderate capital and profit evaluation, considering the bank's risk adjusted capital level, the complexity of some business lines, and its relatively aggressive growth plans.

On December 8, 2011 the rating agency **Fitch Ratings** also gave the Bank a BBB- long term issuer credit rating with a stable outlook, and an F3 rating as short term issuer credit rating. On the same date, that agency rated the senior obligations of the bank issued in December with the same BBB- rating is assigned to it as a long term credit issuer in foreign currency.

Fitch Rating's opinion reflects the strong position of the Bank, its clear expansion strategy, the quality of its assets and reserves (derived from its conservative credit policy), its consistent performance, diversified funding (broad customer base), and its adequate capital base together with the backing provided by the Grupo Aval and the Colombian Central Bank in case it requires it, given its size and the importance it has within the financial system.

Lastly, on December 9, 2011, the Technical Committee from BRC Investor Services S.A., in its regular review, maintained the AAA rating it had granted the Bank on Long Term Obligations and the BRC 1+ rating for Short Term Debt. Their ratings are based, among other aspects, on the equity and technological backing by Grupo Aval, the financial soundness of the Bank, their robust risk management and adequate levels of liquidity and capital.

BRC Investor Services also maintained their AA+ rating on Long Term Debt for the Second Issue in 2008 of Subordinated Ordinary Bonds for \$200,000 million and for the Subordinated Bonds that are part of the Process of Multiple and Successive Issues

charged to a Global Quota of \$1.5 billion. Those ratings are based on the AAA (triple A) rating in Long Term Debt granted by BRC Investor Services S.A. The difference of a notch between the rating for the bank's long term debt and the rating for these issues lies in the subordination of the bonds, which implies that the payment to bond holders would irrevocably be subject to prior payment of foreign liabilities and other non subordinated debentures in case there is an eventual liquidation of the issuer.

3. DISTINCTIONS

In 2011, the most important financial publications of the world awarded Banco de Bogotá the following recognitions:

◆ Bank of the Year in Colombia

Last December, *The Banker* in its *Awards 2011* edition awarded Banco de Bogotá the "Bank of the Year in Colombia", highlighting its international expansion to new markets through the acquisition of BAC Credomatic.

With that operation, the Bank carried out the largest acquisition made abroad by a Colombian Bank. In addition, the publication refers to the entrance of Banco de Bogotá into the group of companies called "*multilatinas*" (Latin multinationals) (companies with growing business that are expanding beyond their borders to provide services to a larger region).

◆ Better Regional Strategy and Better Bank in the Country

In the edition of November 2011, the magazine LatinFinance named Banco de Bogotá "the Bank with the best regional strategy" and the "Best Bank in Colombia", highlighting that it had become an important regional "player" after it acquired BAC Credimatic and its being present in 10 countries of the region.

The magazine highlights the investment grade recently achieved by the Bank, as well as its good profitability, the low indicator in the quality of its receivables, good levels of management efficiency, and the presence of new products, segments and markets after implementing its strategy of a universal bank.

◆ Best Bank in Colombia

The magazine **Euromoney** chose Banco de Bogotá as the best Bank in the country in the framework of the Euromoney Awards For Excellence 2011, given its outstanding internal performance and for having become an important player in the region after

acquiring BAC Credomatic in December 2011, a strong Central American Bank with more than 50 years of experience and operations in 9 countries.

With this acquisition the Bank expands its international presence by entering new markets, increasing its coverage to seven new countries of the region.

◆ **Best Bank of Colombia**

In the July-August 2011 edition, the journal specializing in finance *World Finance* acknowledged Banco de Bogotá as the Best Bank in Colombia.

World Finance highlighted Banco de Bogotá's leadership role in the development of the Colombian Financial System as well as the Bank's strategy that focuses in providing differentiated attention and specialized service to its customers by segments through its network of branch offices and affiliates.

World Finance put to the consideration of their more than 40,000 readers and opinion leaders from the financial sector worldwide the institutions with greater recognition in each category, for them to vote and elect the winner for each category.

The readers of *World Finance* considered Banco de Bogotá's more than 140 years of experience in the market, its being present in more than 10 countries, and in different sectors of the financial system through its affiliates.

◆ **Among the best in Latin America**

In the ranking of the *25 Best Banks of Latin America* of **América Economía Intelligence** every year among 250 banks, Banco de Bogotá occupies the position of the Best Colombian Bank, ranked number 16 among the best Latin American Banks for its solvency, asset quality, management capacity, profits and liquidity, improving the indicators that make up the CAMEL methodology.

◆ **Financial Institution with the best reputation in the Country**

The study done by the **Reputation Institute**, a pioneer world network and leader in research and consulting services for reputation, present in 30 countries of the world, gave first place to Banco de Bogotá in the list of the financial sector institutions with the best reputation in the country.

According to that study, Banco de Bogotá is in a range where reputation is graded as "strong and robust", successfully meeting the seven dimensions of perception that people have of companies and that make up the various features of reputation: quality of their offer, innovation, work climate, integrity, citizen responsibility, leadership and economic results.

DISTINCTIONS TO AFFILIATES

BAC Group

- Has the ISO 9000 certificate for the bank and card processes since 2000.

BAC San José de Costa Rica

- National Award for Excellence- Chamber of Industries
- National Award for the Best Corporate Social Responsibility Program – Chamber of Commerce
- ISO 14001 certificate
- OHSAS Certificate (Occupational health and safety)
- Neutral Carbon Certificate for their facilities and main branch offices.
- More profitable bank of the system in 2011- La Nación Newspaper.
- Award from the Chamber of Industries granted in the category of National Innovation with the project Migration of Transactions to Electronic Channels with the Full ATM.

BAC Credomatic Honduras

- From 2007 to date it has been awarded with the Seal of a Socially Responsible Corporation by the RSE Foundation of Honduras (FUNDAHRSE).
- Recognition as a Model Company for its Social Responsibility efforts in Latin America, granted by the Mexican Center for Philanthropy (Cemefi) and the Alliance for Corporate Responsibility of Mexico (AliaRSE).
- Recognition to BAC/CREDOMATIC awarded by the CERCA Group (Magazine Mercados & Tendencias) for being a model company in Social Responsibility in Central America and the Caribbean.
- Recognition to BAC/HONDURAS by the Chamber of Commerce and Industry of the city of Siguatepeque for its projection to the community during 2011.

Porvenir

- Recognized with the Portafolio 2011 Award for Customer Service granted by the Economic Journal Portafolio.
- Recognized with the Best Pension Fund of Colombia in 2011 award granted by World Finance
- Recognized with the Best Pension Fund of Colombia in 2011 award by the Global Banking Finance Review.
- Recognized with the Best Internal Communication Strategy award granted by the Iberoamerican DirCom Network.
- Quality Certificate ISO 9000- granted by Icontec.

Fiduciaria Bogotá

- Award to its Business Track Record – Colombian Chamber of Infrastructure, November 2011.

Almaviva

- FORD Motor of Colombia underscored the reliability of the inventories performed, achieving this year the best results in the last 10 years.
- The Michelin Group recognized its compliance with the world class standards required, accrediting their high quality in the procedures for inventories, reception and shipment of goods, customs agency services, transportation means, among others.
- The food company Polar awards it recognition for professional and dedicated services in export operations.
- SONY Colombia acknowledged its excellent inventory management, accomplishing 100% accuracy in the inventories made.
- CABARRÍA & CIA S.A. – Industria Química Andina & Cia S.A. gave recognition in 2011 to the foreign trade team of Almaviva for the effort, support and professional advisory services provided in customs agency services.

4. THE BANK AND ITS AFFILIATES — CONSOLIDATED RESULTS 2011

4.1. BUSINESS AND KEY FIGURES OF DOMESTIC AND FOREIGN SUBSIDIARIES

As of December 2011, total assets for the Consolidated Bank amounted to \$68.8 billion with an annual variation of \$9.5 billion (15.9%). Of total assets, 62.9% of the consolidated assets correspond to the operations in Colombia, 28.8% to the operations in Central American (BAC Credomatic) and 14.9% to Corporación Financiera Colombiana.

| Consolidated Bank | | |
|---|------------|------------|
| Figures in millions of \$ | Dec-10 | Dec-11 |
| INCOME STATEMENT AND BALANCE SHEET | | |
| Profits for the period | 914,948 | 1,145,713 |
| Total Assets | 59,346,615 | 68,809,602 |
| Loan portfolio | 32,460,571 | 38,875,623 |
| Investments | 11,479,481 | 12,152,725 |
| Total External Liabilities | 55,428,351 | 61,963,708 |

Continues

| Figures in millions of \$ | Dec-10 | Dec-11 |
|---|------------|------------|
| Deposits and Demand accounts | 37,992,336 | 43,366,519 |
| Equity | 3,918,264 | 6,845,894 |
| PROFITABILITY AND EFFICIENCY RATIOS | | |
| ROAA ^{1/} | 1.9% | 1.8% |
| ROEA ^{2/} | 24.9% | 21.3% |
| Administrative Efficiency ^{3/} | 40.1% | 50.9% |
| Quality of Loans and Leasing Portfolio ^{4/} | 2.5% | 2.0% |
| Coverage of Loans and Leasing Portfolio (Total Past-due Loans) ^{5/} | 121.8% | 140.8% |
| Coverage of the Loan Receivables and Leasing (NPL) ^{6/} | 156.0% | 174.6% |

1/ Profits of the year / Semi Average Assets (Dec-Dec)

2/ Profits of the year / Semi Average Equity (Dec-Dec)

3/ Operating Expenses (before Depreciations and Amortizations) / Net Financial Margin

4/ Past-due loans / Gross Loans

5/ Loan Provisions / Total Past-due Loans

6/ Loan Provisions / Non Performing Loans (NPL)

Loan and financial leasing receivables represent 56.5% of the total consolidated assets increasing \$6.4 billion from the same period in 2010, going from \$32.5 billion to \$38.9 billion. On the investment side, investments amount to \$12.2 billion, of which 77.0% are fixed income investments and 23.0% are variable income investments.

In relation to the loan receivables and Financial Leasing Operations, 66.9% come from operations in Colombia, 29.4% from BAC Credomatic, 2.1% from Banco de Bogotá Panama, and 1.7% from Leasing Corficolombiana.

Consolidated liabilities, of \$62.0 billion, increased \$6.5 billion (11.8%) mainly due to a variation of \$5.4 billion in deposits and demand accounts.

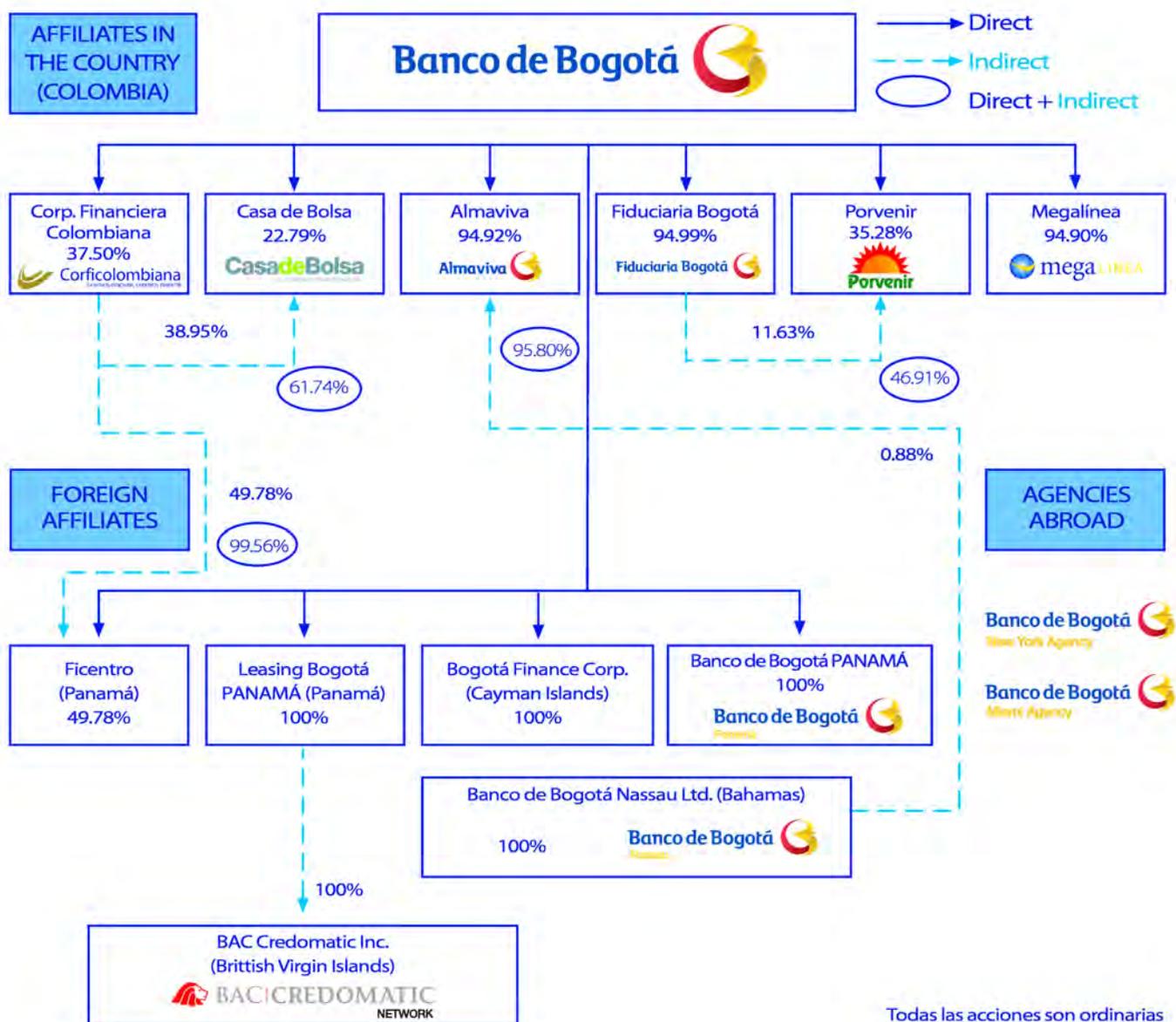
As of December 2011 the Consolidated Equity was \$6.8 billion, showing an increase of \$2.9 billion from the same period of the former year, mainly because of the capitalization done to Banco de Bogotá Colombia.

Accumulated net profits as of December 2011 were \$1,145,713 million, showing a 25.2% increase (\$230,765 million). At the close of 2011, the Bank had good profitability, efficiency and loan receivables quality ratios as can be seen from the summary table shown above.¹

¹ In 2010, the Income Statement only included one month of BAC Credomatic acquired in December 2010.

Key Figures and results of domestic and foreign subsidiaries

The figures from the most important domestic and foreign subsidiaries where the bank held investments as of December 31 are detailed below:



BAC CREDOMATIC, INC.

BAC Credomatic maintained its leadership position in the Central American financial market during 2011 as follows: second in net profits and third in portfolio and deposits.

BAC has continued to work to offer new and better services to its customers, covering with one same product and channel network all the operations in Central America, through a robust technological platform that allows it to provide service to 2.2 million customers.

This is why BAC continues to improve the electronic customer contact channels. As part of that effort it launched IBAC in 2011 an application for iPhone users allowing them to make account inquiries and transactions, which unites with the Mobile Web launched in 2010 to complement the integrated value proposal that includes the Electronic Branch Office web site.

At the end of 2011 PyMercado was launched, it's an online platform giving support to the Central American SMEs, where they can promote their business and establish contacts in the countries where BAC is present.

Its network of channels includes 477 branch offices² and a network of 1186 automatic teller machines (ATM), the largest ATM network in the Central American region.

As of December 31, 2011, BAC Credomatic had US\$9,199 million in assets showing a 9.4% increase from December 2010. The net loan portfolio of US\$5,873 million represents 63.8% of its total assets, with a variation of 12.9% vs. December 2010.

BAC Credomatic Inc. – Key Figures – Consolidated Financial Statements

| Figures in million US\$ | December 2010 | December 2011 | Dec 11/Dec 10 G.R.% ^{1/} | Dec 11/Dec 10 A.V. ^{2/} |
|-------------------------|---------------|---------------|-----------------------------------|----------------------------------|
| Assets | 8,409 | 9,199 | 9.4% | 790 |
| Liabilities | 7,479 | 8,150 | 9.0% | 672 |
| Equity | 930 | 1,049 | 12.8% | 119 |
| Net profits of the year | 150 | 216 | 43.8% | 66 |

1/ G.R.: Growth rate

2/ V.A.: Absolute Variation

2 Includes 226 full service branch offices, 184 on site branch offices, 39 in store branch offices, and 28 motorcycle and auto drive through branch offices.

Liabilities of US\$8,150 million increased 9.0% from December 2010. Funding is mainly done through deposits, which make up 76.9% (US\$6,272 million) of total liabilities. The equity of US\$1,049 million, showed a variation of 12.9% from the former year. In 2011 net profits amounted to US\$216 million, an increase of 43.8% from December 2010.

CORPORACIÓN FINANCIERA COLOMBIANA S.A. (CONSOLIDATED)

Corporación Financiera Colombiana, a company specialized in the investment portfolio and investment banking had total assets of \$10.3 billion at December 2011 increasing 23.8% during the year, as shown in the table below:

Corficolombiana - Key Figures – Consolidated Financial Statements

| Figures in million of \$ | December 2010 | December 2011 | Dec 11/Dec 10 G.R.% ^{1/} | Dec 11/Dec 10 A.V. ^{2/} |
|-----------------------------------|---------------|---------------|-----------------------------------|----------------------------------|
| Assets | 8,302,438 | 10,280,332 | 23.8% | 1,977,893 |
| Investment in debt securities | 2,665,408 | 2,915,008 | 9.4% | 249,600 |
| Investments in capital securities | 1,785,553 | 2,420,709 | 35.6% | 635,156 |
| Liabilities | 5,514,463 | 7,349,963 | 33.3% | 1,835,500 |
| Equity | 2,787,975 | 2,930,368 | 5.1% | 142,393 |
| Profits of the Year | 564,754 | 608,076 | 7.7% | 43,322 |

1/ G.R.: Growth rate

2/ A.V.: Absolute variation

Corporación Financiera Colombiana continued to consolidate its capital investment portfolio in 2011 (\$2.4 billion as of December 2011) in six sectors of the economy which had been defined as strategic: energy and gas (58.0%), infrastructure (11.0%), the financial sector (10.0%), agro industrial (7.0%), hotel (5.0%) and fuel distribution (3.0%).³

Since the nineties Corficolombiana has participated actively in the infrastructure sector. It is the largest investor in the highway concessions of Colombia. In 2011 it acquired 100% of Concesionaria Panamericana S.A. through the firm Episol, and this will allow the corporation to continue participating in the infrastructure sector, one of the leading sectors of the economy.

