December 31 and June 30, 2011
(Amounts expressed in millions of Colombian pesos)

1. Reporting Entity

Banco de Bogotá ("the Bank") was incorporated as a private commercial bank by Public Deed 1923 of November 15, 1870. The Bank has its Corporate office in Bogotá, D.C. The Financial Superintendency last renewed its operating license on September 24, 1993 in Resolution 3140. According to its Articles of Incorporation, the Bank's legal existence will expire on June 30, 2070, but this term may be reduced by dissolution or increased by extension. The business of the Bank is to perform all operations and enter into all contracts permitted for commercial banks, subject to the requirements and limitations of Colombian law.

Recent significant changes to the Bank´s Articles have been:

- The absorption of Banco del Comercio S.A. in a merger (Deed 3594, December 30, 1992)
- Approval that dividends should be declared in equal amounts for all paid shares (Deed 1722 June 5, 1997)
- Updating of corporate functions of the directors and management, giving them specific functions related to the approval, disclosure and control of provisions of the Code of Good Government (Deed 891, April 11, 2002)
- The merger of the Bank with Banco de Crédito y Desarrollo Social MEGABANCO S.A. (Deed 3690, November 7, 2006).
- Formalization of the merger of Leasing Bogota into the Bank (Deed 4608, May 24, 2010).

At December 31, 2011 the Bank had 7,598 full-time employees, 279 on traineeship agreements and 801 temporary staff. A further 3,790 staff were engaged by specialized outsourcing. There were 563 offices, 5 Corporate Service Centers, 3 SME Service Centres, 45 payment centers, 18 Business Advisory units, 13 own-code cash extensions, 95 cash extensions with no own code, 14 Office Extensions, 7 Premium offices, 21 round-the-clock Service Centers, 95 non-banking correspondents, 13 Servicaja points and 4 Basic Offices; an Agency in New York and an Agency in Miami. It also owns 100% of foreign subsidiaries Banco de Bogotá S.A. Panama and Banco de Bogotá Finance Corporation, Cayman Islands, and Leasing Bogotá S.A. Panamá, which includes BAC Credomatic GECF Inc. Other subsidiaries and investments are detailed in Note 6.

The attached financial statements combine the assets, liabilities and results of Colombian offices and the New York and Miami Agencies, but do not consolidate the financial statements of the Bank with subsidiaries. Consolidated accounts are prepared separately.

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

2. Summary of Accounting Policies

a) Basic Accounting Policies

The accounting policies and the preparation of the financial statements of the Bank are in accordance with accounting standards established by Colombian Financial Superintendency and otherwise with accounting principles generally accepted in Colombia.

b) Cash equivalents

Money-market assets positions and similar items are considered to be cash equivalents for the purposes of reporting cash flows.

c) Asset and Liability Positions in Money Market Operations

This account records interbank operations, repos, simultaneous operations and temporary transfers of securities.

Ordinary interbank funds.

These are funds received from or placed by the Bank in or from another bank directly with no agreement to transfer investments or loans. These are operations related to the banking business agreed at terms of up to 30 days provided and their purpose must be to place excess liquidity or fund shortages of liquidity. This also includes overnight operations with banks abroad, using Bank funds.

Yields are credited to earnings.

Operations not paid off in the term given are legalized and recorded as loans, unless the operation is with Banco de la Republica.

Repos

A repo is an operation in which the Bank acquires or transfers securities in exchange for cash, with the commitment to re-transfer the ownership of the securities to the "counterpart" that day or subsequently at a set price with securities of the same kind and characteristics.

The initial amount may be calculated with a discount on the market price of the securities. It may be agreed that during the course of the operation the securities initially delivered may be exchanged for others and that restrictions may be placed on the mobility of the securities involved.

Yields are recorded in this account, calculated exponentially during the term of the operation, and are then recorded in the earnings statement.

Securities transferred in repo operations are placed in contingent debtor or creditor accounts depending on whether the repo is open or closed.

Simultaneous operations

A simultaneous operation takes place when the Bank acquires or transfers securities in exchange for cash, assuming the commitment to transfer or acquire ownership again on the same day or subsequently at a set price, with securities of the same kind and characteristics.

The initial amount may not be calculated with a discount on the market price of the securities, and it may not be agreed that initial securities may be exchanged for others, and no restrictions may be placed on the mobility of the securities.

Yields accrued by the acquirer are recorded in this account as paid by the disposer as the cost of the simultaneous operation, during the course of the same.

The difference between the present (cash) value and the future (final transfer) value is treated as a financial yield calculated exponentially during the term of the operation, and are then recorded in the earnings statement.

Amounts transferred in a simultaneous operation are recorded in contingent debtor or creditor account as asset or liability positions, as appropriate.

Temporary transfers of securities

The Bank transfers ownership of certain securities with an agreement to re-transfer them on that date or subsequently. At the same time the counterpart transfers ownership of other securities or cash for the value of the securities engaged in the operation, or more.

d) Investments

This account includes investments acquired by the Bank for secondary liquidity, for the acquisition of direct or indirect control of a company in the financial sector or engaged in technical services, or to meet requirements of law or regulation, or solely to eliminate or reduce market risk affecting assets, liabilities or other items in the financial statements.

The various types of investment are classified, valued and recorded as described below:

Classification	Term	Characteristics	Valuation	Recording
Trading	Short term	Acquired to make profits from price fluctuations.	Uses fair prices, reference rates and margins published daily by the Stock Exchange BVC. Investments in public or private debt issued abroad by foreign issuers are valued on the basis of checked generic dirty prices published by a reputable information platform. On days when a valuation price is not to be found or cannot be estimated, the valuation is made exponentially based on the internal rate of return. Valuations are made daily.	The difference between book and market value is charged or credited daily to the value of the investment with a credit or charge to earnings. This procedure is followed daily. Investments are valued at market after acquisition and therefore the changes recorded refer to the current market value compared to acquisition price.
Held to maturity	Until maturity	Securities of any type that the Bank seriously, wishes to hold to maturity or redemption and have the legal, contractual and financial capacity to do so. These investments may not be part of liquidity operations, repos or simultaneous operations or temporary transfers of securities except where they are also mandatory investments subscribed in the primary market and the counterpart in the operation is the Central Bank, the Ministry of Finance or the Colombian Treasury or entitles subject to Superintendency supervision. Likewise, they may be delivered in guarantee at a central counterparty risk clearing house to secure compliance with operations accepted by the clearing house for clearing and settlement.	Exponentially based on the IRR calculated at the time of purchase. Valuations are made daily	Present value is calculated as an increase to the value of the investment and the difference with the previous value is recording in the earnings statement. This procedure is followed daily. Yields payable and pending collections are recorded as an increased value of the investment.

