

FINANCIAL STATEMENTS

BALANCE SHEET

AT DECEMBER 31, 2011

(With comparative figures at June 30, 2011. Amounts in millions of Colombian pesos)

Assets	December 31	June 30
Cash and cash equivalents, net	\$ 3,488,259	\$ 3,263,727
Cash and due from banks (Note 4 and 26)	2,823,022	2,991,748
Money market and related asset positions	<u>665,237</u>	<u>271,979</u>
Investments, net (Notes 6 and 26)	10,725,567	10,718,785
Debt securities	<u>4,488,147</u>	<u>5,023,823</u>
Trading	482,677	468,912
Available for sale	2,586,837	1,687,259
Held to maturity	1,363,204	1,352,325
Investment transfer rights	55,429	1,515,327
Capital investments	<u>6,238,189</u>	<u>5,695,681</u>
Available for sale	6,238,189	5,695,681
Less: Provision	(769)	(719)
Loans and financial leasing operations, net (Notes 7 and 26)	26,002,171	23,924,461
Home mortgage	20,201	18,937
Commercial	20,714,007	19,438,226
Consumer	4,999,734	4,499,109
Micro	240,657	206,449
Financial leasing	880,393	562,660
Less: Provision	<u>(852,821)</u>	<u>(800,920)</u>
Acceptances and Derivatives (Notes 8 and 26)	253,125	289,045
Accounts receivable, net (Note 9)	651,567	470,891
Intereses	274,355	238,095
Financial component	4,282	2,713
Commissions and fees	17,356	17,427
Payments for client account	15,854	15,557
Other	410,421	264,692
Less: Provision	<u>(70,701)</u>	<u>(67,593)</u>
Marketable, foreclosed and restored assets and assets not used in the business (Note 10)	19,187	20,518
Property and equipment, net (Note 11)	320,523	423,491
Other assets, net (Notes 12 and 26)	984,810	1,125,383
Prepaid expenses and deferred charges	313,596	307,154
Assets for placement in leasing operations	67,434	37,677
Goodwill	510,799	521,267
Other	97,811	264,066
Less: Provision	<u>(4,830)</u>	<u>(4,781)</u>
Net valuation gains	819,645	868,256
Capital investments available for sale (Notes 6 and 26)	277,765	332,136
Property and equipment	535,504	529,744
Other	<u>6,376</u>	<u>6,376</u>
Total assets	<u>\$ 43,264,854</u>	<u>\$ 41,104,557</u>
Total contingent and memorandum accounts (Notes 24 and 25)	<u>\$ 171,648,313</u>	<u>\$ 157,491,014</u>

(Amounts in millions of Colombian pesos)

Liabilities and Equity	December 31	June 30
Liabilities		
Deposits and demand accounts (Notes 13 and 26)	\$ 28,009,198	\$ 25,690,992
Current accounts	7,105,246	5,949,638
Term deposits	8,073,773	6,208,898
Savings deposits	12,432,818	13,272,162
Other	<u>397,361</u>	<u>260,294</u>
Money market and related liability positions (Note 14)	98,778	1,700,729
Acceptances and derivatives (Note 8)	282,095	194,619
Bank loans and other financial obligations (Note 15)	3,717,309	3,964,404
Accounts payable (Notes 16 and 26)	1,029,773	922,244
Interest	93,649	57,037
Commissions and fees	3,428	4,360
Taxes	205,723	240,024
Other	<u>726,973</u>	<u>620,823</u>
Bonds outstanding (Note 17)	1,582,124	414,326
Other liabilities (Notes 18 and 26)	220,900	235,477
Long-term employment obligations	60,479	54,432
Income received in advance, deferred income	27,907	27,598
Pensions	85,012	86,303
Other	<u>47,502</u>	<u>67,144</u>
Accruals and provisions (Notes 19 and 26)	224,376	202,703
Employment obligations	8,776	7,793
Taxes	170,276	156,023
Other	<u>45,324</u>	<u>38,887</u>
Mandatorily convertible bonds	0	65,493
Total liabilities	<u>35,164,553</u>	<u>33,390,987</u>
Equity		
Capital (Note 21)	2,868	2,854
Reserves (Note 22)	4,975,308	4,638,967
Legal reserve		
Appropriation of profit	1,603,487	1,603,487
Share premium	2,922,065	2,856,592
Statutory and voluntary reserves	<u>449,756</u>	<u>178,888</u>
Surplus:	2,528,385	2,565,092
Unrealized gains on investments and derivatives (Note 23 and 26)	1,708,740	1,696,836
Net valuation gains	819,645	868,256
Profit (Loss) for the period	593,740	506,657
Total equity	<u>8,100,301</u>	<u>7,713,570</u>
Total liabilities and equity	<u>\$ 43,264,854</u>	<u>\$ 41,104,557</u>
Total contingent and memorandum accounts (Notes 24 and 25)	<u>\$ 171,648,313</u>	<u>\$ 157,491,014</u>