In energy and gas, a sector that is equally key for the development of the country, Corficolombiana continues to study and develop new projects in self generation of power, gas transportation and distribution. It has interest in the equity of important companies such as Promigas, a Company that transports aprox. 43.0% of natural gas

³ The percentages correspond to the share in total capital investments of Corporación Financiera Colombiana.

in Colombia, in Empresa de Energía de Bogotá (the Bogotá public utilities Company) and in Gas Natural (the natural gas Company).

The hotel sector also played a relevant role in the capital portfolio of Corficolombiana, through the most important Company in the corporate sector: the hotel chain Hoteles Estelar, where Corficolombiana holds 84.9%. This chain has over 3,000 hotel rooms in 24 hotels in the main cities of Colombia and Peru.

During 2011 the capital investment business generated revenues for \$612,521 million, of which 40.5% correspond to dividends received from the companies where an interest is held, and 52.0% from investment appraisals.

In the fixed income portfolio (\$2.9 billion as of December 2011), Corficolombiana continued with its treasury strategy of making decisions that allow it to ensure results for 2012, increasing Investments in available-for-sale government securities taking advantage of the market conditions.

Corficolombiana's liabilities of \$7.3 billion are distributed between operations in the monetary market (\$2.2 billion), deposits (\$2.2 billion) and loans from Banks, and other liabilities (\$941,544 million). Corficolombiana has continued with its strategy of capturing resources on longer than 18 month terms.

Corficolombiana's Equity had an annual growth of 5.1%, reaching \$2.9 billion. In 2011 net profits of Corficolombiana amounted to \$608,076 million, representing a 7.7% increase from the results of December 2010. This result is mainly explained by revenues from dividends and the financial margin derived from the treasury business.

ALMAVIVA S.A. (CONSOLIDATED)

Almaviva's operations in 2011 maintained their growth trend accompanied by the reactivation of the Colombian economy during that same period.

The goods entrusted to Almaviva amounted to \$1,260,956 million in 2011, an increase of 11.8% from 2010.

Consequent with the above, revenues from handling and distribution (\$34,324 million in 2011), and revenues from storage in the warehouses and from goods in transit (\$35,829 million) showed a good dynamics in 2011. As a result, net profits amounted to \$12,930 million in 2011, showing an annual increase of 31.4%.

In 2011 Almaviva also showed an increase of 62.0% in the issue of deposit certificates and/or pledge bonds. This was due to several factors: an increase of operations with new customers and with non-traditional products such as steel; the deepening of operations with customers from Banco de Bogotá; and incentives granted by the National Government to store the rice and cotton harvests. Existing and new customers requested more logistic services from Almaviva.

Below are the key figures at the close of December 2011 and 2010:

Almaviva – Key Figures - Consolidated Financial Statements

| Figures in Millions of \$ | December 2010 | December 2011 | Dec 11/Dec 10 G.R.% ^{1/} | Dec 11/Dec 10 A.V. ^{2/} |
|---------------------------|---------------|---------------|-----------------------------------|----------------------------------|
| Assets | 186,284 | 201,572 | 8.2% | 15,288 |
| Liabilities | 42,887 | 52,798 | 23.1% | 9,911 |
| Equity | 143,397 | 148,774 | 3.7% | 5,377 |
| Net profits for the year | 9,838 | 12,930 | 31.4% | 3,091 |

1/ G.R.: Growth rate

2/ A.V.: Absolute Variation

FIDUCIARIA BOGOTÁ S.A.

In 2011 Fiduciaria Bogotá continued to confirm its leadership in the trust sector, consolidating its position mainly in the management, real state and collective portfolio fiduciary business.

This is how, among other indicators, Fidubogotá reached a sum of \$19.8 billion in managed assets at the close of 2011, occupying the third place in the sector, showing the highest ROE of the System with a profitability of 36.0% while the consolidated sector had a profitability of 22.0%. This was achieved through an increase of 12.9% in net profits, while the System's was 3.0%.

Fidubogotá maintained its positioning as the leader of the product "Fiducia Inmobiliaria" (fiduciary duties on property) and in 2011 it had the largest sales volume share in the fiduciary market with 27.2%.

In the management of collective investment portfolios, the investment funds entrusted for management were the equivalent to \$27.5 billion as of December 31, 2011, where Fidubogotá has a 13.2% (\$3.7 billion) share, being second in this business segment.

The fiduciary management business for Fidubogotá generated income from commissions by \$65.864 million as a proportion of administrated resources of \$3.4 billion in revenues from fees. In its commercial operations it was entrusted with the management of customer resources destined to purchase shares of Colombian issuers, of resources from the Ministry of the Environment in projects for the drinking water sector, of telecommunication funds from the Compartel program and the participation in the highway concessions Ruta Caribe (A roadway to the Colombian Caribbean) and Tunel de Oriente (a tunnel in the eastern sector of the country).

Fiduciaria Bogotá had \$183,575 million in assets, showing an annual increase of 7.8%, \$48,999 million in liabilities which increased 16.0% from 2010, and its equity as of December 2011 was \$134,576, with an increase of 5.0% in the same period.

Fidubogotá - Key Figures - Financial Statements

| Figures in millions of \$ | December 2010 | December 2011 | Dec 11/Dec 10 G.R.% ^{1/} | Dec 11/Dec 10 A.V. ^{2/} |
|-----------------------------------|---------------|---------------|--------------------------------------|-------------------------------------|
| Assets | 170,370 | 183,575 | 7.8% | 13,205 |
| Liabilities | 42,255 | 48,999 | 16.0% | 6,744 |
| Equity | 128,115 | 134,576 | 5.0% | 6,461 |
| Net profits of the year | 42,851 | 48,395 | 12.9% | 5,543 |
| Assets in trust | 18,739,005 | 19,846,946 | 5.9% | 1,107,941 |
| Collective investment portfolios | 3,245,222 | 4,091,323 | 26.1% | 846,101 |
| Pension Fund Trusts ^{3/} | 7,198,953 | 7,898,658 | 9.7% | 699,706 |
| Real state trusts | 2,305,248 | 2,750,339 | 19.3% | 445,091 |
| Management trusts | 4,537,396 | 3,408,794 | -24.9% | -1,128,602 |
| Other trusts (escrow accounts) | 1,452,186 | 1,697,831 | 16.9% | 245,645 |

1/ G.R.: Growth rate

2/ V.A.: Absolute variation

3/ FONPET and Ecopetrol

In 2011 Net profits amounted to \$48,395 million, an increase of 12.9%. Revenues from operations amounted to \$119,000 million at the close of 2011, of which \$67,173 million were generated by fees from the collective investment portfolio and fiduciary business; \$30,062 million from participation in joint ventures, and \$18,653 from dividends received from Porvenir.

SOCIEDAD ADMINISTRADORA DE FONDOS DE PENSIONES Y CESANTÍAS PORVENIR S.A. (PENSION AND SEVERANCE FUNDS MANAGEMENT COMPANY) (CONSOLIDATED)

In 2011 Porvenir continued to lead the market of pension and severance funds in Colombia, having a 33.1% share in severance funds and a 27.8% share in mandatory pensions.

The total funds managed by the institution as of December 31, 2011 amounted to \$41.1 billion, over a customer base of 4.8 million.

As of December 2011 Porvenir S.A. had consolidated assets of \$801,808 million, with an annual increase of 11.0%, which of 42.9% of its assets were tradeable investments

in capital securities, mainly made up by the Reserve to Stabilize Returns, destined to guarantee the minimum returns on the funds entrusted for management required by the law.

Porvenir – Key Figures - Consolidated Financial Statements

| Figures in millions of \$ | December 2010 | December 2011 | Dec 11/Dec 10 G.R.% ^{1/} | Dec 11/Dec 10 A.V. ^{2/} |
|---------------------------|---------------|---------------|-----------------------------------|----------------------------------|
| Assets | 722,130 | 801,808 | 11.0% | 79,678 |
| Liabilities | 203,023 | 181,500 | -10.6% | -21,523 |
| Equity | 519,107 | 620,308 | 19.5% | 101,201 |
| Net profits of the year | 156,393 | 154,545 | -1.2% | -1,848 |

1/ G.R.: Growth rate

2/ A.V.: Absolute Variation

In December 2011 the equity of Porvenir was \$620,308 million showing an increase of 19.5%. The company has a technical equity of \$563,211 million and a solvency margin equal to 42.3 times the total net assets managed with respect to the technical equity of the company⁴, implying a capacity to manage \$3.2 billion of additional resources .

As of December 2011 net profits were \$154,545 million, an amount similar to the one reported in 2010. This is due to lower return of the stabilization funds given the market conditions in 2011 vs. 2010.

BANCO DE BOGOTÁ S.A. PANAMA AND SUBSIDIARY

Banco de Bogotá S.A. Panama was established in 1971. It holds general and international licenses that allow it to carry out banking business either in Panama or abroad. It holds all of the shares issued by Banco de Bogotá (Nassau) Limited.

As of December 2011, Banco de Bogotá Panama, with US\$737 million in assets, showed an increase of 20.8% from December 2010.

Of its total assets, US\$429 million correspond to the gross loan portfolio. In 2011 the performance of the portfolio responded to the strategy of Banco de Bogotá Panama, which focused on improving the returns of its assets by increasing its portfolio.

⁴ According to Decree 1797 of 1999, the total assets entrusted for management minus the securities issued or endorsed by the Nation, the ones issued by the Central Bank (Banco de la República) and the reserve to stabilize returns can not surpass the technical equity of the company more than 48 times.

The growth of the portfolio was possible because of the dynamism of the economic activity of Colombia, within a context of strong consumption and investment growth, which generated good performance of external credits in 2011, which was channeled through the affiliate, where the net credit and leasing portfolio grew 28.4%.

Banco de Bogotá Panama Consolidated – Key Figures - Financial Statements

| Figures in millions of USD | December 2010 | December 2011 | Dec 11/Dec 10 G.R.% ^{1/} | Dec 11/Dec 10 A.V. ^{2/} |
|----------------------------|------------------|------------------|--------------------------------------|-------------------------------------|
| Assets | 610 | 737 | 20.8% | 127 |
| Gross -Loans | 334 | 429 | 28.4% | 95 |
| Investments available | | | | |
| - Debt securities | 127 | 107 | -15.7% | -20 |
| Liabilities | 549 | 677 | 23.3% | 128 |
| Equity | 61 | 60 | 1.6% | -1 |
| Net Profits of the year | 8 | 6 | -33.3% | -3 |

1/ G.R.: Growth rate

2/ A.V.: Absolute Variation

In 2011 Banco de Bogotá Panama's liabilities were US\$677 million, an increase of 23.3% vs. the same month of the former year (\$549 million). Deposits represented 98.3% of total liabilities. Banco de Bogotá S.A. Panama has a consolidated equity of US\$60 million.

Net annual profits amounted to US\$6 million, with a decrease of US\$3 million due to lower revenues from financial instruments and currency exchange. Revenues from banking services amounted to US\$4 million, driven by the activities of the fiduciary business and the brokerage firm that performed well in 2011.

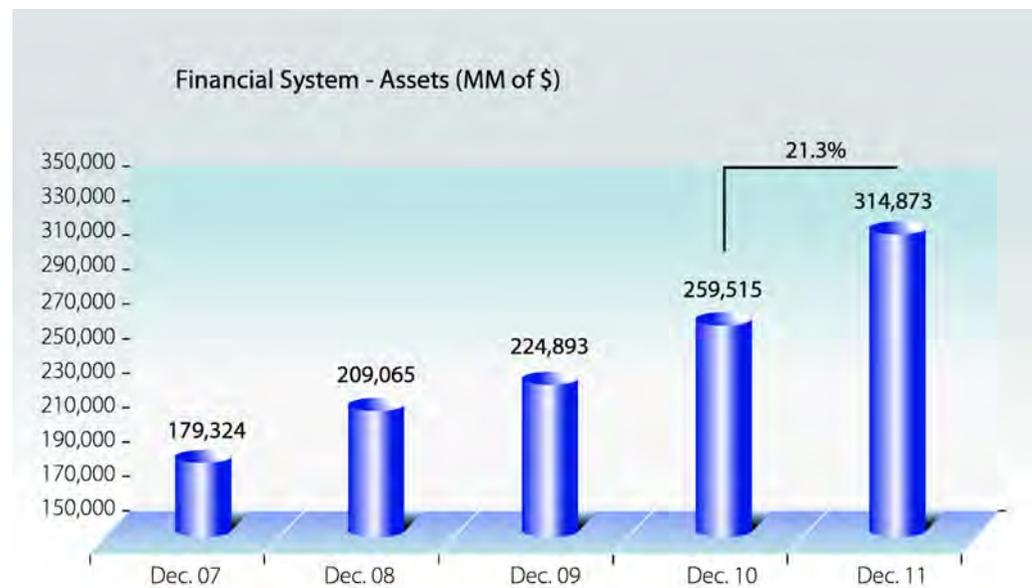
4.2 BUSINESS AND KEY FIGURES OF THE COLOMBIAN OPERATION

4.2.1. THE BANK IN THE FINANCIAL SYSTEM

Figures confirm the soundness of the Colombian Financial System

The Colombian financial sector⁵ stands out as one of the sectors generating a large contribution to the GDP (19.1% in the third quarter of 2011). At the close of 2011 the consolidated performance of the financial system showed \$737.7 billion in assets, \$350.6 billion in equity, and \$10.3 billion in profits, with an increase in total assets of 15.4%.

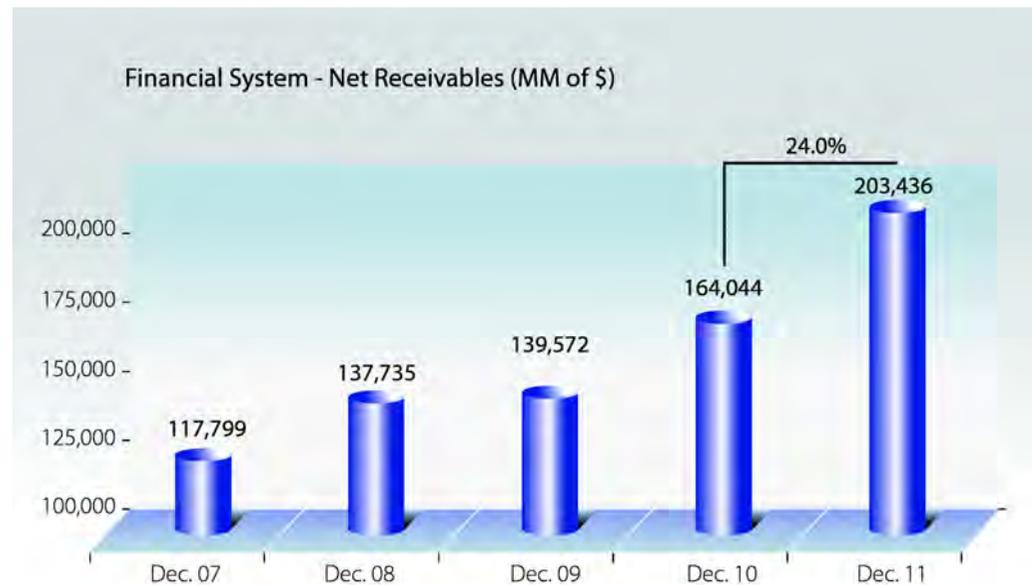
Within the Financial System, Banks and Commercial Finance Companies have a 42.6% share of the total (\$314.9 billion). 43.8% corresponds to assets managed by pension and severance funds and fiduciary companies.



Given the dynamics of credit accompanied by adequate levels of capital and returns 2011 was a good year for the Colombian financial system.

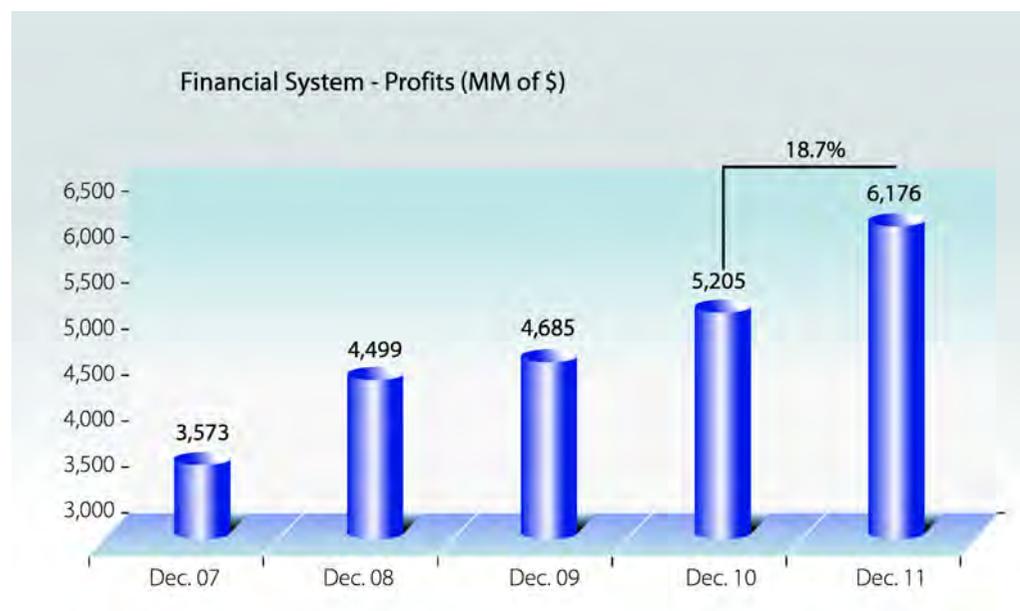
⁵ Financial, insurance, real state and company service institutions.

As can be seen in the graph below, between 2010 and 2011 net receivables showed a significant increase of 24.0% in the wholesale and retail banking modes (19.3% and 28.0%, respectively). This increase took place under an adequate risk management: the quality of receivables improved from 2.8% to 2.5%, and the coverage ratio for receivables increased from 173.8% to 181.9%, respectively.