Classification	Term	Characteristics	Valuation	Recording
Debt securities available for sale	1 year	Securities and in general any type of investment that the Bank seriously, wishes to hold to maturity and has the legal, contractual and financial capacity to do so for at least a year after classification into this category. On the first business day following completion of that year, the investment may be reclassified as Trading, or Held to Maturity. Otherwise they will continue to be classified as "available for sale". Investments in this category may be used as guarantees in a central counterpart clearing house to support performance of operations accepted by it, through to clearing and settlement. These investments may also be used in liquidity operations and repos simultaneously or in temporary transfers of securities	Using fair prices, reference rates and margins published daily by the Stock Exchange. Investment in public debt or ´private debt issued abroad by foreign issuers are valued on the basis of verified information of the generic dirty price published by a reputable information platform. On days when it is not possible to find or estimate a valuation for the security, it is valued exponentially based on its IRR. Valuations are made daily	Changes to the value of low/minimum turnover or unquoted securities are recorded as follows: - The difference between present value on valuation date and the existing book value is recorded as an increase to the value of the investment, which is credited to earnings. - The difference between market value and present value is recorded as an unrealized accumulated gain or loss in the equity section. This procedure is followed daily
Capital securities available for sale	None	Investments by which the Bank becomes co-owner of the issuer. They include high, medium low and minimum turnover or unquoted securities, held by the Bank as parent or controlling interest in Colombia or abroad. These investments need not be held for a year in order to be sold.	Equities listed on the Securities and Issuers Register (RNVE) : • These are valued at the price published by Superintendency-authorized agents. If there are no operations to set a price, the variation in equity values is used. Unit funds and securitizations are valued at the unit value calculated by the fund manager on the day prior to valuation. • Equities listed only on foreign exchanges Valued at the closing price or failing that, the most recent quotation reported by the exchange in the last five dealing days. If there are dealings on more than one exchange abroad, the value in the market of origin is taken, and converted to pesos.	Low/minimum turnover or unquoted - The difference between latest updated market value and current book value is recorded as follows: If the new market value is higher, the difference is used to reduce any provision or downward adjustment made until it is exhausted, and any excess is then recorded as a revaluation surplus If the new market value is lower, any surplus is reduced until exhausted, and any excess is recorded as a downward adjustment. - If dividends or profits are distributed in kind, including those corresponding to the capitalization of the equity revaluation account, are

Clasificación	Plazo	Características	Valoración	Contabilización
			• Equities listed on foreign securities quotation systems authorized in Colombia: • These are valued at the price given by Superintendency-authorized agents in Colombia. Unlisted equities are valued monthly using values of financial statements not more than 3 months old. Acquisition cost is adjusted upwards or downwards by the percentage share held in subsequent variations in the value of the issuer calculated on the basis of certified financial statements at June 30 and December 31 each year, or more recent statements if available.	recorded as income for the portion recorded as a revaluation surplus, charged to the investment and the surplus is reversed. If dividends or profits are distributed in cash, the amount recorded as valuation surplus is treated as income, reducing the surplus, and the amount of dividends that exceeds this is recorded as a reduction in the value of the investment. High and Medium Turnover The updating of the value of high- and medium-turnover securities or securities listed on internationally-recognized exchanges abroad is recorded as an accumulated unrealized gain or loss in the equity section, and credited or charged to the investment. This process is effected daily. Dividends or profits distributed in cash or in kind, including those derived from the capitalization of the equity revaluation account, are recorded as income for up to the amount corresponding to the investor in respect of dividends or the equity revaluation of the issuer recorded by the latter from the date of acquisition of the investment, charged to accounts receivable.

Reclassification of investments

If an investment is to be kept in a given category of classification it must satisfy the characteristics or conditions proper to the group of investments of which it forms part.

The Superintendency may at any time order the reclassification of a security if it fails to satisfy the characteristics of the class in which it is classified, or reclassification may be required to achieve better disclosure of the financial situation.

Investments may be reclassified following the rules below.

Any of the following situations will allow reclassification from "held to maturity" to "trading":

- Significant deterioration in the conditions of the issuer, its parent, its subsidiaries or its related parties.
- Changes in regulations that prevent the investment from being maintained
- Merger processes requiring reclassification to maintain the previous interest rate risk status or to adapt to credit risk policies adopted by the resulting institution.
- Other events not provided for, subject to permission from the Superintendency.
- There may be reclassification from "investments available for sale" to "trading" or "held to maturity" when
- One year in that classification has elapsed.
- The investor ceases to be a parent or controlling entity, if this involves a decision to sell the investment or the principal purpose of obtaining profits from short-term price fluctuations as of that date.
- Significant deterioration in the conditions of the issuer, its parent, its subsidiaries or its related parties.
- Changes in regulation which prevent the maintenance of the investment.
- Merger processes requiring reclassification to maintain the previous interest rate risk status or to adapt to credit risk policies adopted by the resulting institution.
- The investment passes from "low/minimum turnover or unquoted" to "high/medium turnover".

Investment repurchase rights

This account corresponds to restricted investments which represent the collateral for investment repurchases.

The Bank retains economic rights and benefits associated with the security, together with all other inherent rights and risks, although, in legal terms, ownership is transferred when the repo is closed.

These securities are valued daily and differences are recorded in the balance sheet and in earnings using the methods and procedures applicable to trading investments held to maturity and available for sale.

Investments delivered in guarantee

These are in investments in debt securities delivered to guarantee derivatives operations, which can be settled in cash as established in the agreement or regulations of the securities dealing system, the recording system for securities operations or the system for offset or settlement.

These securities are valued daily and recorded in the balance sheet and earnings statement as required by the methods and procedures for investments classed as "available for sale".

Provisions or Losses due to Credit Risk Ratings

Unrated securities or provisions:

Securities or securities that do not have an external rating or are issued by entities that are not qualified will qualify as follows:

Category	Risk	Characteristics	Provisions
A	Normal	Satisfies the terms agreed in the instrument, with sufficient capacity to pay capital and interest.	None.
B	Acceptable	Issues which involve factors of uncertainty which may affect the capacity to continue to comply with debt-servicing obligations. Also, financial statements and other available information show weaknesses that may affect the financial situation.	Net value may not be more than 80%.
C	Appreciable	Issues with high/medium probability of default in capital and interest payments. Also, financial statements and other available information show weaknesses in the financial situation which compromise the recovery of the investment.	Net value may not be more than 60%. For debt securities, the recorded value may not be more than 80% of face value net of amortizations
D	Significant	Issues in default of agreed terms, in which the financial statements and other available information contain serious shortcomings in the financial situation such that the probability of recovery is very low.	Net value may not be more than 40%.
E	Uncollectable	Issues for which the financial statements and other available information suggest that recovery is impossible; and issues for which no financial statements have been available dated less than six months prior to June 30 and December 31, each year.	Full provision

Securities of issuers/ externally-rated issues.

Securities that have one or more ratings, or whose issuers have been rated, by rating agencies recognized by the Superintendency may not be recorded for more than the following percentages of face value net of amortizations to date:

Long-term rating	Max. value %	Short term ratings	Max value %
BB+, BB, BB-	(90)	3	90
B+, B, B-	(70)	4	50
CCC	(50)	5 & 6	0
DD, EE	(0)	5 & 6	0

Estimates of provisions against Term Deposits under this section use the rating of the issuer.

Provisions against investments held to maturity for which a fair market price can be established in the terms applicable to trading investments or investments available for sale, represent the difference between book value and the fair price established.

e) Loans and Leasing Operations

These accounts record loans made by the Bank in the various modes permitted by local rules and regulations. Loans are funded by the Bank's own capital, public deposits and other internal and external sources.

Loans are recorded at their face or disbursement value, except for factoring operations, where portfolios are recorded at cost.

The loan portfolio contains four classes of loans:

Commercial Loans

A "Commercial Loan" is a loan made to an individual or corporate entity for organized economic activity other than a micro-business.

Consumer Loans

"Consumer Loans" are credits granted to individuals to finance the purchase of consumer goods or payment of non-commercial or business services, other than microcredit.

Home Mortgage Loans

These are housing loans to individuals for the purchase of new or used housing, or the construction of individual houses. Under Law 549/1999, these are denominated in pesos or constant-value units (UVR) and collateralized by a first mortgage on the property acquired.