See the notes accompanying the financial statements

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(See my report of February 13, 2012)

STATEMENT OF EARNINGS

Half year ended on December 31, 2011
(With comparative figures for the half year ended on June 30, 2011)
(Amounts in millions of Colombian pesos, except profit per share)

	Periods	
	July 1 December 31	January 1 June 30
Direct operating income (Notes 26 and 27)	\$ 3,189,646	\$ 2,439,131
Interest and amortized discount on loans and other accounts	1,249,307	1,050,603
Profit on valuation of investments	119,120	142,216
Profit on investments available for sale	10,803	29,326
Commissions and Fees	301,578	283,568
Profit on valuation of derivatives	910,141	736,061
Profit on repo operations	4,524	3,568
Exchange	553,740	164,866
Adjustment to UVR	115	276
Profit on sale of investments	5,955	8,072
Income from leasing operations	34,364	20,574
Direct operating expenses (Notes 26 and 27)	2,030,574	1,379,950
Interest on deposits, demand accounts, loans and other financial obligations	512,779	402,841
Loss on valuation of investments	5,104	0
Commissions	74,575	67,538
Loss of valuation of derivatives	1,029,713	649,542
Loss on repo operations	5,608	3,348
Exchange	397,895	251,706
Loss on sale of investments	4,900	4,975
Direct operating result	1,159,072	1,059,181
Other operating income (expenses), net	5,239	9,695
Operating income (Notes 26 and 27)	635,886	588,424
Dividends and other capital yields	360,656	295,165
Other	275,230	293,259
Operating expenses (Notes 26 and 27)	630,647	578,729
Payroll	219,703	210,472
Other	410,944	368,257
Operating result before provisions, depreciation and amortizations	1,164,311	1,068,876
Provisions	407,056	412,518
Investments	91	27
Loans and leasing operations	372,697	376,164
Accounts receivable	31,753	27,721
Other (Note 28)	2,515	8,606
Depreciation - own assets in use (Note 11)	22,106	21,178
Amortizations	24,342	26,900
Net operating result	710,807	608,280
Non-operating income (Notes 26 and 29)	61,891	67,691
Non-operating expenses (Notes 26 and 29)	9,388	11,481
Net non-operating result	52,503	56,210
Profit before tax	763,310	664,490
Income tax (Note 30)	169,570	157,833
Profit (Loss) for the period	\$ 593,740	\$ 506,657
Profit per share (pesos)	\$ 2,076.3	\$ 1,888.2

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STATEMENT OF CHANGES IN EQUITY

Half-year ended on December 31, 2011
(with comparative figures for the half-year ended on June 30, 2011)
(Amounts in millions of Colombian pesos)

	Legal Reserve			Statutory and Voluntary Reserves	Surplus			Total Equity
	Capital	Appropriation of Profit	Share Premium		Unrealized Profit / (Loss)	Net Valuation Gains	Result for the period	
Balance at December 31, 2010	\$ 2,382	1,446,262	637,946	175,505	1,719,196	781,895	393,181	5,156,366
Capital increase and share premium from conversion of mandatorily convertible bonds	472		2,218,646					2,219,118
Appropriation of voluntary reserves July-December 2010				(175,502)			175,502	0
Formation of voluntary reserves July-December 2010				178,886			(178,886)	0
Donation to the Bank's Employees Fund							(10)	(10)
Cash dividends payable April-September 2011 at \$135.00 per share on 284,385,064 paid shares							(230,352)	(230,352)
Cash dividends payable April-September 2010 at \$135.00 per share on 2,451,377 shares to bondholders							(2,210)	(2,210)
Increase to legal reserve from appropriation of net profit July-December 2010		157,225					(157,225)	0
Movement in the period					(22,360)	86,361		64,001
Profit January-June 2011							506,657	506,657
Balance at June 30, 2011	2,854	1,603,487	2,856,592	178,888	1,696,836	868,256	506,657	7,713,570
Appropriation of voluntary reserves, January-2011				(178,886)			178,886	0
Formation of voluntary reserves, January-June 2011				449,753			(449,753)	0
Increase in capital and share premium from conversion of mandatorily convertible bonds	14		65,473					65,487
Donation to the Bank's Employees Fund							(10)	(10)
Cash dividend payable October 2011-March 2012 at \$137.00 per share on 285,483,463 paid shares							(234,667)	(234,667)
Cash dividend payable October 2011-March 2012 at \$137.00 per share on 1,352,978 shares to bondholders							(1,112)	(1,112)
Movement for the period					11,904	(48,611)		(36,707)
Net profit, July-December 2011							593,740	593,740
Balance at December 31, 2011	\$ 2,868	1,603,487	2,922,065	449,756	1,708,740	819,645	593,740	8,100,301