On the other hand, financial investments reduced their share in total assets due to the decrease of portfolio returns and the good performance of receivables. Total investments were \$57.3 billion, with an annual growth of 4.8%. Deposits increased by 19.7% totaling \$198.9 billion, and the savings accounts showed the strongest dynamics increasing by 23.1%.

The system's accumulated profits as of December 2011 amounted to \$6.2 billion, 18.7% more than accumulated profits for the same period in the previous year. In relation to financial ratios, in December 2011 the average ROA for the System was 2.1% and the ROE was 16.4%. In general, even if the profitability ratios show a slight slowdown, the level of profits and equity confirm the soundness of the Colombian banking system.



The sector continued in its process to become international, both by the entrance of more Colombian banks in foreign markets, and by the arrival of new foreign players into the domestic market. At present the System has 23 banks and 21 commercial financing companies, with new competitors specialized in providing services to retail banking, microcredit and leasing.

Market share

The operations of the Bank in Colombia maintained their natural market position in receivables and increased their share in deposit accounts and term deposit certificates.

| Market Share (%) ^{1/} | | | | | |
|--|--------|--------|--------|--------|--------|
| | Dec-07 | Dec-08 | Dec-09 | Dec-10 | Dec-11 |
| Total Assets | 12.4 | 12.2 | 12.8 | 14.4 | 13.7 |
| Net Receivables | 12.2 | 12.8 | 12.7 | 13.0 | 12.8 |
| Net Fixed Income Investments ^{2/} | 8.9 | 8.1 | 10.7 | 11.1 | 9.6 |
| Deposits and Demand Accounts | 12.6 | 13.3 | 14.3 | 14.4 | 14.1 |
| Current Account Deposits | 19.1 | 19.3 | 18.3 | 18.1 | 19.7 |
| Savings Account Deposits | 12.2 | 13.2 | 14.9 | 14.9 | 13.0 |
| Term Deposit Certificates | 9.7 | 11.3 | 12.5 | 12.0 | 13.4 |

^{1/} Source: Colombian Financial Superintendency. Share / Total Banks plus Commercial Finance Companies

^{2/} Includes account 196020, Escrow accounts – Debt securities in forward agreements

Of the \$6,175,971 million in net profits of the system, the bank contributed with 17.8% as shown in the table below:

System classification by Balance of Accumulated Net Profits

| Figures in millions of \$ | January-December 2010 | | January-December 2011 | |
|---------------------------|-----------------------|----------|-----------------------|----------|
| | Volume | Position | Volume | Position |
| BANCOLOMBIA | 1,177,999 | 1 | 1,192,267 | 1 |
| BANCO DE BOGOTÁ | 781,811 | 2 | 1,100,397 | 2 |
| BANCO DAVIVIENDA | 516,665 | 3 | 592,813 | 3 |
| BBVA | 420,394 | 4 | 483,915 | 4 |
| BANCO DE OCCIDENTE | 389,471 | 5 | 441,280 | 5 |
| BANCO AGRARIO | 301,682 | 7 | 384,660 | 6 |
| BANCO POPULAR | 352,220 | 6 | 366,545 | 7 |
| RED MULTB. COLPATRIA | 186,178 | 8 | 306,212 | 8 |
| AV VILLAS | 144,047 | 11 | 165,074 | 9 |
| BCSC | 146,039 | 10 | 162,468 | 10 |
| CITIBANK | 164,478 | 9 | 142,514 | 11 |
| BANCO SANTANDER | 96,804 | 14 | 141,362 | 12 |
| HELM | 120,355 | 12 | 129,501 | 13 |
| GNB SUDAMERIS | 109,058 | 13 | 101,064 | 14 |
| BANCAMIA | 16,110 | 15 | 36,103 | 15 |
| BANCO FINANADINA | - | - | 29,048 | 16 |
| BANCO PICHINCHA S.A. | - | - | 24,548 | 17 |
| BANCO FALABELLA S.A. | - | - | 18,789 | 18 |
| BANCOOMEVA | - | - | 17,664 | 19 |
| WWB | 307 | 16 | 15,177 | 20 |
| SCOTIABANK COLOMBIA S.A | -21,650 | 18 | 80 | 21 |
| PROCREDIT COLOMBIA | -9,175 | 17 | -845 | 22 |
| HSBC | -73,372 | 19 | -43,948 | 23 |
| TOTAL BANKS | 4,819,418 | | 5,806,687 | |
| TOTAL CFC | 385,164 | | 369,284 | |
| TOTAL SYSTEM | 5,204,582 | | 6,175,971 | |

Compared to the System, the bank continues to show a good performance in returns over assets (2.7%) and in returns over equity (15.0%) as shown in the table below:

Comparative Profitability Ratios ^{1/}

| | BANCO DE BOGOTÁ | | SYSTEM ^{2/} | | PEER OR SIMILAR GROUP ^{3/} | |
|-----------------------|-----------------|------|----------------------|------|-------------------------------------|------|
| | ROA | ROE | ROA | ROE | ROA | ROE |
| January-December 2010 | 2.5 | 16.6 | 2.2 | 16.7 | 2.4 | 17.2 |
| January-December 2011 | 2.7 | 15.0 | 2.1 | 16.4 | 2.1 | 15.8 |

1/ Source: Financial Superintendency of Colombia. Year to date average of accumulated balances and profits of the year.

2/ Total system: total Banks plus Commercial Financing Companies.

3/ Peer or similar group: Bancolombia, Banco de Occidente, BBVA, Davivienda, Citibank, Banco Popular

Even though the system's management efficiency ratios have improved, the Bank stands out for having the best ratios: 3.2% and 44.4%.

System's Management Efficiency

| | Total Administrative Expenses / Total Assets Average | | Total Administrative Expenses / Gross Financial Margin | |
|------------------------|--|-------------|--|--------------|
| | Jan-Dec 10 | Jan-Dec 11 | Jan-Dec 10 | Jan-Dec 11 |
| BANCO DE BOGOTA | 3.6% | 3.2% | 47.3% | 44.4% |
| BANCO POPULAR | 4.0% | 4.0% | 47.1% | 50.2% |
| BANCO SANTANDER | 4.6% | 4.3% | 65.8% | 59.4% |
| BANCOLOMBIA | 5.1% | 4.8% | 57.4% | 59.8% |
| SCOTIABANK | 9.0% | 7.4% | 400.3% | 97.1% |
| CITIBANK | 5.8% | 6.8% | 54.4% | 61.2% |
| HSBC | 11.3% | 7.7% | 128.8% | 106.9% |
| GNB SUDAMERIS | 1.8% | 1.7% | 48.4% | 50.0% |
| BBVA | 4.0% | 3.8% | 53.2% | 55.9% |
| HELM BANK | 3.9% | 3.5% | 62.0% | 63.9% |
| OCCIDENTE | 4.1% | 3.8% | 49.3% | 50.2% |
| BCSC | 7.9% | 7.6% | 65.8% | 71.6% |
| DAVIVIENDA | 5.4% | 5.0% | 58.9% | 54.5% |
| RED MULTIB. COLPATRIA | 4.3% | 4.3% | 42.1% | 44.0% |
| BANCO AGRARIO | 4.0% | 3.7% | 45.7% | 43.3% |
| AV VILLAS | 5.8% | 5.9% | 55.9% | 61.7% |
| BANCO PROCREDIT | 16.7% | 12.3% | 125.7% | 96.1% |
| BANCAMIA | 19.2% | 18.0% | 72.7% | 63.6% |

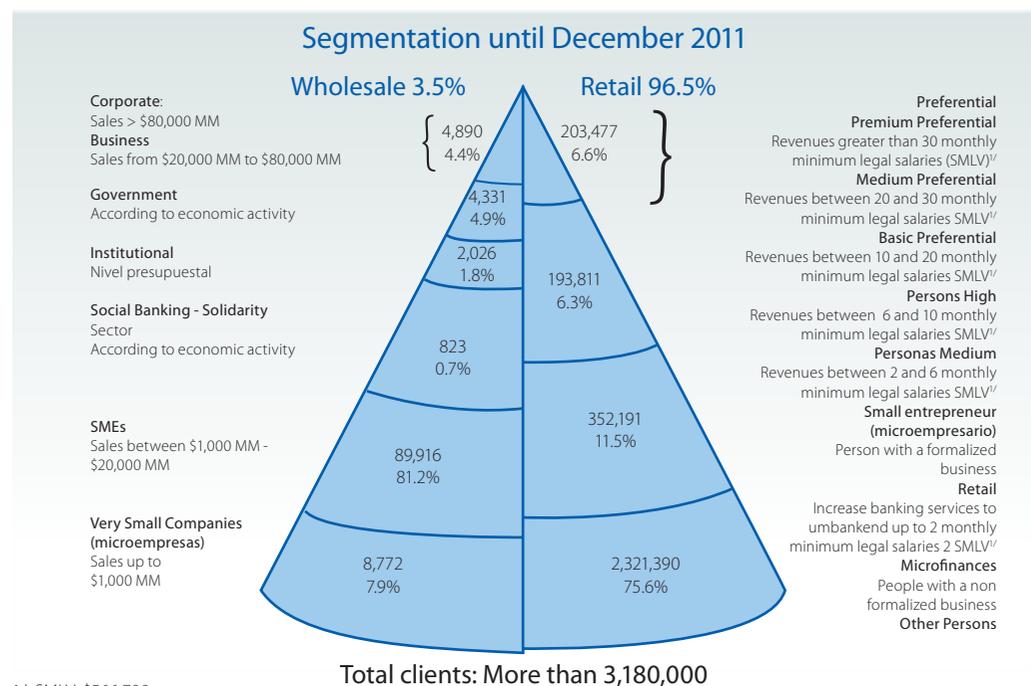
Continues

| | Total Administrative Expenses / Total Assets Average | | Total Administrative Expenses / Gross Financial Margin | |
|---------------------|--|-------------|--|--------------|
| | Jan-Dec 10 | Jan-Dec 11 | Jan-Dec 10 | Jan-Dec 11 |
| BANCO WWB | 0.0% | 13.7% | 0.6% | 64.9% |
| BANCOOMEVA | - | 7.3% | - | 69.5% |
| BANCO FINANDINA | - | 3.8% | - | 39.0% |
| BANCO FALABELLA | - | 13.0% | - | 59.7% |
| BANCO PICHINCHA | - | 7.2% | - | 62.4% |
| TOTAL BANKS | 4.7% | 4.5% | 54.7% | 54.9% |
| TOTAL CFC | 4.3% | 4.6% | 49.5% | 53.7% |
| TOTAL SYSTEM | 4.6% | 4.5% | 54.3% | 54.9% |

4.2.2. CUSTOMER MANAGEMENT

The Bank continues to make progress in consolidating our universal banking model, making the most complete portfolio of financial products and services available to our customers.

Banco de Bogotá participates in all the segments of the market, as shown in the following Graph:



WHOLESALE BANKING

In Wholesale banking, Banco de Bogotá provides services to its customers through a customized service model that specializes by economic sector, allowing the Bank to deliver made to order solutions.

Coaching given by the Bank to its customers in 2011, is worth emphasizing as it has helped them to structure and fund large highway infrastructure, hydrocarbon, energy, transportation and logistics projects.

The loan portfolio granted to this segment (\$12.8 billion) increased by 14.0% in 2011, mainly providing support to the economic sectors of investors (\$2.1 billion), coal and oil (\$1.8 billion), civil works (\$1.8 billion), wholesale and retail chains (\$0.9 billion), food products (\$0.8 billion), metal sector (\$0.8 billion), public utility services (\$0.6 billion), agriculture, livestock and fishing (\$0.6 billion) and entrepreneurial support services (\$0.6 billion), among others.

In relation to the **financing solutions** provided, the Bank increased the leasing contracts, established new factoring agreements, and increased its share in funding purchasing processes from suppliers, offering benefits to its customers (both purchasers and sellers) and allowing them to adjust the cash flows of their operations appropriately.

The Bank provides support to companies through a broad range of transaction solutions to render their cash flow management more efficient (treasury), timely, providing quality information and security. This generates reliance in the transactions, transferring important cost savings to customers. During these two quarters the scope of the following products and services was expanded.

New functionalities were implemented in the Business and Corporate Web Site to carry out monetary transactions under proper security schemes. The Bank also implemented mobile payment services to collect the sales of companies.

GOVERNMENT AND INSTITUTIONAL BANKING

This mode of banking provides services to large liquidity suppliers both from the government and from private sectors characterized by highly professionalized operations. Because these customers have adequate knowledge about financial markets and have high innovation requirements we designed for them a personalized service model was designed to provide them with prompt responses, tailored solutions and high technological development.

The loan portfolio granted to this segment (\$3.4 billion) increased 25.1% in 2011.

These customers are very important for the Bank because they generate a significant volume of the bank's total funding from deposits. The Bank provides them with

trade-offs according to their requirements, designed in such a way that they may manage their cash flow in a more profitable and cost efficient manner.

Banco de Bogotá contributed to the development of projects that have a significant economic and social impact in various regions of the country by disbursing loans to municipalities, departments (states), and decentralized institutions, allowing it to become a leader in lending to regional authorities.

A strategy of the Bank is to provide education on finance to the government sector. To do so it held training workshops on the changes introduced by the Anti-Corruption Act (Law 1474 of July 2011) with the attendance of more than 400 government officials.

The bank has opened 5 new service points in the following towns: Becerril and Chiriguana (Cesar), Yotoco and San Pedro de los Milagros (Valle del Cauca) and in Sahagún (Córdoba) to further consolidate its coverage in order to serve the needs of the government segment throughout the national territory.

There is a close relationship in commercial operations between the government sector and retail banking through the payroll backed loan agreements. These operations provide the bank with a large volume of retail customers in relation to the payroll backed agreements.

SME BANKING

Aware of the importance of these customers for the Bank and for the economic development of the country, we consolidated a specialized advisory service model that allows the Bank to accompany the country's SMEs in their growth process.

To do so the Specialized Integral Portfolio we redesigned. It is an innovative offer in the market that combines the main specialized asset and liability products, designed to provide services with preferential prices according to the products held, and according to the needs of customers having this profile.

The loan portfolio granted to this segment (\$3.6 billion) increased 37.3% in 2011.

This portfolio includes, among others, a new revolving credit product "Crédito Activo" (active loans) with long financing terms with the revolving scheme that provide the customers more benefits to manage their cash flow. The portfolio also includes a new Business credit card with specific benefits for customers in that segment.

The bank consolidates its position and its commitments with the SME's in the regions. It hosted the fifth version of the "Premio PYME Gacela", an award for SMEs, aiming to provide recognition to the companies that stand out for their good management practices and sustainable development.

In addition, and as part of the customer support and loyalty building measures for SME customers, the Bank continued to host training programs in a strategic alliance with FUNDES Colombia. In 2011, 661 entrepreneurs received training. The courses focus on the training needs in SME companies, and are well received and elicit recognition from the sector.

RETAIL BANKING

As part of consolidating the Integral Portfolio offer that contains a specialized value proposal per customer, an immediate approval of the product portfolio was implemented at the point of sale at the time when the customer joins the Bank.

The offer of new products designed to enhance the integral offer for this segment was also consolidated during this period. It includes products such as : "Tarjeta de Crédito Joven" (credit card for youngsters), "Portafolio Experiencia" (a portfolio designed for senior citizens) , and "Portafolio Joven e Infantil" (a portfolio designed for youngsters and children), mortgage credits, and a new Insurance portfolio.

The loan portfolio for this segment (\$5.0 billion) increased 27.7% in 2011.

To strengthen the Bank's position in the preferential segment, it has deepened its relationship with existing customers has become closer in addition to increasing the number of customers. In so doing the Bank has positioned the differentiated and specialized service models in each sub segment: Premium Preferential, Medium Preferential and Basic Preferential.

The exclusive service model for preferential customers is being improved, in differentiated spaces, and with specialized advisory services for retail and investment banking. Products with specific conditions that adjust to the needs and interests of this type of customers have been added to the portfolio: Consumer loans, car loans with variable interests, AFC accounts (savings accounts to promote construction), mortgage loans with competitive rates and the Infinite Credit Card with features and alliances established in such a way that the customer can use such card without a limit. (As of December 2011 the bank had delivered more than 900 Infinite Cards; only two banks have this product in the Colombian market).

Banco de Bogotá is positioned in the Premium preferential segment, and is the financial system's leader in signature and black credit card holding and billing , having an 18% share in number of cards and a 24% share in billing.

The payroll model for companies that do business with the bank was consolidated, aimed mainly at increasing the products held by the employees of those companies, not only through payroll accounts but through the complete product portfolio which would serve the needs of those customers in a comprehensive manner and strengthen the growth of the retail segment, both in number of customers joining

the bank, and in the portfolio of products and services addressed for them. The growth of the Consumer loan portfolio, both in loans backed and paid from payroll deductions and in other lines and products of the retail banking segment is due to the consolidation of the model.

As part of the commercial payroll strategy, the product of advances on the payroll was developed during the second half of the year 2011. This product consists of a revolving credit quota allowing the customers who receive their salaries through the bank's payroll system to make partial advances on their next salary payments.

A program of exclusive alliances was launched for Banco de Bogotá's customers addressed for cardholders from the Medium and Premium Preferential Segment that gives them discounts in establishments when they pay with the Bank's Credit Card.

The Alliance "Marcas Compartidas" (Shared Brands) with Movistar cards started in the second half of 2011, which included Classic, Gold and Platinum cards mainly directed to customers who have a phone line with Movistar. At the close of December, the Bank had 20,387 active cards. According to the Movistar Spain Report, Banco de Bogotá has achieved the best indicators for sales, activation, direct debit of Movistar billings, and use of the card in comparison to Argentina, Brazil and Peru.

These results are based on a strategy to differentiate the value offer, with relevant features and benefits, allowing customers to enjoy exclusive benefits in basic charges, discounts in equipment, point accumulation plans, and preferential rates, among others, and the specialization of alternate sales channels for this product.

For the city of Bogotá and its surrounding areas the Bank launched a service for rapid access to the mass transportation System Transmilenio. This service allows customers to pay their entrance to the System using their debit card without standing in line or recharging their ticket card. This Alliance was also established with the MIO, the mass transportation system of the city of Cali, through the "Ingreso Más Fácil" service (easier entrance service) for customers of Cali city and its surrounding area. The service to access the mass transportation systems using Banco de Bogotá's debit card will become an added value for our customers.