Term is between 5 and 30 years. These loans may be prepaid at any time without penalty. In the case of partial prepayments the debtor may choose between a reduction in the monthly installment and a reduction in the total term of the loan. Further, interest is payable on the outstanding peso or UVR balance of these loans, payable in arrears and not subject to capitalization. The loans may be for up to 70% of the purchase price or a professional valuation made not more than six months before the granting of the loan, In the case of loans for "social interest housing" the loan may be for up to 80% of the price. All properties financed in this way must have fire and earthquake insurance.

Micro-credits

This is the group of loans referred to Article 39 of Law 590/2000 as amended and loans to microbusinesses where the principal source of repayment is the revenues earned by the business.

The balance of debt may not exceed 120SMLM (approximately US$30,000) at the time of approval of the loan. The "balance of debt" is the sum of financial debt in the debtor´s name on databases consulted by the lender, excluding home mortgage loans and including the amount of the proposed new loan.

A microbusiness is an active economic unit formed by an individual or a corporate entity engaged in urban or rural business, farming, industry, trade or services with not more than ten workers or not more than 500 SMLM (approximately US$125,000) of assets.

Evaluation Criteria – Credit Risk

The Bank permanently evaluates credit risk on its loans, both when granting them and along their life, including restructurings. Its Credit Risk Management System (SARC) is composed of credit risk policies and administrative procedures, reference models to estimate or quantify expected losses, a system of provisions to cover credit risk and internal control processes.

Loans are granted on the basis of knowledge of the borrower, capacity to pay, characteristics of the agreements, including financial terms, guarantees, sources of repayment and macroeconomic conditions that might affect the outcome.

The process of loan approvals involves a series of variables for each portfolio to select the borrowers who match the Bank´s profiles, as a basis of classification. The methods and procedures used enable credit exposure to be monitored and controlled for each individual portfolio and for the overall loan portfolio, avoiding excessive concentration by debtors, sectors, groups, risk factors, etc.

The Bank constantly monitors and classifies credit operations in the terms on which they were originally processed, which are based, amongst other things, on the historical comportment of the portfolios and individual loans, particular characteristics of debtors, loans and supporting guarantees; credit record with other institutions and financial information from the sector to establish the debtor's financial situation; and sector and macroeconomic variables that may affect the normal course of an operation.

The evaluation of the capacity to pay of regional government agencies complies with the terms of Law 358/1997, Law 550/1999, Law 617/2000 and Law 1116/2006.

Evaluation and Reclassification of Loans

The Bank evaluates loans and changes classifications when a fresh analysis or new information justifies it.

The Bank complies with this regulatory requirement by considering the credit record of the debtor in other institutions, and in particular if at the time of evaluation the debtor has restructured operations reported in credit bureaus or other sources. Client credit performance is updated monthly for part-payments, full payments, write-offs and ageing of arrears.

If a loan falls into arrears again after a restructuring, it must be reclassified immediately.

Classification of Credit Risk

The Bank classifies credit operations based on the above criteria, using the following categories of credit risk and minimum objective conditions:

Category	New	Existing Commercial	Existing Consumer
AA	New loans classed AA when approved	Existing loans up to 29 days past due	Loans classed AA by the MRCO method
A	New loans classed A when approved	Existing loans 30-59 days past due	Loans classed A by the MRCO method
BB	New loans classed BB when approved	Existing loans 60-89 days past due	Loans classed BB by the MRCO method

Continues

Category	New	Existing Commercial	Existing Consumer
B	New loans classed B when approved	Existing loans 90-119 days past due	Loans classed B by the MRCO method
CC	New loans classed CC when approved	Existing loans 120-149 days past due	Loans classed CC by the MRCO method
Default		Existing loans over 150 days past due	Loans more than 90 days past due

The Bank applies the following table to indicate equivalences in indebtedness and recording in the financial statements:

Group Category	Commercial	Consumer
	AA	AA
A		Arrears now 0-30 days
	A	Arrears now over 30 days
	BB	BB
	B	B
C	CC	CC
	C	C
D	D	D
E	E	E

When the Bank classifies clients "Default" under the Superintendency reference model, the equivalences are as follows:

Group E = Defaulting clients are considered to have a probable loss of default of 100%

Group D = Other clients classified as in default.

For the purposes of equivalence in consumer loans, current arrears as shown in the table above, should be understood as the maximum recorded by the debtor in aligned products.

For debtors not classified as "Default" on a classification date, Consumer Reference Model users apply the following model, depending on the segment. The model produces a score which is a product of the particular characteristics of the individual debtor from the following equation:

$$Score = \frac{1}{1 + e^{-z}}$$

Where, z varies depending on the debtor´s segment. The score is then matched to the Superintendency´s table, shown below.

Scores up to:			
Classification	Automobiles	Other	Credit Card
AA	0.2484	0.3767	0.3735
A	0.6842	0.8205	0.6703
BB	0.81507	0.89	0.9382
B	0.94941	0.9971	0.9902
CC	1	1	1

The Bank is required to classify debtors into a higher risk category if there are additional elements of risk to justify it.

Home Mortgage and Micro Loans are categorized as follows:

Category	Micro	Home Mortgage
"A" Normal	Up to 1 month past due	up to 2 month past due
"B" Acceptable	1- 2 months past due	2-5 months past due
"C" Appreciable	2-3 months past due	5-12 months past due
"D" Significant	3-4 months past due	12-18 months past due
"E" Unrecoverable	Over 4 months past due	Over 18 months past due

Restructuring processes

The restructuring of a loan is held to be an exceptional mechanism formalized by a legal instrument designed to change the original conditions so that the borrower can still service the debt in the face of some real or potential deterioration in his capacity to pay. There are also the mechanisms of Law 550/1999, Law 617/2000 and Law 1116/2006 as amended or supplemented, Special Restructurings and Novations.

Fiscal Restructuring (Law 617/2000)

The restructurings under the Fiscal and Financial Recovery Program in Law 617/2000 introduced sovereign guarantees cover loans made to regional government by financial institutions supervised by the Financial Superintendency, subject to certain requirements, one of which is that the regional government entity must sign a fiscal adjustment agreement by June 30, 2001. The guarantee covers 40% of loans outstanding at December 31, 1999 and 100% of new loans made for fiscal restructuring.

The features of this type of restructuring allow reversal of reserves against debt which is part of the operation for the portion with Government guarantees. The portion not so covered retains the classification at June 30, 2001.

If the restructuring agreement is not performed, the borrower's classification returns to that of the higher risk which applied prior to the restructuring.

The debtor must have complied with all the terms of a restructuring operation in order to improve his rating.

If a regional government agency goes into default, any debt outstanding at the time of default and not covered by a sovereign guarantee must be reclassified to "E".

Special Restructurings

In special restructuring operations under Superintendency Circular 39/1999 and up to December 31, 1999 the Banks could reverse provisions or improve the classification of a restructured debtor if he deserved to be classified "A" or had serviced at least two installments of interest or made one repayment of capital, and had obtained a certificate of compliance with a Performance Agreement and has the capacity to pay in accordance with the terms of the agreement.

Restructuring Agreements

Up to the effective date of Law 550/99 operations, as of the date on which negotiations begin, the Bank ceases to accrue interest and may maintain the classification then given to the debtor. But if the client is classified "A", he must be reclassified at least to "B" and the entire balance of accounts receivable is provisioned.