See the notes accompanying the financial statements

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STATEMENT OF CASH FLOWS

Half-year ended on December 31, 2011
(With comparative figures for the half-year ended on June 30, 2011)
(Amounts in millions of Colombian pesos)

	December 31	June 30
Cash flows from operating activities:		
Profit for the period	\$ 593,740	506,657
Adjustments to reconcile profit for the period and net cash provided by operations activities:		
Provision against investments	91	27
Provision against loans and leasing operations	372,697	376,164
Provision against accounts receivable	31,753	27,721
Provision against foreclosed assets	2,187	7,753
Provision against other assets	209	807
Provision for severance	10,068	10,449
Provision for pensions	4,621	6,360
Depreciation	22,106	21,178
Amortizations	24,342	26,900
Profit on sale of investments, net	(1,055)	(3,097)
Profit on sale of foreclosed assets, net	(511)	(3,802)
Profit on sale of property and equipment, net	(509)	(7,347)
Recovery of provision against investments	(24)	(82)
Recovery of provision against loans and leasing operations	(226,777)	(250,645)
Recovery of provision against accounts receivable	(14,981)	(11,938)
Recovery of provision against foreclosed assets	(8,166)	(2,082)
Recovery of provision against property and equipment	(13)	(84)
Recovery of provision against other assets	(160)	(571)
Recovery other provisions	(2,734)	(2,274)
Profit on investment valuations	(114,016)	(142,216)
Changes in operating assets and liabilities		
Increase in accounts receivable	(197,448)	(165,236)
Increase in foreclosed assets	(9,305)	(12,580)
Decrease (Increase) in other assets	71,592	(385,234)
Decrease (Increase) in deferred income tax	44,590	(20,307)
Increase in accounts payable	104,026	217,097
(Decrease) Increase in other liabilities	(21,915)	24,349
(Decrease) Increase in employment obligations	(1,649)	4,596
Increase in accruals and provisions	24,407	63,450
Payment of pensions	(3,330)	(4,576)
Payment of severance	(2,372)	(15,771)
Total adjustments	<u>107,724</u>	<u>(240,991)</u>
Net cash provided by operating activities	<u>701,464</u>	<u>265,666</u>
Cash flows from investment activities		
Decrease in investments	98,512	233,329
Increase in loans	(1,905,758)	(2,477,788)
Increase in leasing operations	(317,873)	(217,566)
Decrease (Increase) in acceptances and derivatives	35,920	(97,064)
Additions to property and equipment	(45,317)	(252,733)
Proceeds of sale of foreclosed assets	17,127	2,948
Proceeds of sale of property and equipment	126,701	177,970
Net cash used in investment activities	<u>(1,990,688)</u>	<u>(2,630,904)</u>
Cash flows from financing activities		
Increase in deposits and demand accounts	2,318,206	1,802,810
(Decrease) Increase money market liability positions	(1,601,951)	1,499,548
Increase in acceptances and derivatives	87,476	17,739
Decrease in bank loans and other financial obligations	(247,095)	(43,750)
Increase (Decrease) in bonds outstanding	1,167,798	(198,507)
Increase in accumulated unrealized gains and losses on market operations	0	21,614
Dividends paid	(232,277)	(211,335)
Donations	(10)	(10)
Decrease (Increase) in conversion of mandatorily convertible bonds	(5)	4
Net cash provided by financing activities	<u>1,513,756</u>	<u>2,872,336</u>
Net increase in cash and cash equivalent	224,532	507,098
Cash and cash equivalent at the beginning of the period	<u>3,263,727</u>	<u>2,756,629</u>
Cash and cash equivalent at the end of the period	<u>\$ 3,488,259</u>	<u>3,263,727</u>

See the notes accompanying the financial statements