A debit card with a chip is being delivered to our customers since November 2011 at the branch offices of the Bank. This card is both for new customers and for customers who request a change of plastic and it offers safer "Electron" debit cards.

The card product "Visa Vale Gasolina y Alimentación" was developed. It is an innovative solution for paying part of the salaries of the employees of our business customers that makes their processes more efficient and productive. Their employees will continue to receive the tax benefits they had traditionally obtained from printed vouchers, and the card offers additional advantages such as access to discounts and promotions in the allied businesses.

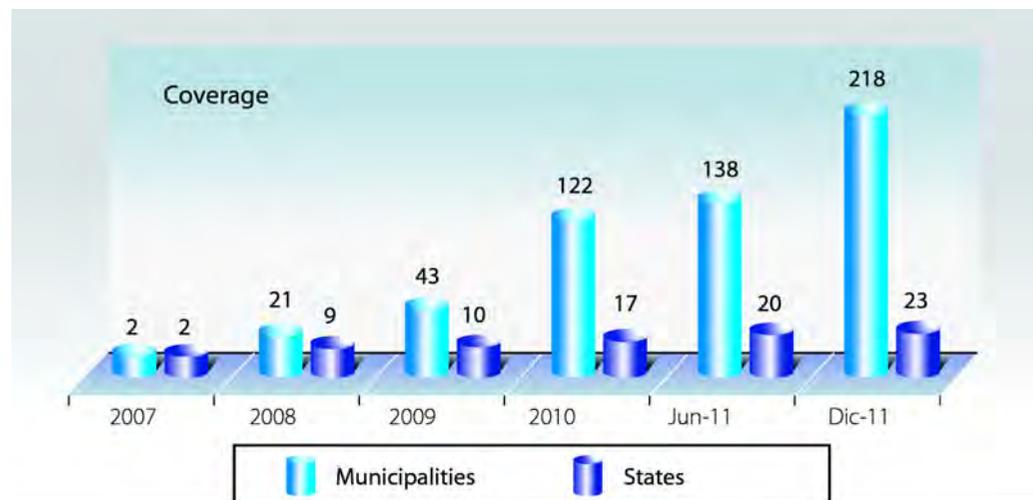
Microfinance

The Microfinance Model of Banco de Bogotá contributes to the development of very small entrepreneurs (not formalized) who form the base of the productive and social pyramid of the country.

The loan portfolio granted to this segment (\$240,657 million) increased 21.3% in 2011.

In an effort to expand our coverage to the whole country, we continued to expand the microfinance service model. By the end of 2011 we had 26 business units, presence in 218 municipalities and 23 departments (states), outdoing the coverage expectations for 2011.

In the second half of the year we reached municipalities in the states of Nariño, Urabá Antioqueño, Valle, Magdalena, Cesar and Sucre.



The Bank provided financing and savings solutions to more than 35,000 Colombian families by the end of 2011, which of 10.5% of those families used the financial system for the first time. In this segment, women who are heads of their households continue to make up the main group of customers.

The loans granted in this segment are characterized for having a high quality ratio.

CHANNELS

Between July and December 2011 108.5 billion transactions were done in the branch offices and the electronic channels.

| Channel | Transactions | | | |
|-------------------------|--------------------|--------------|--------------------|--------------|
| | II Sem 10 | Part. % | II Sem 11 | Part. % |
| Internet | 17,460,183 | 16.3 | 19,022,923 | 17.5 |
| ATM | 18,531,439 | 17.3 | 19,499,641 | 18.0 |
| IVR | 2,760,938 | 2.6 | 2,583,330 | 2.4 |
| Mobile banking | 2,003,112 | 1.9 | 1,612,897 | 1.5 |
| ACH | 2,802,020 | 2.6 | 3,148,437 | 2.9 |
| POS (point of sale) | 4,711,637 | 4.4 | 5,747,249 | 5.3 |
| Total electronic means | 48,269,329 | 45.0 | 51,614,477 | 47.6 |
| Branch offices | 58,982,961 | 55.0 | 56,920,382 | 52.4 |
| Total Operations | 107,252,290 | 100.0 | 108,534,859 | 100.0 |

Electronic Channels

Transactions corresponding to electronic and virtual channels are 48% of the total and the remaining 52% correspond to transactions done in the branch offices.

Banco de Bogotá started the multi-channel strategic action at the end of 2011, focused on making the channels available to customers whenever they needed to do a transaction, migrating transactions from one channel to the other more efficiently.

These improvements seek to refresh the image and adjust contents using an access by segment to each channel with a customer friendly language. Improvements are based on the market trends, the new brand positioning and user requirements.

New options were included in the “**Servilínea**” (service line) options to facilitate access and browsing through the menu. Inquiry transactions correspond to 84% of the total transactions done and the remaining 16% correspond to payment of public utilities, taxes, credit cards, blocking accounts and transfers between accounts of the same banks and other banks.

During the second half of 2011, 19 million transactions were done through the **Internet Retail** (Internet Personas) channel, an increase of 9% from the transactions done in the immediately preceding semester. These transactions correspond

to monetary transactions (payments, transfers) and non monetary transactions (inquiries) that represent over 90% of all transactions done through this channel.

A **Chat in the web site** (Chat del Portal) was launched in the second half of 2011. 66,100 chat requests were made, of which 45% were inquiries on retail banking products, 41% inquiries about the services provided by the bank to its customers, 11% on the use of electronic channels, and 3% inquiries about alliances and promotions. On product information inquiries, the questions that stand out are about investment and savings products, credit cards and loan products.

In **Mobile Banking** the SIM browsing technology was enabled for the Tigo operator, enabling this channel for Tigo and Movistar cell phones. Some 30,000 transactions were made as of December 2011, of which 77% correspond to inquiries about account balances. A total of 1,612,897 monetary and non monetary transactions were done through this channel, which of 5,299 of the total were monetary transactions amounting to \$1,800 million, showing a 16% increase from the same period of the preceding year.

As of December 31, 2011, the bank had a total of 1,018 **Automatic Teller Machines** in operation. Banco de Bogotá has a market share of 39% in the ATM's belonging to the ATH network, and has foreseen an expansion plan of 220 ATMs for 2011 in points where the bank is not present or where it wants to reinforce its presence.

The bank has 143 **electronic pin pad terminals** (Agilizadores Electrónicos) in operation, which had a total of 140,802 transactions during the second half of 2011. It also has 157 **check deposit devices** (Depositorios de Cheques).

PHYSICAL CHANNELS

The bank had a total of 113 **banking correspondents** with 1,002 terminals at the close of 2011. For the second half of 2011 new points were opened at the Grupo Exito in the cities of Bogotá, Medellín and Ocaña, and at Colsubsidio in Bogota city. In average 158,000 transactions per month in 2011.

In the second half of 2011 an alliance was made with COPIDROGAS, the largest drug store cooperative of the country. The estimate is to reach some 3000 points through this alliance in 2012, located in 33 States, expanding our coverage to more than 400 new municipalities and contributing to provide access to banking services and to the development of local and regional economies of the country.

Three new **traditional branch offices** were opened in Malls, high impact zones and municipalities where Banco de Bogotá had not been present. They are: the branch office of Planeta Rica and the Branch office of Montería Norte in the Coastal Region, and the Branch office of Chigorodó in the Antioquia Region.

A new Premium Branch Office was opened on Calle 36 of the city of Bogotá, which is part of the project of branch offices directed to the sub segment made up by high income preferential customers having a significant deepening level.

Within the Microfinance Unit strategy, 5 **Specialized Service points for the Microfinance Unit** were opened in the second half of 2011 to provide coverage in the areas where this segment has the highest potential: Tulúa, Apartadó, Valledupar, Sincelejo and Barrancabermeja.

The **Service and Operations Contact Center** answered a total of 1,419,150 customer calls from all the segments in the second half of 2011. Customers accessed the service line with inquires, complaints, and seeking information on operations performed with their products and services.

The Contact Center made 2,464,894 outgoing calls contacting the bank's customer for updating campaigns, telemarketing, returned check confirmations and to locate customers.

SERVICE

In order to obtain significant improvements in customer service, monitoring on the perception of customer service for personal banking continued. In the second half of 2011, the Survey on Service Quality performed by the Market Research firm METIS, gave this segment an overall grade of 83.9 points on 100 in the ISO 9000 scale, -0.2 lower compared to the grade obtained in the second half of 2010 and 15.5 points higher than the grade for 2000.

The behavior for the most representative items is shown below:

Results of Service Quality Evaluations in Branches

| Attribute graded by customers | Second Semester 2008 | Second Semester 2009 | Second Semester 2010 | Second Semester 2011 |
|------------------------------------|----------------------|----------------------|----------------------|----------------------|
| Total grading Banco de Bogotá | 80.3 | 82.8 | 84.1 | 83.9 |
| GRADING BY ATTRIBUTE: | | | | |
| Kindness | 84.0 | 86.4 | 88.3 | 87.0 |
| Warmth and courtesy in treatment | 82.7 | 85.1 | 87.1 | 86.7 |
| Expediuousness | 76.2 | 79.9 | 81.8 | 83.3 |
| Efficiency in provision of service | 81.3 | 84.3 | 86.6 | 84.9 |
| Respect | 88.4 | 90.3 | 91.5 | 89.0 |

Continues

| Attribute graded by customers | Second Semester 2008 | Second Semester 2009 | Second Semester 2010 | Second Semester 2011 |
|-----------------------------------|----------------------|----------------------|----------------------|----------------------|
| Personal appearance | 89.5 | 90.8 | 91.8 | 89.5 |
| Interest in advising the customer | 82.1 | 84.7 | 86.8 | 85.9 |
| Quality of Physical Facilities | 85.2 | 86.7 | 87.3 | 86.2 |
| ATM Quality | 82.3 | 83.2 | 83.0 | 84.5 |
| Quality Telephone Communication | 74.4 | 77.5 | 78.2 | 74.5 |

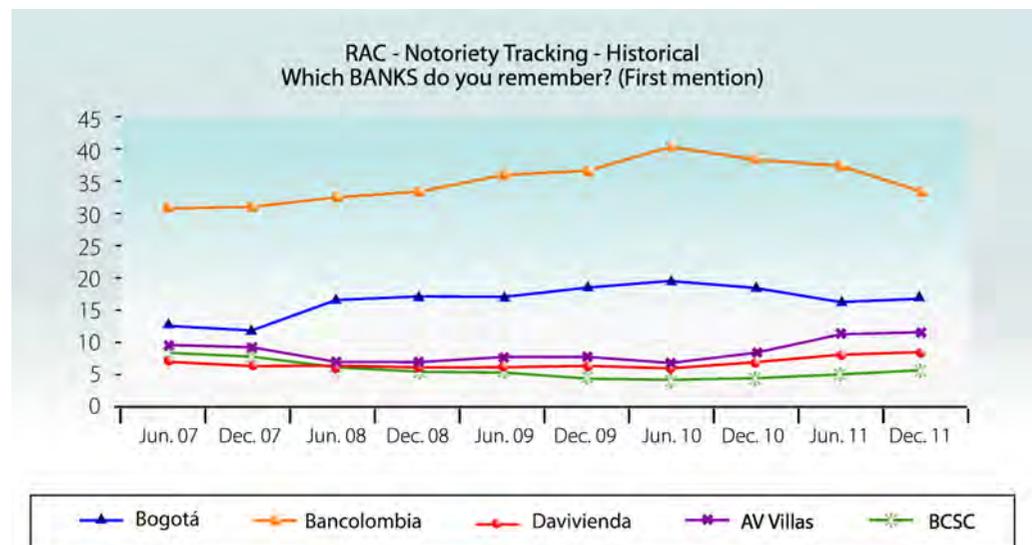
SOURCE: Quality of Service Survey for Banco de Bogotá - Metis

An increase of 9.7% in the number of branches having a score equal or higher than 80 points must be underlined, since in the second half of 2011, 83.1% of the branches have a grade over 80.

Based on the sectoral survey conducted in the second semester of the previous year by Ipsos Napoleón, it was found that among personal banking customers 83% would recommend the bank, 87% indicated that it would be highly probable they would continue as bank customers in the future, 74% expressed strong willingness to buy new products.

IMAGE AND POSITIONING

Top of Mind Brands - Banks Category



The “Banquear” campaign (to “Bank”) – “Un banco hecho entre dos” (“A bank made by two”), was the Bank’s main advertising strategy during the second half of 2011 both in-house and in mass media.

Through this campaign, the Bank clearly communicates what “To Bank” means conveying in the message to the public that it involves “establishing a close relationship with the Bank” and a clear association to the brand

The campaign was broadcasted during July through October and consolidated the second place for the bank, compared to a sector which had a great advertising activity during the late months of the year.

Concerning Brand Reputation, the 2011 edition of the MERCO Study consolidates Banco de Bogotá among the 20 institutions with the best reputation in Colombia.

4.2.3. MANAGEMENT OF INTERNAL PROCESSES

The Bank continued to introduce improvements in the second half of the year 2011 on the technological infrastructure to support and optimize commercial management processes, through the development of information flow projects for granting of loans, credit risk bureaus and collections and technological implementations at the call center, non-bank correspondents, mobile banking and portals.

CHANGES IN TECHNOLOGICAL INFRASTRUCTURE AND OPERATIONAL PROCESSES

Within the technologies updating process, migration of data base engine releases and operating systems were conducted to improve and optimize processing times; the loan portfolio, treasury and collections applications receiving most benefits.

In the electronic channels, enhancements were implemented in processes based on the changes in the call center platform and migration of the Servilinea to the voice-portal platform. Customization of the VISA and Redeban systems were introduced for the provision of non-bank correspondents and mobile banking. Modernization and change in the corporate infrastructure and corporate portal and the development of the new portal for the SME segment service continued.

In the physical channels, branch servers were renewed and the operational system, base software and channel application were updated; hardware was repowered and changed in branches at a national level. Data versions including changes and enhancements in cashier windows, platform, loan portfolio, collections and PILA (Government Integrated Social Security Contributions Template) were installed which resulted in a decrease of waiting times at cashier windows.

Information and operating processes were improved to further customer management and quality of information projects and the implementation of biometrics at branches continued; corporate productivity improved with the progress in the development of the support module for current accounts, savings, loan portfolio, withholding at the source certificates and transaction tax (GMF) as well as optimization of procedures for agreements, packages, overdrafts, collection of fees, clearing, remittances, token administration and adoption of insurance sales wallet and handbag theft, protected account, card theft and personal accidents.

The Lean Banking Project to render processes efficient and improve customer service levels continued with the implementation of enhancements in post-sale and commercial loans, design of a digitized SME loan process and a more efficient scheme for loan analysis and disbursement; in the post-sale front, complaint, claim and customer request management was shifted to the Post-sale Management, where express, intermediate and complex bank cards were issued both for personal and corporate banking the Operating Productivity Directorate was created to ensure process sustainability through the lean methodology and extension thereof to other areas.

In order to centralize Bank internal correspondence at the national level, complete infrastructure was installed and the process to handle Bank internal and external correspondence started.

Changes to enforce the regulations of the Colombian Financial Superintendency were introduced as provided by Circular Letter 022 of 2010, envisaging minimum security and quality requirements that must be met concerning information management through the various means and channels used in the distribution of products and services.

Pursuant to the business continuity strategic plan, the biggest quantitative and qualitative critical impact processes were updated, including the recovery and implementation plan for the technological infrastructure, tests and training to back up processes and operate properly in contingency cases.

INTERNAL CONTROL SYSTEM

Banco de Bogotá's permanent guidelines focus on strengthening and optimizing its internal control and risk management systems through a process under the leadership of the senior management applied at all managerial levels and fulfilled by the entire staff.

This process is aimed at obtaining greater effectiveness and efficiency in activities; properly protecting assets and resources; preventing and mitigating the occurrence of fraud; guaranteeing reliability, completeness and timeliness of financial and managerial information reports; using appropriate mechanisms for prevention

and control of asset laundering and financing of terrorist activities; ensuring enforcement of applicable laws and legal standards, and enabling an appropriate risk management.

The Bank's basic principle is to achieve institutional goals within reasonable risk levels within the framework of regulations in force.

The Internal Control System is made up of various elements on which the Bank takes action continuously.

Control Environment: Specific policies determined at the highest level of Corporate Governance; Ethics and Code of Conduct disseminated and promoted within the institution; existing procedures within the reach of all staff; organizational culture which operates at all levels at the Bank; continuous work to provide and train staff in required expertise, skills, attitudes; culture and available tools to apply self-control.

Risk Management: By setting goals, identifying events, assessing risk and responding thereto, within the framework of the different risk management systems: (SARO, SARC, SARM, SARL, SARLAFT).

Control activities: Policies and procedures to control risks, among which function segregation, dual control, limits, quotas and level of attributions/powers are especially relevant as well as those related to accounting and technological management. Control activities are chosen and developed depending on how reasonable they are, their cost-benefit ratio and potential effectiveness to mitigate risks that may materially affect the achievement of goals.

Information and Communication: There are specific policies, procedures and controls in place to ensure the security, quality and fulfillment/compliance of information generated, as well as the appropriate communication of relevant information inside and outside the institution.

Monitoring: Each boss, senior management and internal control divisions undertake established supervisory control activities, through mechanisms such as indicators, alerts, control figures and direct observation.

Independent evaluation: The internal auditing function evaluated the internal control system independently from those responsible for the processes; rated the system and each element as efficient ones for the achievement of the organization's objectives and did not find material flaws. Furthermore, it was ensured that the institutions of the financial sector that consolidate with Banco de Bogotá had conducted their respective evaluation and adopted appropriate measures to be provided also with a reliable internal control system.

The Bank and its affiliates continue to increasingly strengthen a culture involving internal control management in day by day activities as well as at all the organization's levels, such that results can be reflected on customer service and value generation.

INTERNAL AUDITING

The Bank's Comptroller Office, as part of the Internal Control System, performs the tasks of the internal auditing function, within benchmarks for standards and best international practices. It also has sufficient resources and autonomy to fulfill its mission in an appropriate and independent manner. Under the management guidelines corrective actions must be undertaken with regard to auditing findings.

According to the conclusions drawn by internal auditing, based on evaluations conducted during the past semester, credit, market, operation, liquidity, asset laundering and financing of terrorism risks have had a reasonable treatment pursuant to legal regulations, enforcement of policies determined by the Board of Directors and senior management and the implementation of procedures within an adequate and operational internal control framework.