If negotiations fail, the loans is classified "E- unrecoverable".

If a client is admitted to restructuring under Law 1116/2006, the Bank suspends the accrual of yields and classified the client in accordance with his situation at the time. If that situation then deteriorates or it is evident that the agreement proposed does not match the bank´s expectations, the classification is reviewed and the debt is reclassified, If no agreement is reached or a court orders liquidation, the client is classified as being in default.

Special Rules for the Reclassification of Restructured Loans

Restructured loans may be restored to their previous classification provided that the agreement brings about an improvement in the borrower's capacity to pay and/or reduces the likelihood of default. If grace period are allowed for the repayment of capital, the classification is only retained if such a period does not exceed one year from the date of signature of the agreement.

Loans may improve their classifications or the "default" conditions may be changed after a restructuring only if the borrower has a proven record in repaying capital regularly and effectively and in accordance with normal performance and his capacity to pay is maintained or improved.

f) Loans Written Off

A loan may be written off if, in the opinion of management, it is unrecoverable or offers remote or uncertain recovery and has been the object of a full provision; and after exhausting all possible means of collection and with the favorable opinion of legal counsel and debt collection agencies.

The fact that a loan is written off does not relieve management from having approved or managed it nor from the obligation to continue efforts to collect.

The Board is the only organ competent to approve write-offs considered to be losses.

g) Loan and Receivable Provisions

The Bank covers credit risk with a system of provisions calculated on outstanding balances applying the commercial (MRC) and consumer (MRCO) reference models. In the case of Home Mortgage and Micro loans the provision is made as a function of the length of arrears of payment.

Commercial and Consumer Loans

The Bank has adopted the Superintendency`s Reference Model to calculate provisions.

Expected losses (provisions) are calculated as:

EXPECTED LOSS = [probability of default] x [Exposure at the time of default] x [Loss given default]

The process of segmentation and discrimination of loans portfolios and related potential borrowers should be the basis for estimates of expected losses in the reference model for commercial loans (MRC), based on segments reflecting asset level:

Classification by asset level

Size	Asset level
Large	More than 15,000 SMMLV
Medium	Between 5,000 y 15,000 SMMLV
Small	Less than 5,000 SMMLV

The model also includes a category of "Personal Loans", which covers all private individuals who have commercial loans.

The consumer reference model (MRCO) loans are based on segments by products and the financial institutions granting them in order to preserve the specialty niches in the market and the underlying products.

The Bank has defined the following segments for the reference model MRCO:

- General – Automobile. Loans made by finance companies other than consumer finance companies to purchase vehicles.
- General- Other. Loans made by finance companies other than consumer finance companies to purchase items other than vehicles. Credit card purchases are not included
- Credit card. Revolving credit for the purchase of consumer goods through plastic cards.

The commercial and consumer reference models allow the components of a loss to be defined, through the following parameters:

a. **Probability of default**

This represents the probability that debtors in a given segment will lead to a classification of default in consumer loans in the next 12 months.

The Superintendency´s matrices for the probability of default are as follows:

Commercial

	Large		Medium		Small		Personal	
Rating	Matrix A	Matrix B	Matrix A	Matrix B	Matrix A	Matrix B	Matrix A	Matrix B
AA	1.53	2.19	1.51	4.19	4.18	7.52	5.27	8.22
A	2.24	3.54	2.4	6.32	5.3	8.64	6.39	9.41
BB	9.55	14.13	11.65	18.49	18.56	20.26	18.72	22.36
B	12.24	15.22	14.64	21.45	22.73	24.15	22	25.81
CC	19.77	23.35	23.09	26.7	32.5	33.57	32.21	37.01
Default	100	100	100	100	100	100	100	100

Consumer

	Matrix A			Matrix B		
Rating	Automobiles	Other	Credit Card	Automobiles	Other	Credit Card
AA	0.97%	2.10%	1.58%	2.75%	3.88%	3.36%
A	3.12%	3.88%	5.35%	4,91%	5.67%	7.13%
BB	7.48%	12.68%	9.53%	16.53%	21.72%	18.57%
B	15.76%	14.16%	14.17%	24.80%	23.20%	23.21%
CC	31.01%	22.57%	17.06%	44.84%	36.40%	30.89%
Default	100%	100%	100%	100%	100%	100%

Thus, each debt-segment in the consumer portfolio has the probability of migrating from his current classification to Default status in the next 12 months following the general cycle of comportment of credit risk.

b. Loss given default (LGD)

This is defined as the economic loss if any event of default takes place. The loss given default for borrowers in the "default" category will undergo a slow increase as a function of the days elapsed since classification into that category.

The related guarantees must be taken into account in the calculation of expected losses upon default, and hence, for making provisions.

For the Bank, an "admissible" guarantee is one that has been formalized and has a value established by objective technical criteria, acting as legally effective support for payment of the obligation guarantees and with reasonable ease of execution.

The evaluation of this support and the possibilities of execution consider the nature, value, cover and liquidity of the guarantee itself; and the potential costs of execution and legal requirements for enforcement.

The expected loss by type of guarantee is the following:

Commercial

Type of security	Loss on default	Days default	New loss on default	Days default	New loss on default
Unsecured	55%	270	70%	540	100%
Subordinated loans	75%	270	90%	540	100%
Admissible financial collateral	0 – 12%	-	-	-	-
Commercial and residential property	40%	540	70%	1080	100%
Property leasing assets	35%	540	70%	1080	100%
Non-property leasing assets	45%	360	80%	720	100%
Other collateral	50%	360	80%	720	100%
Collection rights	45%	360	80%	720	100%
No guarantee	55%	210	80%	420	100%

Consumer

Type of security	Loss on default	Days default	New loss on default	Days default	New loss on default
Non-admissible security	60%	210	70%	420	100%
Admissible financial collateral	0 –	-	-	-	-
Commercial and residential property	40%	360	70%	720	100%
Property leasing assets	35%	360	70%	720	100%
Non-property leasing assets	45%	270	70%	540	100%
Other collateral	50%	270	70%	540	100%
Collection rights	45%	360	80%	720	100%
No guarantee	65%	180	85%	360	100%

As of October 2011 the Bank applied the following LGD where no guarantee is held:

Type of security	Loss on default	Days default	New loss on default	Days default	New loss on default
No guarantee	75%	30	85%	90	100%

In order to assess the equivalences of guarantees under loan agreements as applied to the above, the Bank makes the following classification by groups:

1. Unsecured/Inadmissible guarantee: this includes, amongst others, co-debtors, endorsers or guarantee by payroll deductions

2. Admissible financial collateral includes:

    - Cash collateral deposits, LGD of 0%
    - Standby letters of credit, LGD 0%
    - Credit insurance, LGD 12%
    - Sovereign guarantee, Law 617/2000, LGD 0%
    - FOGAFIN and similar funds, LGD 12%
    - Pledge of financial sector paper, LGD 12%

3. Collection rights

    - Escrows.
    - Pledges of regional government and other decentralized agency revenues.

4. Property and residences: as follows:

    - Mortgage trusts.
    - Real property guarantee.

5. Real estate leasing assets are classified as follows:

    - Real property.
    - Residential.

6. Non-real estate leasing assets: this covers the following types of Asset:

    - Machinery and equipment
    - Vehicles.
    - Furniture and fittings.
    - Vessels, trains and aircraft.
    - Computer equipment.
    - Livestock.
    - Software.