The Bank's auditing department conducted visits to become familiar with BAC Credomatic policies and procedures and found a clear control, quality and risk management culture.

SECURITY

Security management is an important task at the Bank and is aimed at protecting people as well as the property of customers, its own goods and property and those of the community in general. With this purpose in mind, activities related to the fulfillment of the security of information model were undertaken, including investigations and management of fraud, under an integrated conceptual scheme for the prevention and management of fraud; continuous improvements to the monitoring of systems and transactions; strengthening of logical and physical security and safety schemes.

In order to prevent or mitigate losses resulting from the occurrence of fraud, work is undertaken as a priority to offer advice and information on risks and controls, as well as institutional training for Bank staff and its customers all of which is carried out with the cooperation of the authorities and law enforcement and in coordination with other institutions of the sector.

4.2.4. FINANCIAL MANAGEMENT SECOND SEMESTER 2011

At the close of 2011, the Bank's asset balance is \$43,264,854 million with an annual growth of 15.8%. The Bank's management policy is dynamic and its grounds are the recomposition of assets towards those having a lower risk and adequate yield.

Structure of Financial Intermediation

Productive assets (\$37,951,115 million) experience a 15.5% annual growth and represent 87.7% of the total assets at December 2011. Such growth can be primarily explained by the increase of: Performing Loans and Productive Past Due Loans \$4,752,523 million given the growth in Performing Loans (\$4,236,869 million) and Leasing Productive Loans of \$535,475 million.

Fixed assets decrease by 11.6% when shifting from \$362,475 million in December 2010 to \$320,523 million in December 2011, a variation mainly caused by the decrease in current imports (\$64,547 million). Within gross fixed assets, the biggest share are buildings (39.9%); equipment, office furniture and fixtures (25.6%) and hardware (22.6%).

At the close of the second half of 2011, the liabilities blend is represented by 74.8% in liabilities at a cost and 25.2% in liabilities at no cost.

Liabilities at a Cost, \$26,302,163 million, grown by 5.0%. In this group those with the greatest variation are: Time Deposit Certificates, 36.2% (\$2,145,848 million) and Subordinated Bonds, 158.2% (\$969,290 million). **Liabilities at no Cost** (\$8,862,389 million) grow by 23.8%, \$1,702,107 million from December 2010 to December 2011, especially because of the increase in Current Accounts by \$1,157,361 million (19.5%).

The operational GAP indicator (Productive Assets / Liabilities at a Cost), shifts from 131.2% to 144.3% and indicates the Bank's ability to generate net operational income.

Financial Structure of the Balance Sheet

| Figures in Millions of Pesos \$ | December 2010 | December 2011 | Dec 11/Dec 10 G.R.% |
|---------------------------------|-------------------|-------------------|------------------------|
| Productive Assets | 32,854,888 | 37,951,115 | 15.5 |
| Fixed Assets | 362,475 | 320,523 | -11.6 |
| Non Performing Assets | 453,237 | 426,641 | -5.9 |
| Other Assets + Provisions | 3,693,123 | 4,566,574 | 23.7 |
| Total Assets | 37,363,723 | 43,264,854 | 15.8 |

Continues

| Figures in Millions of Pesos \$ | December 2010 | December 2011 | Dec 11/Dec 10 R.R.% |
|---|-------------------|-------------------|------------------------|
| Liabilities at a Cost | 25,047,075 | 26,302,163 | 5.0 |
| Savings Deposits | 11,602,386 | 12,432,818 | 7.2 |
| Time Deposit Certificates | 5,927,925 | 8,073,773 | 36.2 |
| Other Deposits and Demand Accounts | 409,987 | 397,361 | -3.1 |
| Subordinated Bonds | 612,834 | 1,582,124 | 158.2 |
| Mandatory Bonds Convertible into Shares | 2,284,608 | 0 | -100.0 |
| Purchased Interbank Funds, Repos & Simultaneous Liability and Short | 201,182 | 98,778 | -50.9 |
| Bank Loans and other debentures | 4,008,154 | 3,717,309 | -7.3 |
| Liabilities without Cost | 7,160,282 | 8,862,389 | 23.8 |
| Current Accounts | 5,947,885 | 7,105,246 | 19.5 |
| Tax Collection | 114,402 | 87,281 | -23.7 |
| Other Liabilities at no Cost | 1,097,995 | 1,669,863 | 52.1 |
| Total External Liabilities | 32,207,357 | 35,164,552 | 9.2 |
| Total Equity | 5,156,366 | 8,100,301 | 57.1 |
| Total Liabilities and Equity | 37,363,723 | 43,264,854 | 15.8 |
| Operational Gap ^{1/} | 131.2% | 144.3% | |
| Equity Exposure not including Fixed Assets ^{2/} | 8.8% | 5.3% | |
| Equity Exposure with Fixed Assets ^{3/} | 15.8% | 9.2% | |
| Assets Total Average ^{4/} | 31,564,847 | 39,655,157 | 25.6 |
| Average Operational Product Assets ^{4/ 5/} | 27,160,746 | 34,642,136 | 27.5 |
| Total Return on Assets (ROA) | 2.5% | 2.7% | |
| Return on Productive Operational Assets ^{6/} | 2.9% | 3.2% | |

1/ Operational Gap = Productive Assets / Liabilities with Cost

2/ Equity Exposure not including Fixed Assets = Non Performing Assets / Equity

3/ Equity Exposure with Fixed Assets = Fixed and Non Performing Assets / Equity

4/ Average estimated based on elapsed year average

5/ Productive Operational Assets include: Sold Interbank Funds, Repos and Active Buy-Sell backs, Financial Investments, Debt Certificates and Available Securities for sale as shared securities and Loan Portfolio and Productive Leasing and Loans granted to employees..

6/ Annual Net Profit /Average Operational Productive Assets Operational Assets

Loan Portfolio and Leasing

Evolution of Loan Portfolio

As of December, the Bank's Loan Portfolio and Net Leasing amounts to \$26,002,171 million, showing a 21.8% growth, equivalent to \$4,647,545 million compared to the same month of 2010. Banco de Bogotá has kept a sustained growth throughout time as far as Loan Portfolio and serves the various market segments.

Evolution of Gross Loan Portfolio



By **economic sector**, the biggest share activities as of December 2011 are: services (24.3%), trade (16.8%), manufacturing (16.5%), and purchase of goods, services and housing (15.2%).

Loans and Leasing by Economic Sector

| Balance in Million Pesos \$ | December 2010 | Share % | December 2011 | Share % |
|---|---------------|---------|---------------|---------|
| Services ^{1/} | 5,361,863 | 24.2 | 6,538,262 | 24.3 |
| Trade | 3,898,581 | 17.6 | 4,508,409 | 16.8 |
| Manufacturing | 3,929,848 | 17.7 | 4,436,222 | 16.5 |
| Purchase of goods, services and housing ^{2/} | 3,690,283 | 16.7 | 4,092,483 | 15.2 |

Continues

| Balance in Million Pesos \$ | December 2010 | Share % | December 2011 | Share % |
|-----------------------------------|-------------------|--------------|-------------------|--------------|
| Construction | 951,421 | 4.3 | 2,584,659 | 9.6 |
| Agriculture and Mining | 1,888,528 | 8.5 | 2,158,142 | 8.0 |
| Public Administration and Defense | 1,875,215 | 8.5 | 2,080,013 | 7.7 |
| Others | 552,004 | 2.5 | 456,803 | 1.7 |
| Total Loans | 22,147,744 | 100.0 | 26,854,993 | 100.0 |

1/ Transport and Communications, Services Rendered to Corporations, Health Services, Teaching, Entertainment and Culture, Financing of Property Received as Payment.

2/ Includes: Credit Card for December 2010 amounting to \$925,879 million and for December 2011 \$1,120,042 million.

Loan portfolio and gross leasing by mode has the following breakdown at December 2011: commercial loans \$21,577,137 million equivalent to 80.3%; consumer loans 5,016,998 million (18.7%); microcredit loans \$240,657 million (0.9%); and housing loans \$20,201 million (0.1%).

The Bank maintains its leadership in the Commercial Loans market as reflected by its balance sheet structure where its share on the Bank's Gross Loans Total is higher by 19.0 percent points than the one shown by the Bank System (61.4%).

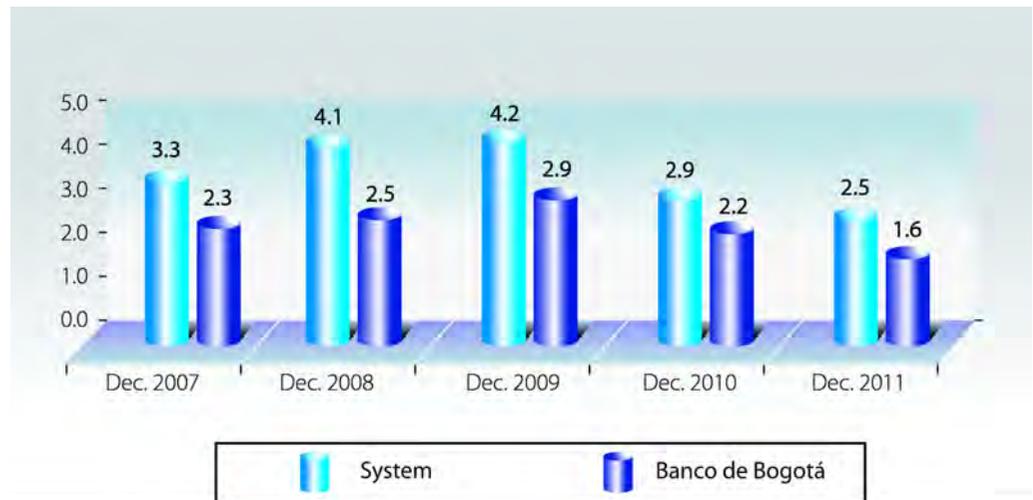
Loan Portfolio and Total Gross Leasing

| Figures in millions of pesos \$ | December 2010 | | December 2011 | | Dec 11/Dec 10 |
|---|-------------------|--------------|-------------------|--------------|---------------|
| | Volume | Part. % | Volume | Part. % | TC % |
| Commercial | 18,006,493 | 81.3 | 21,577,137 | 80.3 | 19.8 |
| Consumer | 3,923,816 | 17.7 | 5,016,998 | 18.7 | 27.9 |
| Microcredit | 198,479 | 0.9 | 240,657 | 0.9 | 21.3 |
| Housing | 18,955 | 0.1 | 20,201 | 0.1 | 6.6 |
| Total Loan Portfolio and Gross Leasing | 22,147,744 | 100.0 | 26,854,993 | 100.0 | 21.3 |

Quality of Loan Portfolio

At December 2011, the traditional quality of loans indicator of the Bank defined as total past due loans on total gross loans was 1.6% (\$438,708 million for past due loans), that is 83 basic points better than the one shown by the System (2.5%).

Quality of Loans * (%)

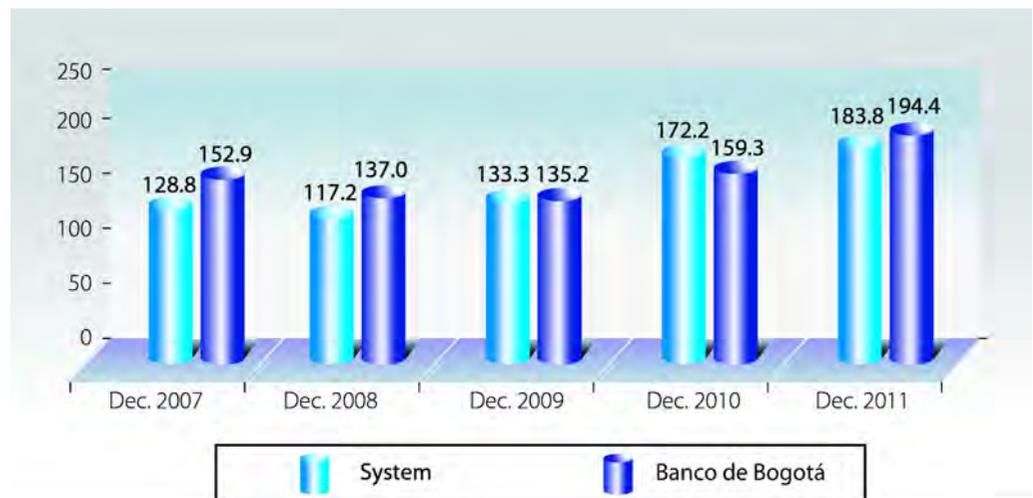


* Past Due Loans and Leasing/ Loans and Gross Leasing

Provisions and Loan Coverage

On December 2011, Banco de Bogotá shows a sound past due loans coverage with a 194.4% indicator. Provisions set up in the balance sheet for possible Bank losses \$852,821 million, had a 7.5% increase compared to those obtained during the same period of 2010, that is, \$793,117 million.

Loans Coverage Index * (%)



* Loans and Leasing Provision / Past Due Portfolio and Leasing

Capital Investments

In the individual Financial Statements as at December 31, 2011, the Bank shows capital investments in financial and technical service institutions in a net amount of \$6,237,421 million, a figure which includes a provision of \$769 million, as shown in the table below. Capital investments are 14.4% of the institution's total assets.

| Capital Investments | | | |
|---|------------------|------------------|------------------|
| Balances in Millions of Pesos \$ | December 2010 | June 2011 | December 2011 |
| Corficolombiana S.A. | 2,327,340 | 2,375,582 | 2,413,296 |
| Adm. Fondos de Pensiones y Cesantías Porvenir S.A. | 156,969 | 175,375 | 189,919 |
| Almaviva S.A. | 29,741 | 29,741 | 29,741 |
| Fiduciaria Bogotá S.A. | 80,567 | 80,567 | 80,567 |
| Pizano S.A. | 11,592 | 11,592 | 11,592 |
| Casa de Bolsa S.A. | 3,940 | 3,940 | 3,940 |
| Megalínea S.A. | 1,476 | 1,476 | 1,476 |
| Other ^{1/} | 3,399 | 3,535 | 3,535 |
| Total Legal Currency | 2,615,023 | 2,681,806 | 2,734,065 |
| Banco de Bogotá Panama | 94,542 | 87,544 | 95,960 |
| Leasing Bogotá Panama | 3,159,392 | 2,925,555 | 3,407,314 |
| Visa Inc. | 9,259 | - | - |
| Others ^{2/} | 837 | 775 | 850 |
| Total Foreign Currency | 3,264,030 | 3,013,874 | 3,504,125 |
| Provision Available Investments for Sale | -758 | -703 | -769 |
| Total Capital Investments | 5,878,295 | 5,694,978 | 6,237,421 |

1/ ATH S.A., ACH Colombia S.A., Deceval S.A., Cámara de Compensación de Divisas de Colombia S.A., Cámara de Riesgo Central de Contraparte de Colombia S.A., Redeban Multicolor S.A., Gestión y Contacto S.A.

2/ Bogotá Finance Corporation y Ficentro.

Fixed Income Investments

As shown in the table below, on December 31, 2011, Fixed Income Investment Portfolio amounted to \$4,488,147 million, with a 10.4% share in the Bank's Assets. The same portfolio represented 13.3% on December 2010, of the Bank's assets, which of \$4,427,992 million (98.7%) of the portfolio are represented by securities of Colombian operations and \$60,155 million (1.3%) correspond to the New York Agency.

Financial Investments in Total Debt Securities of the Bank

| Figures in Million Pesos \$ | December 2010 | December 2011 | Dec 11/Dec 10 T.C.% | Dec 11/Dec 10 A.V. ^{1/} |
|---|------------------|------------------|---------------------|----------------------------------|
| Negotiable Investments | 756,192 | 432,363 | -42.8% | -323,829 |
| Investments Available for Sale | 2,739,653 | 2,642,266 | -3.6% | -97,387 |
| Investments to Maturity | 1,257,529 | 1,343,228 | 6.8% | 85,699 |
| TOTAL FINANCIAL INVESTMENTS DEBT SECURITIES LEGAL CURRENCY | 4,753,374 | 4,417,857 | -7.1% | -335,517 |
| Negotiable Investments | 16,406 | - | -100.0% | -16,406 |
| Investments Available for Sale | 36,880 | - | -100.0% | -36,880 |
| Investments to Maturity | 9,955 | 10,135 | 1.8% | 179 |
| TOTAL FINANCIAL INVESTMENTS DEBT SECURITIES FOREIGN CURRENCY | 63,242 | 10,135 | -84.0% | -53,107 |
| TOTAL OPERATION PORTFOLIO IN COLOMBIA | 4,816,616 | 4,427,992 | -8.1% | -388,624 |
| Total Portfolio Miami Agency | 44,823 | - | -100.0% | -44,823 |
| Total Portfolio New York Agency | 95,227 | 60,155 | -36.8% | -35,072 |
| BANK TOTAL | 4,956,666 | 4,488,147 | -9.5% | -468,519 |

1/ A.V.: Absolute Variation

External Liabilities

On December 2011, the Bank's External Liabilities, \$35,164,552 million, grew 9.2% with respect to the same closing date of 2010, mainly due to the increase in Deposits and Demand Accounts by \$4,121,015 million, and in Subordinated Bonds by \$969,290 million.

| Total External Liabilities | | | | |
|---|-------------------|-------------------|--------------------|---------------------------------|
| Balance in Millions of Pesos \$ | December 2010 | December 2011 | Dec 11/Dec 10 % | Share % ^{2/} Dec 11 |
| Deposits and Demand Accounts | 23,888,183 | 28,009,198 | 17.3 | 79.7 |
| Bank Loans and Other Debentures | 4,008,154 | 3,717,309 | -7.3 | 10.6 |
| Purchased Interbank Funds, Repos and Sell/Buy-back transactions and Short Positions | 201,182 | 98,778 | -50.9 | 0.3 |
| Accounts Receivable | 683,921 | 1,029,773 | 50.6 | 2.9 |
| Other Liabilities ^{1/} | 351,597 | 445,275 | 26.6 | 1.3 |
| Subordinated Bonds | 612,834 | 1,582,124 | 158.2 | 4.5 |
| Mandatory Bonds Convertible into Shares | 2,284,608 | 0 | -100.0 | 0.0 |
| Outstanding Bank Acceptances | 176,880 | 282,095 | 59.5 | 0.8 |
| Total External Liabilities | 32,207,357 | 35,164,552 | 9.2 | 100.0 |

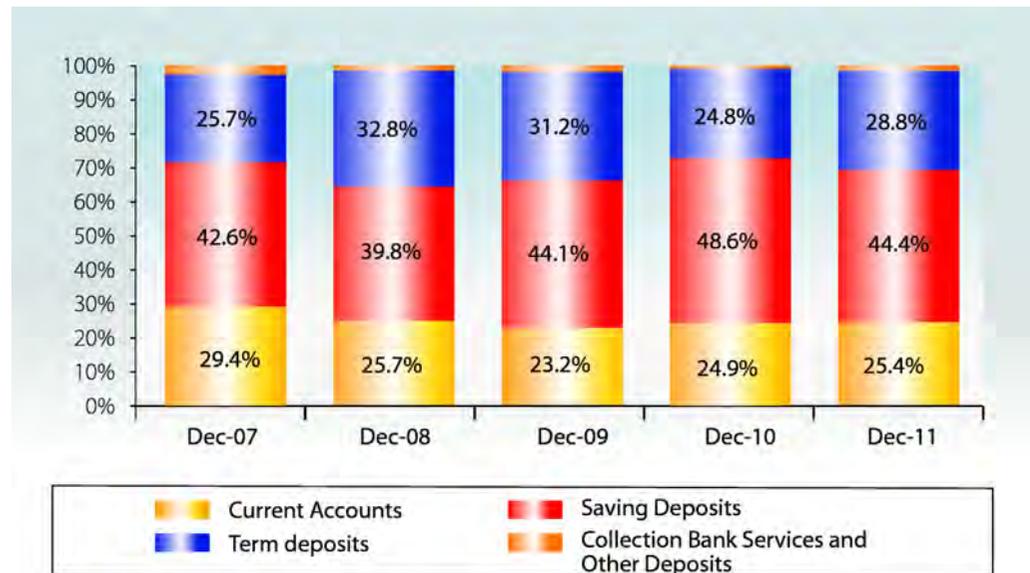
1/ Includes: Estimated Liabilities and Provisions and Other Liabilities

2/ Percentage Share in Total External Liabilities.

Deposits and Demand Accounts

On December 2011, the Bank continues to optimize its fund raising blend, which has the following breakdown: savings deposits, 44.4%; time certificates of deposit 28.8%; current accounts, 25.4% and other deposits and bank collection services, 1.4%. The average cost for the Bank to capture funds from the public January-December is 3.0%. At the close of the second half of 2011, the Bank's Deposits and Demand Liabilities have a 14.1% share in the system.

Evolution of Deposits and Demand Liabilities



Equity

The Bank's equity on December 2011, \$8,100,301 million, had a \$2,943,935 million increase compared to December 2010, a variation that can be mainly explained because of the conversion of Mandatory Bonds into shares affecting the legal reserve.

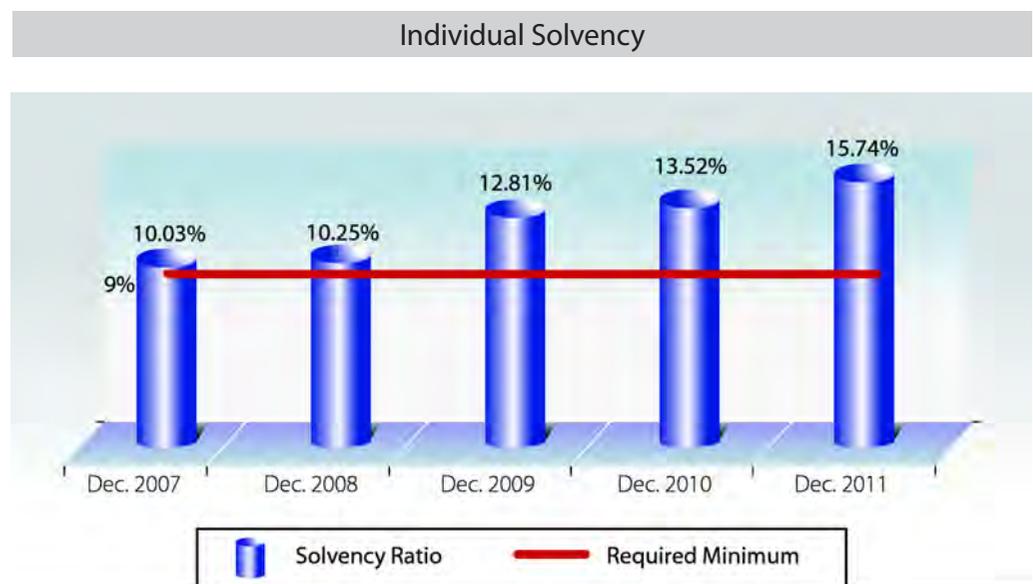
Equity

| Figures in Millions of Pesos \$ | December 2010 | December 2011 | Dec 11/Dec 10 % | December 2011 Share ^{1/} |
|---|------------------|------------------|-----------------|-----------------------------------|
| Paid-in Capital | 2,382 | 2,868 | 20.4 | 0.0 |
| Reserves | 2,259,712 | 4,975,308 | 120.2 | 61.4 |
| Accum. Earnings or Losses | | | | |
| - Unrealized Investments Available for Sale | 1,723,607 | 1,685,699 | -2.2 | 20.8 |
| - Derivatives for Hedging Purposes | -4,411 | 23,041 | 622.4 | 0.3 |
| Net valuations | 781,895 | 819,645 | 4.8 | 10.1 |
| Profit during the Period | 393,181 | 593,740 | 51.0 | 7.3 |
| TOTAL EQUITY | 5,156,366 | 8,100,301 | 57.1 | 100.0 |
| Return on Equity (ROE) | 16.6% | 15.0% | | |

^{1/} Percentage of Share in Total Equity

Solvency Ratio

At the end of the second half of 2011, Banco de Bogota's solvency indicators are: 13.3% Banco de Bogotá consolidated with its affiliates and 15.7% an unconsolidated base. Both the consolidated and individual solvency ratios are above the minimum 9% required, according to the Colombian standard.



4.2.5. CORPORATE SOCIAL RESPONSIBILITY (CSR)

Banco de Bogotá made progress in devising its Corporate Social Responsibility (CSR) developed thanks to the adoption of good practices identified in the business and the valuable guidance obtained from the Regional Management of Corporate Social Responsibility of BAC Credomatic, in the determination of strategic issues to strengthen the Banks social endeavors.

During the second half of 2011, several activities designed to prepare an action plan to define the Bank's CSR strategy were carried out. These activities were:

- A survey conducted on a sample of 300 Bank staff members to know what their expectations were regarding CSR.
- A strategic planning workshop to determine the scope of the CSR program. This workshop was held for two days with the Bank's Vice-Presidents and senior staff.
- Conclusions on the major approaches for a CSR working plan starting in 2012.

As a first approach to the strategy, a symbol logo was adopted and the CSR for Banco de Bogotá was drawn up.



RESPONSABILIDAD
social corporativa

"The responsibility of Banco de Bogotá towards society stems from the recognition and interest financial transactions and services have on the lives of people and the environment. We therefore pledge to manage our business in a responsible manner generating initiatives to tap into our knowledge, strengths, soundness and experience for the benefit of the groups we relate to".

In agreement with the above definition, Banco de Bogotá's CSR originates in the acknowledgement of positive and negative impacts business activities have in the life of people, society in general and the environment the organization has a relationship with.

Thus, Banco de Bogotá does not envisage the fulfillment of this responsibility through one or several isolated and distant programs, but as a socially responsible business approach.

This is how the strategic guidelines with which four strategic objectives were put forth/raised for the business and an action plan that will be carried out starting in 2012.

Corporate Social Responsibility



ACTION LINES

- | | | | |
|---|--|--|--|
| <ul style="list-style-type: none"> • Transparency and ethics in business • Generation of economic value to society • Inclusive business (microfinance, SMEs and Social Banking) • Expansion of Channels: Electronic, Mobile Banking, Correspondents and International Banking • Promotion of responsible consumption • Protection for the consumer and Financial Education Program for customers | <ul style="list-style-type: none"> • Contribution to the government sector: tax payment and financing of infrastructure • Philanthropic (Corporación Banco de Bogotá para el Fomento de la Educación) • Bank Operating platform and infrastructure for the service of society, i.e. Teletón (campaign for the disabled). • Support to art and culture • Financial Education Program for nonbankarized population | <ul style="list-style-type: none"> • Personal and professional development programs for workers • Great Place to Work Management • Volunteers for social and environmental actions? • Financial Education Program for workers | <ul style="list-style-type: none"> • Environmental Education Campaigns (with customers and staff) • Internal Environmental Eco-Efficiency Program • Administration of Social and Environmental Risks (Creditworthiness Studies) |
|---|--|--|--|

Financial Education Program

The Bank's Financial Education Program has been created to comply with the Financial Reform Law (Law 1328 dated July 15, 2009), concerning activities in financial education that institutions under surveillance must provide to their customers.

As a major objective of the Corporate Social Responsibility strategy of Banco de Bogotá with a view to promote adequate financial education among its groups of interest, a series of training activities have been designed for specific groups and segments which have an impact in the Bank's commercial and/or social tasks.

The activities indicated below regarding this program were carried out in the second half of 2011.

| Population | Attending Training | Partnership w/ SENA | Virtual Information | Mass Media |
|--|--|--|--|-----------------------------|
| Adults | | Training sessions in Mobile Classrooms | Banco de Bogotá website | Financial Capsules on TV |
| Children | <i>Diversity Recreation</i> | | | |
| Youth | <i>Partnership with VISA (Financial Soccer Game)</i> | | | |
| Microfinance Population | | | | |
| SMEs Population | <i>Partnership with FUNDES Organization for small businessmen</i> | | | |
| Rulers and Officials of Territorial Organizations | <i>Set of Conferences: "Tools for a Sound Public Management"; partnership with the Javeriana University and Chambers of Commerce</i> | | <i>Adults: Electronic Finance Site Children: Bankadventure</i> | |
| Military forces | | <i>Guidance of military trainers in FE</i> | | |
| Social Banks | <i>Partnership with FEDECAFE for coffee-growers cooperatives</i> | | | |
| Staff | <i>Training for new Bank advisors</i> | <i>Training of commercial force Payroll-backed loans</i> | | |

New activities will be carried out in 2012 to respond to the need of **offering knowledge and tools to financial consumers aimed at promoting a more responsible use of financial instruments by them**, as part of the coaching and value generation of Banco de Bogotá customers and the financial inclusion initiatives for people who have no access to the financial system.

Social investment

The Bank is aware that besides its role as an economic actor in the country, it plays a critical part in an arena where it helps to build a social and cultural environment. In the second half of this year, Corporación Banco de Bogotá contributed to 54 social causes providing grants of various amounts for the development of educational and cultural projects aimed at the vulnerable population. These grants amount to \$424 million.

To supplement these donations, the contribution made to the Universidad de la Salle and its UTOPIA program must be underlined. Ten (10) high school students from rural areas affected by violence received scholarships to get a diploma in Agronomic Engineering and to become leaders of the sociopolitical and business transformation process in their places of origin through an innovative teaching method. The grant amounted to \$189 million.

Another social investment of great impact in the educational sector is the support offered to COLFUTURO. Nearly \$720 million were allocated in 2011 for enrollment of Colombians in graduate programs in the country and abroad. This grant was one of the most important ones to this foundation.

Furthermore, Banco de Bogotá supported Grameen Aval, which operates currently in Colombia through Fundación Grupo Aval as donor of seed capital. Thanks to the support of all of its organizations, underlining Banco de Bogotá's contribution of \$1,164 million, Grameen Aval provides microcredit in special conditions to promote the creation of small business in the most deprived communities of the country.

On the other hand, in 2010 and 2011, the country's heavy rain and flood season violently struck many families who lost everything. Banco de Bogotá was part of the great donation that Fundación Grupo Aval made to 'Colombia Humanitaria', an entity created to raise funds for the victims, in the amount of \$6.000.000.000. The total contributions of the corporations which make up the Aval Holding were used to build approximately 400 housing units for these families.

Another major objective of the CSR at the Bank is to make available and use bank infrastructure to support several social causes. The main event that evidenced this commitment in the second semester is Teleton 2011 which received \$500 million in cash for their cause and the grant as personnel operating expenses and technological infrastructure amount to \$787 million, that is \$1,287 million in total.

Corporate Social Responsibility 2010

As part of the social management report for 2010, the annual Corporate Social Responsibility of Banco de Bogotá was published in the second half of 2011. The *Global Reporting Initiative*, version (GRI-G3) was used in the preparation of this report with the indicators supplement for the financial sector GRI support. The Bank clearly identified its groups of interest and relevant and priority issues for sustainability through this methodology.

The CSR report, which is also available on the website of Banco de Bogotá, is a compilation that meets the initiatives and the contribution the Bank makes to society and the groups has a relationship with. This report provides specific information on issues related to:

- i) Sustainability management
- ii) Relationship with Shareholders
- iii) Development of Employees
- iv) Customer channels and service
- v) Suppliers management
- vi) Contribution to the Government Sector
- vii) Social investment
- viii) Inclusion and Financial Education Initiatives

For 2012, the third Corporate Social Responsibility report the Bank publishes will be prepared. The purpose will be to report on the progress made in previous matters during 2011.

5. OPERATIONS WITH SHAREHOLDERS AND ADMINISTRATORS

Operations with shareholders administrators are in line with the general policy of the Bank. These operations are duly specified in **note 26** to the financial statements.

The Bank reports that in accordance with the terms of Article 57 of Decree 2649/1993, the information and statements appearing in the financial statements have been duly verified and obtained from the accounting records of the Bank, prepared in accordance with accounting rules and principles established in Colombia.

6. INTELLECTUAL PROPERTY AND COPYRIGHT

As provided by number 4, Article 47 of Law 603/2000, the Bank has for many years established policies of observance of rules on intellectual property and copyright, in relation to the products and services required by or proper to its work, as appropriate. The areas of Systems, Marketing and the Comptroller conduct checks across the country to control compliance with these policies, and the requirements of law. Further, the Bank, where applicable, keeps registrations of its name, brands, products, services and publications valid.

7. DISCLOSURES AND CONTROL OF FINANCIAL INFORMATION

In the terms of Article 47 of Law 964/2005, the Legal Representatives of the Bank during the second half of 2011 discharged the responsibility of establishing and maintaining appropriate systems of disclosure, follow-up and control of financial information, for which purpose they effectively relied on systems of control and follow-up, and on specialized risk areas, to ensure that the financial information transmitted to the various organizations is appropriate. The Legal Representatives, are aware of the responsibility implied in the handling of different risks in the banking business, and are fully aware of the way in which they match the general strategy of the Bank, and are informed as to the processes, the structural business and the nature of the activities.

The Legal Representatives provide permanent support and follow-up to the Bank's business, issuing directives regarding the granting of credit, setting policies and limits of action by type of market, product or business unit, defining the risk profile of the Bank; they adopt measures as required to face new financial risks; they establish the organizational structure required and evaluate the methods used in risk management, using modern technological infrastructure, and clear, concise and timely information tools, to exercise permanent control on *1- Credit and Counterpart Risk, 2- Market Risk, 3 – Liquidity Risk, 4 - Operating and Legal Risk, and 5 - Money-laundering Risk* inherent in the Banking business, as recorded in **note 33** to the Financial Statements.

Further, the Legal Representatives constantly validate all activities, transactions and operations of the Bank, to ensure that they are within the parameters permitted by current regulations and authorized by the Board and senior management.

Furthermore, the Legal Representatives conduct evaluations with the Audit Committee, the Statutory Auditor and the Board, of the operations and internal controls which enable the Bank to record, process, summarize and appropriately present financial information. At the same time, they analyze cases which may affect the quality of financial information, and methodological changes in their evaluation.

8. FORESEEABLE EVOLUTION FOR THE INSTITUTION

In 2012, the Bank will consolidate objectives defined in its strategic planning which will enable it to continue to commit itself increasingly to the process of bankarization and in social responsibility and the growth of Colombia, as a solid, efficient and leading member of the financial system. As part of this, the Bank will deepen its relations with its customers and make them more profitable, improving the value of the value offer available to them, and increasing its presence and coverage in Colombia and abroad through optimum channels, specialized models, qualified staff, and its range of subsidiaries, technological and physical infrastructure, and its collective strategy for inorganic growth.

BOARD OF DIRECTORS AND PRESIDENT

The Directors and President thank all of the Bank's staff for their collaboration, which has been paramount in obtaining the results presented in this report.

PRINCIPAL

Luis Carlos Sarmiento Gutiérrez

Sergio Uribe Arboleda

Alfonso de la Espriella Ossio

Carlos Arcesio Paz Bautista

José Fernando Isaza Delgado

ALTERNATE

Guillermo Perry Rubio

Jorge Iván Villegas Montoya

Ana María Cuéllar de Jaramillo

Sergio Arboleda Casas

Álvaro Velásquez Cock

PRESIDENT

Alejandro Figueroa Jaramillo

ANNEX 1

RISK

CREDIT RISK

During the second half of 2011 as part of strategies set for new consumer credit customers, a number of improvements were introduced into INNOVA, the decision tool for granting credit. Among the most important of them was the integration of INNOVA into the liability customer engagement flow for pre-approvals of credit products. This was designed to encourage the offer of asset and liability product packages from the moment that a customer becomes engaged. Another improvement relates to adjustment in the calculation of income and capacity for indebtedness for customers requesting the payroll installment loan product, and this enables that approval strategies and credit exposure to be optimized.

In 2011 development has also begun on the flow vehicle purchase credit, in the integrated financial information system (SIIF). This involves the logic of the decision engine for the administration of business strategies, and credit policies established for this type of loan. It enabled decision-making to be optimized, based on the customer's risk profile, and comprehensive management of all information and the expressing of applications, from the time they are received through to disbursement.

Further developments were introduced in order to offer credit products in a more expedite manner, integrating consultation and validation of customer information with the use of parameters and definitions of credit risk, in accordance with customer profiles. The strategy enabled products such as student loans (*Crediestudiantil*), and the youth card (*Tarjeta Joven*) to be placed more widely, using the Bank's sales force at the universities, along with the offer of credit for the acquisition of shares in Grupo Aval.

With regard to strategies designed for the management of current consumer loan customers, the operating process was optimized for risk evaluation through mass campaigns, achieving greater standardization, automation and process control. This meant that the activities of deeper penetration of customers can continue to be developed more efficiently, in order to offer cross-sales of products, or increased or updated limits, "topping up" products, and administration of preventive blocking.