7. Other collateral is classified as follows:

    - Pledges on processed inventories.
    - Pledges on raw materials – commodities.
    - Pledges on equipment and vehicles.
    - Warehouse warrants or bonds.

8. No guarantee: This category contains all guarantees not classified under any of the above or without any form of guarantee.

Thus, each debtor has a different LGD depending on the type of guarantee that supports the operation.

Since guarantees are an important factor in the calculation of expected losses, there follows a description of the Bank´s policies and criteria in relation to them.

Policy for the admission and administration of guarantees

Guarantees are additional support that the Bank requests of clients in order to reduce the inherent risks of lending. Guarantees are not considered to be an instrument of payment.

Policy for requiring additional guarantees:

- When the regulations require them, in terms of credit limits.
- When the loan is for more than 3 years it should preferably have admissible guarantees.
- The guarantees may not be shared with other creditors of the client unless they have the same ranking as Bank subsidiaries abroad with affiliates or in syndicated loans.

Formalities for establishing guarantees and granting loans

- Guarantee documents must be written as drafted by the Bank's Legal Department.
- The guarantees at the time they are given refer to:
    - Guarantees on non-residential real property with a value at the time of delivery being that of a professional valuation not more than 3 years old;
    - Guarantees on equipment, the value being determined on the basis of age, i.e. of less than a year it will be the invoice value for three years; if more than a year, it will be the technical valuation at the time it is delivered.
    - Guarantees on vehicles will use the Fasecolda value guide or failing that a market valuation published by the Ministry of Transport.
    - Guarantees on other assets will be for the value at the time of delivery from a technical valuation made.

Administration of guarantees

- The debtor must ensure that the guarantee is properly maintained; the Bank´s commercial officer for the account is responsible for compliance:
    - Supervision of the establishment of the guarantee,
    - Verification of the existence and validity of the insurance policies
    - Review of documentation and information required and supervision of filing
- The Guarantees Control System assists this work as follows
    - Information on insurance policy expiry; and
    - Information on documents.
- The Document Administration Center is responsible for the custody of guarantees

Distribution of guarantees

- A loan may be supported by a guarantee of the debtor, or of someone other than the debtor.
- Guarantees are allocated to complete 100% of loan balances.

Open guarantees

- If the guarantee covers several debtors, the allocation is made as a priority to those with the greatest potential LGD.

- If several loans have the same LGD because they are for account of the same debtor, priority is given to that with the highest balance.
- Guarantees available are allocated in ascending order of LGD.
- For loans with no deferred income, the guarantees are allocated to the exposed balances as capital, interest and other, for distribution.
- For loans with deferred income guarantees are allocated to the exposed balance after deducting the deferred income.

Closed guarantees

These guarantees only cover up to 100% of the balance of a loan balance up to the legal limit of the guarantee.

c. Asset value exposed

In the Commercial and Consumer loans, the asset value exposed is the outstanding balance of capital, interest, and receivables for interest and other items.

Home Mortgage Loans and Microloans

General Provision

There is a provision of at least 1% of total gross Home Mortgage and Micro loans.

The Bank maintains provisions at least at the following minimum levels against outstanding balances:

	Micro		Home mortgage		
Category	Capital %	Interest and other %	Secured %	Not secured %	Interest and other %
A – Normal	1	1	1	1	1
B – Acceptable	3.2	100	3.2	100	100
C – Appreciable	20	100	10	100	100
D – Significant	50	100	20	100	100
E – Unrecoverable	100	100	30	100	100

In Home Mortgage Loans, if an account has been in Category E for more than 2 years, the provision must be raised to 60.0%; and if it remains there for a further year, the provision is raised to 100.0%.

The Effect of Security on Individual Provisions

Security on loans covers only the capital sum. Therefore, the amortizable balance of secured loans is provided against for the percentage corresponding to the category of loan, applied as follows:

- For Home Mortgage loans, the unsecured portion is the difference between the unpaid balance and 100% of the value of the security. For the secured portion, it is 100% of the balance.

- For microloans, the difference between the unpaid balance and 70% of the value of the security. In these cases, depending on the nature of the security and the length of time the account has been past-due, account is taken only of a percentage of the total value of the security held, as follows:

Non-mortgage security	
Arrears	% cover
0 - 12 month	70%
12 - 24 months	50%
over 24 months	0%

Mortgage or escrow guarantee	
Arrears	% cover
0 - 18 months	70%
18 - 24 months	50%
24 - 30 months	30%
30 - 36 months	15%
over 36 months	0%

Rules of Alignment

The Bank aligns debtor classifications with the following criteria:

a. Prior to making provisions and harmonizing classifications, the Bank effects internal alignment for each debtor monthly, reallocating loans of the same to the same debtor to a higher risk category.

b. The Bank is required to consolidate its financial statements and therefore allocates all loans of the same kind to the same debtor to the same category of risk.

h) Recording of income from financial yields and financial leasing

Interest income on loans and financial leasing operations is recorded as it accrues.

Suspension of interest accrual

Loan interest, monetary correction, exchange difference and other income cease to accrue when a loan is overdue in excess of the limits shown below:

Mode	Arrears over
Commercial	3 months
Consumer	2 months
Home mortgage	2 months
Micro	1 months

They therefore do not affect earnings until actually collected, and in the meanwhile their value is controlled in Memorandum, Accounts.

If, as a result of a restructuring agreement or other kind of agreement there is provision for the capitalization of the interest recorded in Memorandum Accounts or balances of loans written off, including capital, interest and other items, these amounts are recorded as Deferred Income (PUC account 272035) and amortized to earnings in proportion to amount collected.

Special rule for the provision against accounts receivable (interest, monetary correction, leasepayments, exchange adjustment and other items).

When the Bank suspends accruals of interest, monetary correction, exchange adjustment, leasepayments and income from those items, it makes a provision for the full amounts accrued and not collection for all these items.

i) Acceptances, Spot Operations and Derivatives

Bank Acceptances

An acceptance is a commercial transaction in which the bank signs a bill as acceptor, undertakes that it will, after a defined term, pay a third party (beneficiary) a bill drawn by one of its clients (requester) as a result of a sale of goods for a certain sum.

Bank acceptances have a maximum term of one year and are only issued as part of import and export transactions, or for the purchase and sale of movable goods within Colombia.

At the time of accepting a bill, the amount is entered as an asset and a liability as "Current Bank Acceptances". If not presented for payment at maturity, it is reclassified as "Non-Current". If unpaid at maturity by the purchaser of the goods, it is reclassified to a loan account "Bank Acceptances Covered".

After maturity, acceptances are subject to cash reserve requirements for demand liabilities for payment within 30 days.

Derivatives and Spot Operations

Spot operations must be settled within three working days of the day on which they are closed.

The Bank records derivatives, whose main characteristic is that the fair price of exchange depends on one or more underlying assets and settlement or satisfaction takes place subsequently. These operations have a number of objectives, including the following:

- To offer products tailor-made to client needs which, amongst other things, will act as hedging for financial risks;
- To structure portfolios for the Bank, taking advantage of arbitrage between different curves, assets and markets to obtain good profitability at low levels of commitment of capital;
- The Bank undertakes derivatives operations to hedge asset and liability risk positions on the balance sheet, or to act as intermediary for clients or to capitalize opportunities for arbitrage of exchange rates or interest rates on domestic and foreign markets.

Types of Derivative

The Bank employs a range of strategies by combining basic derivatives (forwards, call/put options and swaps) or these operations and other financial instruments. They can be instrumented and sold as a "product", thus providing a wide choice of solutions with different functions of cost and results within established limits and without involving risk factors other than those authorized.

The combinations and strategies are valued, managed, controlled and recorded in accordance with their basic components.

- Forwards

  A forward is a tailor-made derivative in which the two parties agree to purchase/sell a specific quantity of an underlying asset at some future date. The basic conditions are established – mainly, price, date and mode of delivery of the underlying. At due date the operation is liquidated by the delivery of the underlying asset or through settlement of differences,, depending on the underlying asset and the mode of delivery agreed. This latter condition may be changed during the term of the agreement through mutual agreement of the parties.

  Derivatives dealt on the OTC market may be offset and settled in the Central Counterpart Risk Clearing House (CRCC) which intervenes as a counterpart. At December 31, 2011 the Bank had 58 Forwards with CRCC.

- Options

  An option is an agreement that allows the holder the option or right - but not the obligation- to buy or sell a specific quantity of assets at a certain price and on a certain date, or over a certain period of time. The agreement binds the other party to buy or sell the asset on the date on which the holder exercises the option on conditions of quantity, quality and price contained in the agreement.

- Swaps

  A swap is a financial agreement between two parties who agree to exchange a series of cash flows on certain contracted conditions, to be settled on specific dates agreed at the beginning of the operation.

  The purpose of these operations is to reduce the risk of exchange rate variations and interest rate variations. In general, they aim to cover long-term operations with more than one residual flow.

  Swaps may refer to interest rates, or they may refer to contracts for cash flows paid by both parties in the same currency; or they may be exchange rate or currency swaps in which operational flows are denominated in different currencies.

  There are two kinds of swap: fixed/floating and floating/floating.

  An interest rate swap (IRS) is made between two parties who wish to exchange interest on payments or receipts of future flows held on different modes of interest. In this type of swap, the principal sum is not transferred and is expressed in the same currency.

  A cross currency swap (CCS) is made between two parties who wish to exchange principal sums in two different currencies for a certain period of time. During that time each party pays the interest on the principal amount received. On amortization dates and at final maturity the principal amounts are exchanged for the currency which the parties originally held, using the spot rate on the date the operation began.

  There are three types of currency swap: fixed-fixed, floating-floating and fixed-floating.

- Futures

  These are standardized contracts for settlement dates, size or face value, the characteristics of the underlying assets, and the place and manner of delivery (cash or kind). They are negotiated on the Central Counterpart Risk Exchange. The parties agree to buy or sell an underlying asset at some future date (due date) at a price agreed at the time the deal is struck.

Standardized financial derivatives are traded on the stock exchange BVC, which in turn has set rules for dealing and membership of the market. The BVC manages the dealing system, which is called X-Stream.

The Central Counterpart Risk Exchange manages the settlement and control of operational risks. It also acts as the central counterpart for BVC-dealt standardized derivatives.

When an operation is registered on the dealing system, the Risk Exchange comes between the parties to act as simultaneous buyer and seller of all open positions in the market. This makes it easier for the Bank to handle calculations of Gross Leverage Positions.

The Bank acts as a Settlement Member of the Risk Exchange to support its own operations, those of Non-Settlement Members and Third Party Non-Settlement Members under agreements.

The Bank uses the requirements of functioning of the organized market for standardized derivatives of the Risk Exchange to structure two types of financial service.

- One supports its own position as an investor with an own position to deal in standardized derivatives;
- The other uses its condition as a Settlement Member for individuals and corporate entities (Non-Settlement Members) to administer guarantees and conduct settlement processes and clearing with the Central Counterpart Risk Exchange.

In this capacity, it records contracts for Notional Future Bonds and Dollar/Peso Exchange Futures. The general conditions of these operations are:

	Notional bond future	Exchange rate future
Underlying asset	TES Fixed-rate (COP)	Superintendency TRM for the day
Contract size	COP250 million	US$50,000
Contract generation	Monthly/ Quarterly: March cycle	Quarterly in March cycle to have maturities up to one year / 6 maturities
Settlement	Physical delivery	Financial, no physical delivery
Last dealing day	Wednesday of the first week of the month	Tuesday of the second week of the month
Maturity	Friday of the first week of the month	Thursday of the second week of the month

Recording and valuation of derivatives

Following Superintendency Circular 025/2008, Resolution 1420/2008 and Circular 66/2009, financial derivatives are classified in terms of the purpose of the business:

- Hedging risks of other positions
- Speculation, for profit, or
- Arbitrage in the market.

The recording of derivatives depends on the purpose of the operation. In addition to speculative purposes, the Bank recorded derivative financial instruments to hedge foreign currency assets and liabilities, as authorized by the Directors on October 26 and December 28, 2010

As of January 1, 2010, regardless of the purpose of the operation, derivatives which provided a positive fair market price, that is, favorable to the bank, were recorded as assets, separately from the value of the right and the obligation, except in the case of options, where all entries were made in a single account. Those which produced a negative price, that is, unfavorable to the bank, should be recorded as liabilities, separated in the same way. Equally, no netting is done between favorable and unfavorable balances from different operations, even if they are of the same type.

1. Derivatives engaged for speculative purposes

   These operations appear on the balance sheet, from the date they are closed, at the fair market price. When at the initial date the value of the contracts is zero, that is to say, no physical payment or delivery is made between the parties, earnings are not affected. In the subsequent valuations, variations in the fair market price are recorded in earnings.

   On the settlement date, the balances appearing on the balance sheet are cancelled, and any difference is recorded as a profit or a loss, as applicable. If the accumulated balance of the directive on that date is positive, it is recorded as income, and if negative, as a loss. This procedure is conducted independently for each instrument, and for each settlement.

   The Bank values its derivatives daily, from the day the operation is closed onwards, using methods, parameters and sources chosen by the Bank, technically supported documented and approved by the Risks Committee; at the same time, the Superintendency issued a statement of "no objection" on September 26, 2008, in Communication 2008057950-002-000.

Operation type	Valuation and accounting
Securities forwards	In these operations the right is calculated as the value of the security at fair market price, and the obligation is the present value of the amount agreed for the purchase. In forward sales of securities, the right is calculated by obtaining the present value of the amount agreed for the sale, and the obligation is the fair market price of the security.
Currency forwards	The method of valuation for forward and spot currency operations used by the Bank is based on bringing future flows (obligations and rights) involved in the operation to present value; usually, one of these flows is expressed in USD, and the other in COP. Each flow is brought to present value by using market discount rates for dollars and pesos for the remaining term of each operation. These present values are calculated using continuous compound rates. Once the present value of the flows is established, it is a re-expressed in pesos using the Superintendency's market reference rate (TRM) The Interest rates used are those of the market, based on average devaluations in the Colombian market.