Regarding commercial loans, the process of monthly evaluation and follow-up continued, taking account of statistical models which include payment record and financial information about customers. In addition, there were improvements to the early warning systems for customers classed A and B who show operating losses or high levels of indebtedness in their most recent financial statements, or customers who are classed at a higher level of risk by other financial institutions. During June 2011, 17 Loan Evaluation Committee meetings were held, covering all regions and commercial segments.

These Committee meetings made reviews to establish whether customers identified had a risk higher than those perceived by the models, taking account of the particularities of each customer. This follow-up identified risk situations which might affect the performance of these customers, and set in train an action plan for managing them.

In addition, as there was a quarterly follow-up of commercial loans by economic sector, evaluating 25 macro sectors, in order to monitor risk levels and the concentration of commercial lending. This evaluation enables controls to be exercised to ensure that macro sectors evaluated and did not offer risks of more than 10% to the Bank, and that action plans could be implemented if a particular sector was showing a change in those risk levels.

Among the improvements introducing the first half of 2011 for credit risk management, was a development and optimization of follow-up reports, issued monthly for commercial, consumer and micro-loans. These reports are reviews of the evolution of, and variation in, loan quality indicators, and provide follow-up to groups of each type of loan, and distribution of the placement of loans by commercial segment and type of loan.

TREASURY RISK

Comprehensive management of the various risks is fundamental in the Bank's strategy and decision-making process to conduct treasury operations. There is a clear separation between trading activities, monitoring and control of processing and accounting through which independence and autonomy are obtained for appropriate risk control.

The appetite for risk is directly related to the annual budget fixed by Senior Management according to the Bank's overall strategy, bearing in mind opportunities for increase in business and market share, their liquidity and capital impact.

The amount and type of risks to be taken on are determined by establishing limits for the different portfolios that are managed on the basis on internal policies providing for risk measures, methodologies in terms of product valuation and construction of interest rate curves. The internal VaR model is based on the Risk Metrics methodology of JP Morgan. For each risk factor, volatility (standard deviation) and correlation with the other factors are measured. Later, all positions are broken-down in their flows and distributed into various risk factors by mapping. After that, the positions are totaled by risk factor and multiplied by their corresponding volatility to obtain the Risk Value by each factor. To calculate Volatility, Co-variance and Correlations statistical adjustments are applied to allow to incorporate the most recent events that condition risk levels borne (EWMA Exponentially weighted moving average).

Furthermore, a historical simulation model that allows to calculate the risk value (VAR) based on the behavior observed on market prices with a 99% reliability level and a one day time horizon, using samples of 101, 251 and 1251 daily observations.

Finally, as an additional control measure, the sensitivities to the movements of the underlying Price or risk factor associated to the different positions are controlled daily: Exchange Rates (Delta), volatilities (Vega), interest rates (Rho) or even time elapsed.

These methodologies are periodically evaluated and subjected to back testing to determine effectiveness. The Bank also has tools to conduct portfolio stress or sensitization tests, under simulation of extreme scenarios.

On the other hand the Bank manages credit risk in treasury operations through allocation of counterpart quotas by product, and the use is monitored on a daily basis by the Treasury Risk Management.

The treasury business continued to be supported, independent from the risk function, and promoting the use of leading edge tools and systems to keep the quality of the risk measurement and analysis. Under these guidelines, the Treasury Risk Management has been backing the implementation of the new release of the Summit FT treasury application.

Finally, it must be mentioned that during the second half of 2011, additional operational and accounting controls were implemented. Thus, the Bank worked specifically on issues such as verification of closed transactions through applications such as Bloomberg and/or Reuters, settlement of transactions with derivatives, logging of counterpart limits to transactional and control systems. Likewise, work was undertaken to strengthen monitoring, auditing and traceability processes of treasury operations.

LIQUIDITY RISK

During the second half of 2011, the Bank continued to manage liquidity risk according to the standard model provided by Chapter VI of Basic Accounting and Finance Circular Letter of the Colombian Financial Superintendency, and in accordance with the rules concerning liquidity risk management using the basic principles of the liquidity risk management system (SARL), including the minimum prudential parameters that financial institutions must observe in their operation to efficiently handle the liquidity risk they are exposed to.

It is worth mentioning that starting on December 30, 2011, the Colombian Financial Superintendency changed the calculation of Liquid Assets modifying the liquidity haircut applied to available assets and those investments that make up these, from 7 to 33 days; such haircut is calculated every month by the Banco de la

República (Central Bank) and reflects the premium a financial institution must pay for conducting repo, interbank, or buy-back transactions. Likewise, it provided that institutions must maintain a high quality liquid asset level – understood as available and those liquid assets the Central Bank receives for monetary expansion and contraction operations, equivalent to 70% of the total liquid assets minimum. Finally, it changed the calculation of the Liquidity Gap and provided an additional measure for the liquidity risk through the “Liquidity Ratio” at 7 and 30 days, defined as liquid assets in terms of the percentage of the modified liquidity gap, the values of which must be higher than 100%.

In this sense, a positive Liquidity Risk Indicator (IRL) at 7 and/or 30 days reflects appropriate liquidity conditions; while a negative one involves an exposure to the liquidity risk which activates a rigorous protocol with the Colombian Financial Superintendency to restore the IRL its minimum level. This, in serious and/or imminent situations could force the Bank to having to implement adjustment or recovery plans for liquidity matters, or even to be intervened by the Surperintendency. The liquidity indicators at 7, 15 and 30 days the Bank had during the second half of 2011, are summarized below:

| Liquidity Risk Indicators | | | | |
|---------------------------------|------------------|------------------|------------------|------------------|
| Figures in millions of Pesos \$ | Average | Minimum | Maximum | Latest |
| LRI 7 DAYS | 2,877,346 | 810,515 | 6,303,184 | 6,303,184 |
| LRI 15 DAYS | 2,167,755 | -207,459 | 5,911,592 | 5,911,592 |
| LRI 30 DAYS | 1,152,658 | -760,504 | 5,378,621 | 5,378,621 |
| LIQUID ASSETS | 3,735,615 | 1,733,083 | 6,605,702 | 6,605,702 |
| LIQUIDITY RATIO 7 DAYS | | | | 2184% |
| LIQUIDITY RATIO 15 DAYS | | | | 952% |
| LIQUIDITY RATIO 30 DAYS | | | | 538% |

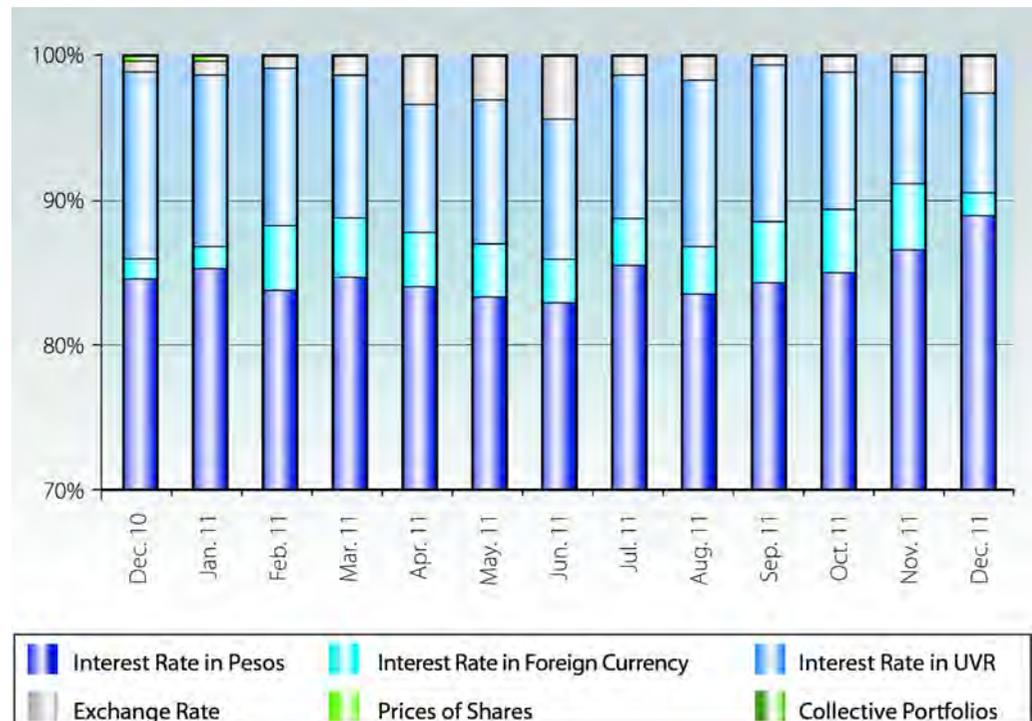
During the second half of 2011 Banco de Bogotá had sufficient funds for its operations, meeting the requirement of positive Liquidity Risk Indicator at 7 days.

VaR Maximum, Minimum and Average Values

| Figures in millions of Pesos \$ | Minimum | Average | Maximum | Latest |
|--|----------------|----------------|----------------|----------------|
| Interest rate in Pesos | 244,552 | 255,087 | 269,912 | 252,843 |
| Interest rate in foreign currency | 4,533 | 10,656 | 13,539 | 4,533 |
| Interest rate in UVR (Real Value Unit) | 19,862 | 28,418 | 35,769 | 19,862 |
| Exchange Rate | 1,119 | 3,964 | 7,129 | 7,129 |
| Shares | 244 | 250 | 256 | 256 |
| Total VaR | 284,623 | 298,374 | 316,131 | 284,623 |

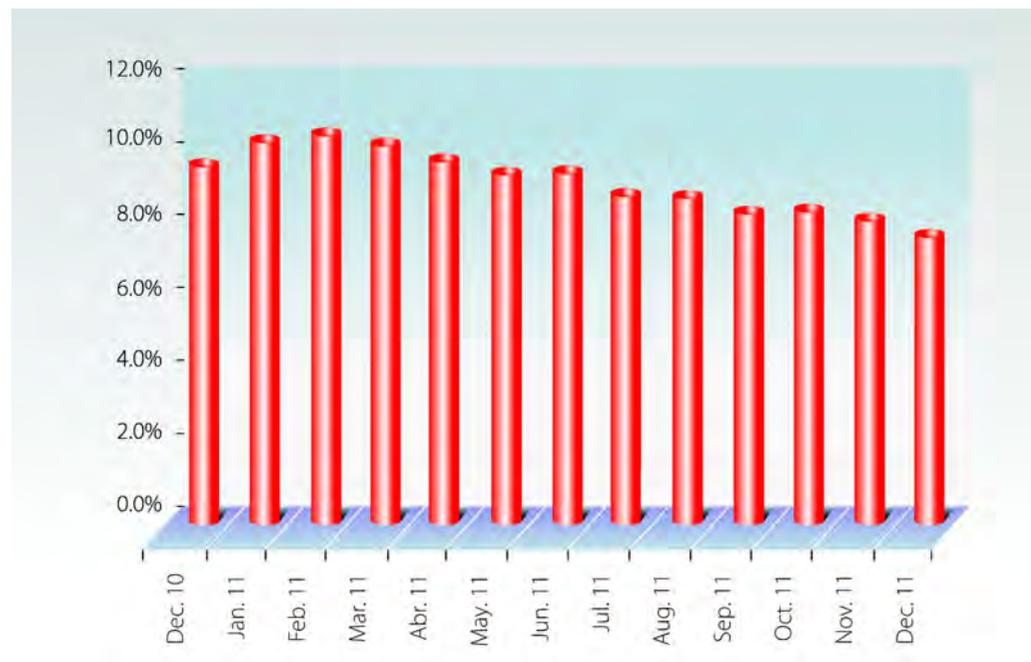
In turn, the positions which had the most impact on the VaR are associated to interest rate factors in Pesos \$ and UVR. If the share of the interest rate factors in Pesos, foreign currency and UVRs are added, during the analyzed period average levels of 98.6% were reached.

Percent Share of Value in Market Risk



Finally and as a consequence of the behavior in the VaR, Weighted Assets by Market Risk as a percentage of the Total Weighted Assets by Risk (WAR) had an average of 8.2% of the WAR total.

Weighted Assets by Market Risk / total Assets Weighted by Risk



OPERATIONAL RISK

During the second half of 2011, measurement and integration of controls associated to risks resulting from service to the Financial Consumer and the enforcement of the Sarbanes Oxley (SOX) Law in the processes which make up the Bank's operational model were conducted. Likewise, the matrixes of tax processes and consolidation of financial statements were updated. The risk and control matrix for risk management of the financial consumer was prepared, such that on December 31st, the operating risk profile has the risks and controls of 171 processes.

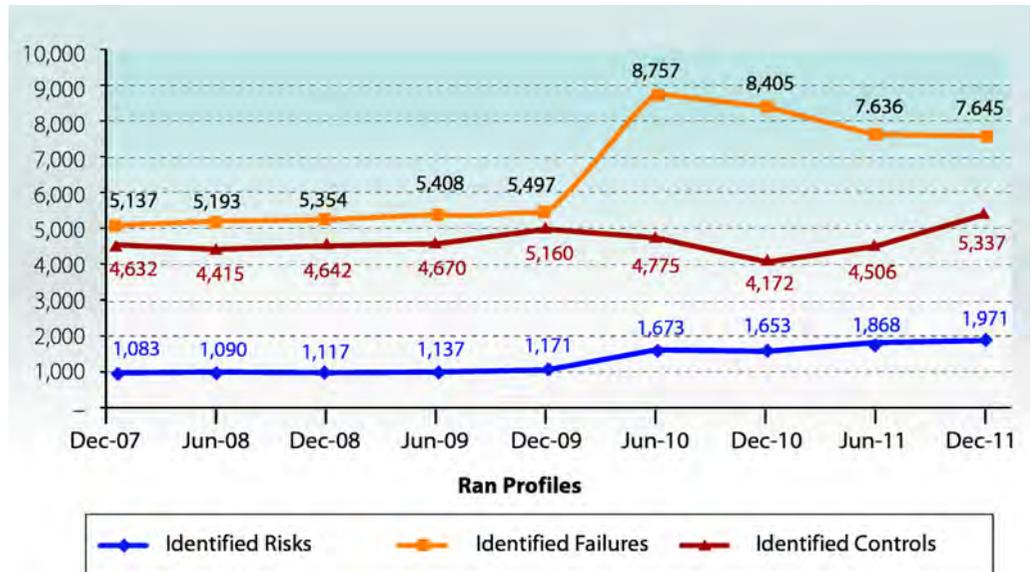
Monitoring continued to focus on event analysis, follow up of action plans to mitigate risks and accounting conciliation of accounts allocated for logging of losses resulting from operational risk events. Furthermore, a board of risk indicators was created which started with those processes for which figures are available for calculation.

Review of Risk Profile

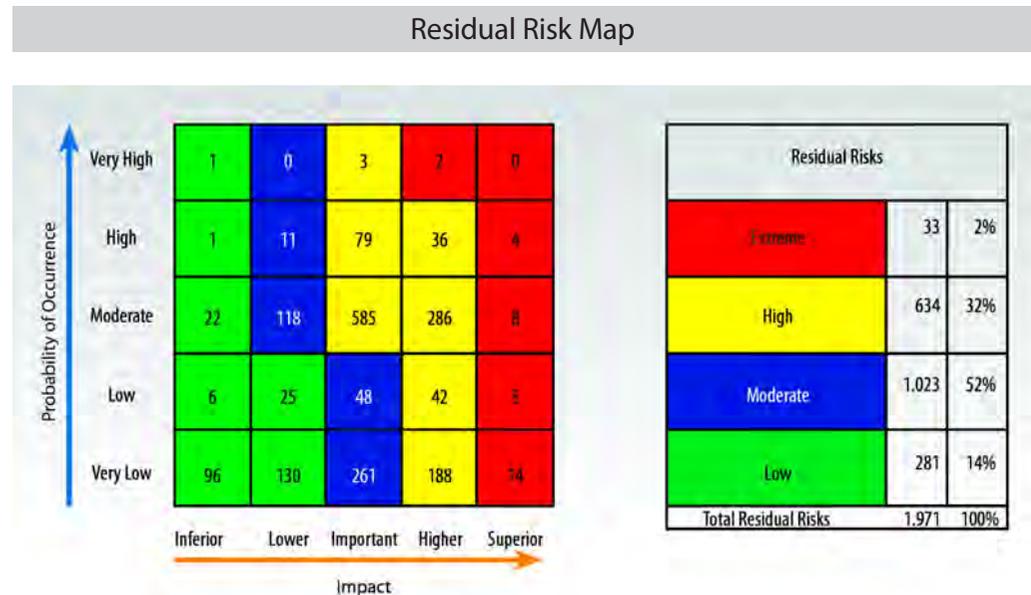
Since December 2007 the Bank's risk profiles have been updated at the close of each half year period. To calculate the risk profile at December 31st of 2011, in addition to the changes introduced on account of financial consumer risk issues and enforcement of the Sarbanes Oxley Law, efficiency tests of the controls conducted in the second half of the year by the Financial Risk Management were taken into account. Furthermore, the results of the audit reports prepared by the Statutory Auditors and the Bank's Comptroller, including changes in the risks on account of process redesign made by the Systems and Operations Division (to meet requirements, develop and implement new projects, new structures, new products and services, etc.) were considered.

The graph below shows the evolution of the Bank's risk profile.

| Ran Profiles | | | | | | | | | |
|---------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| | Dec-07 | Jun-08 | Dec-08 | Jun-09 | Dec-09 | Jun-10 | Dec-10 | Jun-11 | Dec-11 |
| Processes evaluated | 193 | 196 | 199 | 200 | 200 | 194 | 170 | 170 | 171 |



According to the residual risk rating, the Bank's risk profile at December 31st, 2011, is as shown below:



OPERATIONAL RISK EVENTS

During the second half of 2011, 4,174 operational risk events in the amount of \$7,053 million were recorded and conciliated, 80.5% of which (\$5.680 million) are recorded in seven accounts: Losses by fraud in Credit Cards in legal currency (17.0%), Losses in Savings Accounts (\$14.6%), Fines and Penalties Other Authorities (\$14.2), Losses in Current Accounts (11.3%), Losses in Cash and Clearing (8.9%), Lawsuits in Administrative, Judicial or Arbitration Proceedings (8.6%) and Damage to Third Parties for Operational Flaws (5.9%).

Furthermore, there were recoveries for events that took place in previous fiscal periods amounting to \$2,220 million.