Continues

Operation type	Valuation and accounting
Options	The determination of the fair market value of a currency option closed by the Bank is estimated using the Black and Scholes methodology. The information to be used in the model for the valuation of options is obtained from financial information systems which currently provide prices for the variables involved (volatilities, risk-free rates and foreign rates). The initial recording corresponds to the premium effectively paid and variations in the fair price with regard to the initial value effectively paid, recorded in the earnings statement. Rights and obligations are recorded as contingent accounts. When the Bank buys a call or put option the accounts for the premium paid and the daily variations to the fair market price are recorded in assets. If the Bank sells an option, the accounting entry for the premium received and the daily variations to the fair market price are recorded as liabilities. On the contract settlement date, balances corresponding to the right and the obligation cancelled out, and any difference is recorded as a profit or loss on valuation of derivatives.
Swaps	The valuation of swap consists of bringing each of the future flows to present value (discounted), and turning them into the base currency of account. In order to value a swap, the Bank updates market information (interest rate curves, exchange rates), and depending on the particular characteristics of each operation, it breaks down the swap into future cash flows and calculates the total flow on each settlement date. The sum of the present values of the flows received is accounted as a right, and the sum of the series of flows delivered is accounted as an obligation. The result of the valuation on the day the business is closed is recorded as a deferred item. As of the following day and through to the settlement date from the operation, the amortization of the deferred account is effected against the valuation.
Futures	In this kind of derivative there is a daily calculation of profit and loss. The CRCC daily communicates the results of the settlement between participants, and proceeds to debit or credit them with the profits or loss realized. In the case of futures of the notional bond, if the bank has a short position it will advise CRCC of the security with which it wishes to perform its obligation, in accordance with the specifications of the basket of deliverables, and it transfers made a transfer of skirt is made through the securities deposit (DCV or DECEVAL), who confirm to CRCC that those securities have been transferred. For dollars/peso exchange rate futures, the settlement is made against the underlying TRM published for the last dealing day, against the underlying price. The value of the obligation to be recorded by the seller in his balance sheet (the right of the purchaser) in pesos and it corresponds to the price of each unit of the futures contract reported on the valuation date by the BVC, multiplied by the number of contracts and by the face value of each

Operation type	Valuation and accounting
	contract. The value of the right is recorded in the seller´s balance sheet (the obligation is for the buyer) in Colombian pesos, at the unit price set in the future contract multiplied by the number of contracts and the face value of each contract. Novated Forwards involve derivatives dealt on the OTC market in which the counterparts agree to take the instruments to a counterpart clearing house for offset and settlement. The agreement is governed by a master contract signed between the parties up to the date on which the clearing house enters the operation as a counterpart. As of that time, the clearing house rules apply and the initial agreement between the parties to the deal ceases to operate. The clearing house is required to provide the Superintendency with information on this kind of operation upon request. The accumulated balance at the time the clearing house effectively accepts the operation is carried to an account payable or receivable, as the case may be, in the name of the clearing house. The account is cancelled in the process of offset and settlement following the CRCC rules.

2. Hedging instruments

The Bank applies special accounting treatment for hedging derivatives to cover the Bank´s exchange risk in its investments in subsidiaries and agencies abroad.

These operations are designed to protect foreign currency assets and liabilities from exchange risk generated by structural positions of subsidiaries and agencies abroad.

The primary position hedged is the investment.

The recording of hedging derivatives depends on the specific type of cover involved. To hedge foreign currency assets and liabilities:

- The accumulated profit or loss of the derivative is recorded in a profit and loss subaccount provided that its value does not exceed the amount of the accumulated variation of the primary position covered, attributable to movements in the exchange rate from the time that cover began, recorded in the exchange profit and loss accounts.
- If the accumulated profit or loss of the derivative exceeds that amount, the positive or negative difference is recorded in the equity section as "Accumulated unrealized profit or loss on hedging instruments – foreign currency asset or liability hedging".
- On the date that cover ends, the accumulated result of the derivative instrument used for this type of hedging, which appears in the equity section account "Accumulated unrealized profit or loss on hedging instruments – foreign currency asset or liability hedging" is transferred to the profit and loss accounts for derivatives.

Further, the primary positions hedged are recorded as follows:

a. The primary position is still recorded at its face value for each date in the same accounts in the balance sheet and profit and loss accounts, with the same methods and dynamics as if the hedging operation had never existed.

b. From the date on which cover begins with derivative instruments, the present value of the primary position appears in Memorandum Accounts

Derivative instruments designated as hedging instruments are peso/dollar forwards with several maturity profiles. Although these derivatives cover the exchange risk, they generate volatility in the profit and loss section given the variation in the other associated risk factors such as the dollar/peso curve (interest rate differential). The purpose of the method of accounting derivatives is to isolate the effect of volatility in the profit and loss accounts, caused by variations in risk factors other than exchange risk, recording only income or expense due to exchange re-expression in the profit and loss section and putting the portion of variation in the fair price of exchange caused by other factors (devaluation, the passage of time, etc.) into the equity section of the accounts.

j) Foreclosed assets, restored leasing assets, assets not used in the business

The Bank records the adjusted value of foreclosed assets received in payment of unpaid loans in this account.

Real property received in payment is recorded on the basis of a professional market valuation. Movable assets, shares and similar capital interests are recorded at market value.

The following criteria apply to the recording of foreclosed assets:

- The initial value recorded is that specified in the court award or as agreed with debtors.
- If the property received in payment is in an un-saleable condition, its book value is increased by expenses incurred in putting it into a saleable condition.

If the proceeds of sale leave a balance over and above the value agreed with the debtor, that difference is recorded as an account payable. If the proceeds of sale are insufficient to cover the total debt, the difference is recorded as a provision.

Marketable assets are recorded at cost of acquisition or production including direct and indirect costs and expenses

Incurred by the Bank to put them into a sellable condition.

Leasing assets restored are assets recovered from clients who are in default or who do not exercise the purchase option. These assets are not subject to depreciation.

Assets not used in the banking business are assets owned by the Bank but no longer in use. They are depreciated until sold and they form part of the fixed assets for the purposes of determining compliance with the Superintendency´s limits for investments on construction and the acquisition of real property.

k) Provision Against Foreclosed Assets, Restored Leasing Assets and Assets Not Used in the Business

Real Property

Individual provisions for real property were made in accordance with the Bank´s model, approved by the Superintendency. The model estimates the maximum expected loss on the sale of foreclosed assets, taking account of the history of assets sold in the past, the inclusion of expenses incurred in the receipt, maintenance and sale of those assets and grouping into common categories in order to estimate the basis for provisions. The rate is adjusted monthly until reaching 80.0% of provision, depending on the group:

For assets received less than two years ago and assets received after October 1, 2003: an adjustment function is applied over 48 months until reaching provisions of 80.0%

Movable Assets

For movable assets, a provision equal to 35.0% of acquisition value is made during the year following receipt and a further 35.0% during the second year to a total of 70.0% of book value before provisions. If after these 2 years no extension is granted, the provision rises to 100.0% of book value. If an extension is granted, the balance of 30.0% of value will be amortized over the life of the extension.

In addition to these rules on provisions foreclosed assets in the form of investment securities must be valued using the criteria in Chapter I of the Basic Accounting and Financial Circular, including classifications as Trading, Available for Sale or Held to Maturity.

Provisions made against foreclosed assets or restored leasing assets may be reversed when the assets are sold for cash, or they are placed in financial leasing operations or as loans. The profits earned from placement in loans or under leasing agreements is deferred over the term agreed for the operation.

Rules on Time Allowed for Sale

Foreclosed assets must be sold within two years of acquisition, but they may be reclassified as fixed assets if they are required for the normal course of business, within the maximum parameter for investments in assets.

The Bank may ask the Superintendency for an extension of time for disposal. The request must be presented prior to the expiry of the initial two years.

The request to the Superintendency must show that due diligence has been exercised in attempting to effect a disposal but that disposal has not been possible. The Superintendency may grant an extension for up to two years from the expiry of the initial term, during which efforts at disposal of these non-productive assets must be continued.

l) Property and Equipment

This account records tangible assets acquired, constructed or in the process of importation or construction and permanently used in the course of the Bank's business whose useful life exceeds one year. Values include direct and indirect costs and expenses incurred up to the time that the asset is in a usable condition.