Classification According to Event Type (Basel)

According to the Basel Classification of Risks, 92.9% of the events resulted from external fraud (51.6% \$3,640 million), Filing and Administration of Proceedings (35.8%, \$2,524 million) and Internal Fraud (5.5%, \$389 million).

In terms of external fraud, the biggest incidence events result from forgery or copying of the magnetic band of debit and credit cards, 1,007 events amounting to \$1,972 million; payment for clearing of twin checks or forged savings withdrawal

vouchers amounting to \$476 million; theft of cash in branches amounting to \$295 million; impersonation of customers in credit operations amounting to \$162 million, 25 events.

Concerning mistakes in the execution and administration of processes, events result mostly from application provisions (application provision of LEASING SUPERIOR \$540 million) and fines levied by the Industry and Trade Supervisory Authority, \$500 million.

Internal fraud resulted from illegal acts with time deposits, payments to retired people and undue use of debit cards not yet delivered to customers.

CONTINUITY BUSINESS PLAN

Business Impact Analysis (BIA)

The information obtained from the update of impact analysis carried out on 22 critical processes was consolidated as well as some support processes considered necessary.

Continuity Strategies

Work continues to be done with the Technology Management in the implementation of the technological infrastructure purchased by the Bank in late 2010, to provide back up to Treasury and International processes; such implementations have been done both at the Contingency Computer Center and the Contingency Operations Center, with an 85% completion level.

Based on the results of the BIA minimum necessary resources for the contingency operation of critical processes were identified. Therefore, the strategies of processes already backed up by the continuity plan were adjusted and strategies were defined for critical processes.

Process Recovery Plans

An update for the 22 recovery plans of critical processes was performed. Among changes in the plans, the following may be mentioned: update of continuity directories, update of resources required to support plans and update of the location of positions in Contingency Operations Center.

Test Scheme of Recovery of Critical Processes

In total, 17 tests of some elements of the recovery plans were conducted, 6 of which were complete and 11 partial. Of these tests 14 had satisfactory results, the 3 remaining ones had aspects to be improved, 1 of which was already solved and the other 2 are being redefined and adjusted.

Communications Plan for Crisis

Satellite Telephones purchased by the Bank were subject to maintenance and test to guarantee communications between the city of Bogota and regions whenever there may be a major event affecting communication channels of fixed and mobile phones. This task has allowed identifying some aspects that require adjustments both in telephones and antennas that receive the signal in the buildings where they are installed. Furthermore, a training process for the staff who use them was conducted to start periodic tests.

Sensitization and training plan

837 staff were trained on the spot and 364 are part of the process recovery teams, 226 are officers of the PAB courses (Managers, Heads of Service, and PAB-SENA), and the remainder are bank staff supporting the business continuity plan management.

As at December 2011, approximately 81% of the Bank staff took the virtual course of the Business Continuity Plan.

DRP Tests and Contingencies

In order to make the infrastructure currently backed up at the Alternate Computer Center sustainable, closed tests, scheduled real tests and unscheduled real contingencies were conducted, to make sure that the services can operate when the Bank needs them.

Regional Data Center

With the leadership of the Aval Holding, the Regional Data Center started a consultancy arrangement with IBM so as to implement a second level or regional recovery site. The purpose thereof is to assess financial feasibility of enabling the technological infrastructure to support critical business processes and keep the necessary human resources to make this infrastructure sustainable.

LEGAL RISK

With regard to the legal risks to which the Bank is exposed, it should be noted that in necessary cases contingencies have been duly provided against where appropriate.

The Bank, following instructions by the Colombian Financial Superintendency Circular Letter 066/2001, made a valuation of claims against the Bank based on the analysis and opinions of the lawyers responsible.

Note 31 to the Financial Statements details of the cases against the Bank may be found.

ANTI-MONEY LAUNDERING AND FINANCING OF TERRORISM

The Bank continues to be committed to manage the risk of money-laundering and financing terrorism, in order to prevent and control any use which may give the appearance of lawfulness to assets from proceeds of criminal activities, or to channeling of funds towards terrorist activities, or any act banned by local law.

In the second half of 2011, the Bank engaged in SARLAFT activities, which are in accordance with the regulations of the Banking Law Article 102 and Law 195/1995, Law 1121/2006 and Title I, Chapter 11 of the Colombian Financial Superintendency Basic Legal Circular Letter, establishing responsibilities for the supervised institutions in SARLAFT matters.

The risk management scheme for SARLAFT and to acknowledge national and international events related to AML risks, the Compliance Control Unit analyzes the major press publications, pages and journals specialized on the subject and various media. The purpose of this process is to identify people who may become a risk to the Bank.

By applying the methodologies, procedures and policies of the risk management system of AML, as provided by the Manual of Procedures SARLAFT and according to the methodology approved by the Board of Directors, the identification process, measurement and control for each one of the risk factors, customer, channel, product and jurisdiction were performed in this second half period.

The Bank has designed controls related to the customer factor, which allows it to mitigate exposure to the risk by AML. These controls are managed to keep the residual risk for this factor at a low level.

The process of control of user transactions is done through monitoring through the ATM network, cash windows at branches in relation to collections, advances, beneficiaries of cashier's checks, collections through vouchers and barcodes, wire transfers, and endorsement operations. The analysis of these operations is made in terms of amount, frequency, type of user, average, card type, number of transactions, user origin, account type, agreements, among others. The intention is to identify the habits of users in order to detect unusual items which are then analyzed and processed as required by local law.

As a means of mitigating inherent AML risk, the Bank identified the risk for channels, taking into account its evolution (opening of new branches), the inherent risk was measured, specific controls for procedures related to channels, and finally it was determined that residual risk has the appropriate level for the Bank.

In this half-year, the jurisdictional risk was at a low residual value. For this factor, control and transaction follow-up was effected in the different cities where the Bank operates, through the SMT-SARLAFT application, with additional analyses through

the various channels on which follow-up is exercised. Furthermore, the jurisdiction factor was also analyzed considering international jurisdictions, based on a follow-up of foreign currency operations.

The behavior of the product risk factor at the end of the half-year was at a minimal level, mitigating the consolidation residual risk of the Bank. Under the terms of Article 102 of the Banking Law, branch managers and CEOI managers perform control on customer and user transactions in order to ensure that the Bank is not being used by criminals in the perpetration of unlawful activities, using tools and instruments developed as appropriate for such work.

Attention to the requirements of the authorities responsible for investigating money-laundering and financing of terrorism-related cases and the crimes from which they arise, was implemented in accordance with the legal procedures adopted by the Bank, matching the terms of the Code of Ethics and Conduct and the SARLAFT procedure manual, where the instructions of Colombian regulations are framed within the general concept of banking secrecy, and the raising of the same.

Through the Compliance Control Unit Management, Banco de Bogotá has been following up and coaching the affiliates to provide support concerning SARLAFT adopted by each of them to mitigate such risk.

According to the results of the various stages related to SARLAFT and enforcement of its various elements, pursuant to the reports of the supervisors, the Comptroller and the Statutory Auditor, and the reports submitted by the Compliance Officer to the Board, the Bank applies appropriate AML risk management practices, in line with related regulatory parameters.

ANNEX 2

MAJOR REGULATORY MEASURES

LIQUIDITY IN THE ECONOMY

In the second half of 2011, the Board of the Central Bank made successive increases to the base rate raising it during this period. After having maintained increased the base rate from 3% to 4.25% during the first half of the year, such Board decided to increase it by 25 basic points at meetings of July 29 and November 25; consequently the rate remained at 4,75% at the close of 2011.

In the same period the Central Bank adjusted the interest rate of the monetary expansion window (Lombard Rate), on the same occasions as the base rate, increasing from 5.25% in the beginning of the second half of 2011 to 5.75% at the end of the same year.

ORDINARY BANK INTEREST RATE

Resolution 1047 of June 30, 2011, the Colombian Financial Superintendency certifies the Ordinary Bank Interest (IBC) for the modes of micro, consumer and ordinary loans. Thus, it sets a rate of 18.63% AER for consumer and ordinary loans, and 32.33% AER for micro loans.

On September 30, 2011 by Resolution 1684, the Colombian Financial Surveyor again certifies the IBC for micro, consumer and ordinary loans, thus setting the IBC at 19.39% AER for consumer and ordinary loans and at 33.45% for micro loans. The rate for consumer and ordinary loans will be effective between October 1st and December 31st, 2011, while the rate for micro loans will be valid up to September 30, 2011.

EXCHANGE MARKET AND TRANSACTIONS

The Colombian Financial Superintendency, by means of Circular Letter 65, July 8, 2011 advises financial institutions on the obligations the intermediaries of the exchange market must fulfill. It is reminded that exchange market intermediaries must comply with the obligations of the standards issued by the Central Bank. Therefore, such intermediaries must request that the exchange declaration be submitted, provide information to the Central Bank about the exchange transactions performed, as well as provide information and cooperate as may be required by the authorities and keep the documents that support exchange transactions.

FOREIGN CURRENCY POSITION

External Circular Letter 32 dated August 3, the Colombian Financial Surerintendency amended the format concerning the control of foreign currency position, cash own position, and gross leverage position for exchange market intermediaries. Thus, the names of the related sub-accounts are changed with the assets and liabilities

in foreign currency in order to include in the cash foreign currency transactions those that will be enforced up to 3 days after performing them, according to the amendment made by external Resolution 4 of the Central Bank.

DERIVATIVES

The Colombian Stock Exchange (“Bolsa de Valores de Colombia” – BVC), in Derivatives Regulatory Bulletin 14, amends the Single Newsletter of the Derivatives Market to incorporate some functional improvements performed in the system. In this sense it is stated that the request for annulments may only be filed by telephone call or e-mail if the system does not operate properly.

Decree 4766 dated December 14, 2011 the regulations concerning the dividends of stock listed in the National Securities and Issuers Register (RNVE) and those listed in securities quotation systems abroad. Thus, three business days minimum are provided as prudential time between the earning of dividends and payment thereof and two business days are established as minimum time to be considered as ex-dividend period for purchase and sale transactions with stock listed at the RNVE.

LOAN PORTFOLIO

The Colombian Financial Superintendency, by external newsletter 27 of July 7, 2011, amends basic accounting and financial newsletter concerning the evaluation and re-rating of the loan portfolio. Thus it is provided that overseen institutions must assess and modify the rating of their loan portfolio if debtors have filed a bankruptcy proceeding or are subject to any administrative or judicial proceeding. Furthermore, the results of the assessment must be made available this Superintendency.

COLLECTIVE LOAN PORTFOLIO

By Circular External Letter 52 of the Colombian Financial Superintendency, instructions are given on risk rating of collective loan portfolios, as well as the valuation of investment in securities and other entitlements of an economic content.

Thus, the basic legal newsletter is amended to provide for the minimum content of management and administration of loan risk for collective portfolios. On the other hand, the basic legal accounting financial newsletter is amended to provide that the final price for valuation of securities and other entitlements of an economic content depends on future flows and a valuation adjustment that depends on the risk inherent in the principal.

DEPOSIT INSURANCE

The Guarantee Fund for Financial Institutions by External Letter 37, August 31, 2011 increases the terms for implementation of the Information System for Placement of Public Auctions (SICOP), which will be the only means to provide information concerning issues and placements of institutions supervised by the Colombian Financial Superintendency. Thus, it is provided that up to February of 2012, information must be sent both through SICOP and the formats indicated in external newsletter 10 of 2001 to conduct a series of internal and external tests to guarantee the sound operation of the system.

TAXES

The Colombian Financial Superintendency through Circular Letter No.90 of September 30 gives the guidelines for test transmissions of the formats set out in External Circular 11 of 2011, relating to the tax base of tax on industry and trade. Thus, states that the tests were carried out by type of institution, between 3 and October 28, 2011, through Procedures and Services link web page of this Superintendency.

The tax authority (DIAN) by Resolution No.11423 of October 31, 2011, noted the content and technical features of the tax information that must be submitted by entities supervised by the Financial Superintendency. This resolution provide instructions for sending information relating to current accounts, savings, investments in collective portfolios, mutual funds and other funds, consumption and sales with credit cards, loans, among others. Deadlines for submission of information ranging from February 27 to March 26, 2012, according to the last two digits of the tax ID (NIT).

WITHHOLDING AT SOURCE

Decree No. 2521 of the Ministry of Finance add a paragraph to Article 1 of Decree 260 of 2001. This is to specify that the payments or payments on account for services or licensing rights to use software, that are made to taxpayers required to file tax returns and complementary, and have residence or domicile in Colombia, will be subjected to a percentage of withholding of 3.5%.

TAX ON FINANCIAL TRANSACTIONS

On August 2, 2011 the tax authority (DIAN) through Memorandum No. 057130 deals with exemptions Tax on Financial Transactions (GMF) stipulated in Decree 660 of 2011. In this sense, explains that, although they are free transfers between accounts opened by the same operator in credit, according to paragraph 2 of Article 8 of this decree, in paragraph 6 of this same article also considered exempt transfers between investment established in the name of the same holder in brokerage firms, trust and investment managers, so is the principle of neutrality of the tax rules.

Additionally, it is recalled that Article 276 of Law 1450 of 2011 repealed the GMF on profits or income earned on investments, including stock brokers who manage, in order to promote access to more investors to the market values.

FINANCIAL CONSUMER

External Circular Letter No. 38 of September 6, 2011 by Colombian Financial Superintendency, gives instructions relating to the financial information for consumers. Thus, paragraph 9 is added to Chapter Six of Title I of the Basic Legal Circular, which are determined, among others, general requirements, conditions of diffusion and the minimum content that must include the information provided to financial consumers.

FINANCIAL EDUCATION

On September 20, 2011 the Colombian Financial Superintendency (SFC) issued Concept No. 2011066771-001 in which addresses financial education programs. In this sense, it specifies that the presentation of a financial education project for children, in relation to Article 145 of Law 1450 of 2011, must be made to the National Economic and Social Policy (CONPES), according to the functions stipulated in Law 19 of 1958. In addition, the SFC explained that it can not promote rapprochement between supervised institutions and NGOs because, as body control, can not endorse any such organization.

RATES OF FINANCIAL PRODUCTS

The Ministry of Finance through Decree No.4809 amends Decree 2555 of 2010 compared with the norms and principles to be observed for the binding, distribution and advertising rates and prices of financial products and services. Thus, states that credit institutions must submit an annual report of total costs to customers, and must advance notice of not less than 45 days if they are to perform any increased rates, allowing the customer rescind the contracts it has with the credit institution with no place to penalty or charge. Similarly, is set at 20 units of real value (UVR) the maximum rate on account of withdrawal in ATMs belonging to another entity.

Meanwhile, the External Circular No.54 of the Colombian Financial Superintendency gives instructions for the accreditation of the fee charged for ATM withdrawals abroad. Thus, states that credit institutions can demonstrate a higher rate than the maximum provided for in Article 2.35.4.2.4 of the Decree, by submitting a certification stating that, under contracts with foreign entities, the costs of the transaction exceed the maximum rate. This rate should correspond to that reported on Form 365 "Rates of Financial Services."

CUSTOMER INFORMATION

On September 6, 2011 the Colombian Financial Superintendency (SFC) issued the Concept No. 2011062919-001 on the technological requirements for the handling of customer information and users of controlled entities. Remember that the most recent statement on this matter is the External Circular 22 of 2010, which establishes a series of measures to strengthen security and quality in the management of customer and user information, whether instruments to perform operations or distribution channels for financial services. However, it is clear that taking into account the principle of technological neutrality, stipulated by the Ministry of Communications, the circular refers not indicate a particular technological model under which these measures must be enforced. For this reason, the security system “token” is not required of entities supervised by the SFC.

BANKING SECRECY

By the Office No.100208221-00175 of September 20, 2011 DIAN is about the extent of the banking secrecy to administrative disciplinary processes developed by the entity. Thus, it is recalled that the Constitutional Court, in Case T-440, 2003, determined that the duty of confidentiality on personal information yields to the needs of public interest, for which banking secrecy does not apply in cases such as money laundering, corruption and drug trafficking. Additionally, the Colombian Financial Superintendency set to Basic Legal Circular that the banking secrecy can not protect criminal conduct, abusive or contrary to good faith. Thus, it follows that the banking secrecy is not enforceable to the requests made by officials of the Tax and Customs Office (DIAN) disciplinary authority in the exercise of their functions.

CREDIT RISK MANAGEMENT SYSTEM

Through External Circular No.43 by Colombian Financial Superintendency amending Chapters II and III of the Basic Accounting and Finance Circular concerning the valuation of collateral, the PDI and goods received in payment, and Chapter II Title II of the Basic Legal Circular Letter in connection with the use of the term technical appraisal. The main changes or inclusions in the new regulations before the project of External Circular, published in August 2011, are the establishment of a transitional regime, the implementation of the new methodology on the last updated value according to the above rules, the implementation of two new conditions under which it is necessary appraisals and technical appraisal of the term homogenization with existing regulations.

LIQUIDITY RISK MANAGEMENT SYSTEM

The Colombian Financial Superintendency by External Circular Letter No.44 amending Liquidity Risk Management System (SARL). The main changes or inclusions in the new regulations before the project of External Circular Letter, published in August 2011, are delaying their entry into force, changing the definition of total liquid assets, the change in the deadline for the weekly report until 1:00 pm on the first business day of the week, changing the daily report sent by the entities with significant exposure to this risk, and adjustment of the bands of estimated net cash requirement modified the which calculations are performed for each band of the Liquidity Risk Indicators.

OPERATIONAL RISK MANAGEMENT SYSTEM

On August 18 the Colombian Financial Superintendency issued the Concept No. 2011049279-001, which dealt with the recruitment of staff in financial institutions. It explains that the human resource is part of the factors that controlled entities should be considered in the Operational Risk Management System (SARO). In this sense, states that the application of credit history report to central information to potential employees of financial institutions is not unreasonable, given the responsibility to assist the staff who will perform duties that involve handling money savers.

ANTI-MONEY LAUNDERING AND TERRORISM FINANCING RISK MANAGEMENT SYSTEM

On December 9, 2011 the Financial Supervisory Authority issued External Circular Letter No. 28, by which instructions are issued on the Anti-Money Laundering and Financing of Terrorism Risk Management System (SARLAFT) in the field of professional change authorized by tax office (DIAN). This established requirements and policies of customer knowledge and distribution channels, and methodologies for measurement, control and risk monitoring.