Additions, improvements and non-routine repairs which significantly prolong the useful life of the assets are capitalized. Payments for routine maintenance and repairs are charged to expense in the period in which they are incurred.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset. The annual rates used are:

Buildings	5%
Equipment, furniture and fittings	10%
Computer equipment	20%
Vehicles	20%

The Bank records acquisition cost and other costs incurred in import operations for leasing assets as "property, plant and equipment" even if it has not yet been received.

m) Branches and Agencies

This account records the operations between the Head Office, the Branch and the Agencies and between offices in Colombia and the Agencies abroad.

Balances are reconciled monthly and pending items are adjusted within 30 calendar days.

On the closing date, the Bank reclassifies net balances representing branch and agency transactions, which are then reclassified to asset or liability accounts and the respective income or expense is recorded.

n) Prepaid Expenses and Deferred Charges

Prepaid expenses are payments made in the normal course of business, the benefits of which are recovered over more than one period and are recoverable assuming continuous delivery of services.

Deferred charges are costs and expenses which benefit future periods and cannot be recovered. Amortization is calculated from the date which they contribute to the generation of income.

Accruals and amortizations are made as follows:

Prepaid Expenses

- Insurance, over the life of the policy.
- Rent, over the period prepaid.
- Equipment maintenance, over the life of the contract;
- Software and hardware updates and maintenance;
- Other prepaid expenses, over the period services are received.

Deferred Charges

- Remodeling charges are amortized over a maximum of two years.
- Software is amortized over a maximum of three years.
- Stationery is amortized as and when consumed.
- Improvements to rented property are amortized over the shorter of the remaining life of the lease not including extensions, and the probable useful life of the improvements.
- Discount on foreign currency securities placements – 2011 bond issue to be amortized in 5 years.
- Deferred income taxes (debtor) represent timing differences to be amortized in accordance with tax regulations.
- Contributions and affiliations are amortized over the period prepaid.
- Wealth tax in 48 monthly installments 2011-2014.
- Advertising, amortized over the period; but in the case of product launches or change of image, amortization may be effected over up to three years.
- Other items are amortized over the period in which it is estimated that the expense will be recovered or expected benefits will be realized.

o) Intangibles

The balance pending amortization of the goodwill of the purchase of Banco de Crédito y Desarrollo Social MEGABANCO S.A. at the close of September 2006 is amortized exponentially over 20 years.

The lines of business associated with the goodwill are subject to annual testing by an independent professional for deterioration. If there is a loss due to deterioration, the goodwill allocated to that line of business must be amortized for up to the expected value of the loss.

Valuations are made using discounted dividend flows.

p) Assets pending placement under leasing agreements

This account records new assets acquired by the Bank, pending placement under leasing agreements

q) Trust Rights.

This account records the rights arising from the execution of a trust agreement which gives the trustor or beneficiary the opportunity to exercise them in accordance with the trust deed or the law.

The transfer of one or more assets made by the trustor or beneficiary to the trustee must be recorded for accounting purposes at adjusted cost such that delivery makes no profit for the trustor and profits will only come to affect results upon formal sale of the asset(s) in trust to third parties.

r) Valuation gains

Valuation gains on investments available for sale in capital securities are recorded on the basis of equity variations of the issuer.

Valuation gains on real property are composes of the difference between net cost of the property and the market valuation provided by independent professional valuers. If a property loses value, a prudent individual provision is made.

Works of art and culture are valued taking account of their condition, originality, size and technique; and quotations for similar works.

s) Income received in advance

This account records deferred income and income received in advance in the course of business, which is amortized over the period in which they are accrued or services are rendered.

t) Pensions

The Bank applied the provisions of Decree 4565 of December 7, 2010 which changes the method for determining the proportion of the actuarial calculation to be amortized. The annual provision is linear and at December 31, 2029 100.0% of the actuarial calculation will have been amortized; as of that date amortization will be maintained at that level.

Pension payments are charged to the provision.

u) Accruals and Provisions

The Bank records provisions to cover estimated liabilities, where:

- The Bank has acquired a right, and therefore an obligation;
- Payment may be demanded or is probable; and
- The provision is justifiable, quantifiable and verifiable.
- This account also records estimates for taxes, contributions and affiliations.

v) Mandatorily Convertible Bonds

Represents the face value of bonds issued by the Bank, giving the right to holders to convert them into Bank shares

Discounts given at the time of issue are charged to subaccount 192037 (Discount in placement of mandatorily convertible bonds) and the premium to subaccount 272010 – Bond placement premium.

w) Foreign Currency Conversion

Operations in currencies other than dollars are converted into dollars and then expressed in Colombian pesos at the average Market Reference Rate (TRM) for the last business day of the month, as published by the Superintendency. At December 31 and June 30, 2011 the rate was $1,942.70 and $1,772.32 (pesos) respectively.

x) Wealth tax

The tax reform of Law 1370 (December 2009) created a wealth tax for the years 2011-2014, payable by corporate entites and individuals at the rate of 6% of net worth at January 1, 2011.

For accounting purposes, the Bank adopted a policy of recording the entire tax liability, payable in eight instalments between 2011 and 2014 against deferred charges, which are being amortized in 48 monthly instalments

y) Deferred tax debit/credit.

This corresponds to the timing differences between commercial income and taxable income, which is cancelled when the differences are reversed.

z) Contingent Accounts

These accounts record operations in which the Bank acquires rights or assumes obligations conditioned by possible future events of varying degrees of probability. Contingent debtors include financial yields and the financial component of leasepayments as of the time that accruals are suspended, and accruals under the loan or leasing operation are suspended.

These accounts also contain active leasing operations. The current portion consists of leasepayments and purchase options due within the next 12 months: leasepayments and purchase options due after 12 months are recorded as non-current.

Debtor and creditor contingent accounts also contain securities transferred under a repo or simultaneous operation.

aa) Memorandum Accounts

These accounts record third-party operations whose nature does not affect the financial situation of the Bank. They also include tax memorandum accounts which record the figures used in preparing tax returns and memorandum accounts used for internal control or management information.

bb) Net profit per share

At December 31 and June 30, 2011 net earnings per share were calculated on the average number of shares outstanding, from July 1 to December 31, 2011 and January 1 to June 30, 2011, which was 285.967.888 and 268,332,406 shares respectively. Net earnings per share were $2,076.3 and $1,888.2 respectively.

cc) Related parties

The Bank records asset and liability balances and incomes and expenses accrued in each period for operations with related parties such as shareholders, directors, management, subsidiaries and members of the Combination.

3. Principal Differences between Special Regulations and Accounting Practices Generally Accepted in Colombia

The special regulations of the Superintendency of Banks in some cases depart from accounting practices generally accepted Colombia. Examples are:

Capital Investments Available for Sale

A loss on valuation (a negative difference between book and market value) in low or minimum turnover or unquoted capital investments available for sale, reduces the value of the asset and its corresponding entry in the equity section. The general rules require that a provision be made and expensed. For high- or medium-turnover capital investments available for sale, the updated book value of the asset is reduced along with the accumulated unrealized profit or loss in the equity section.

Property, Plant and Equipment

Generally accepted practice requires that the net value of property plant and equipment whose inflation-adjusted value exceeds 20 SMLM (approximately US$4,000) at the close should be adjusted to present or market value, recording revaluations or reserves as necessary. The special regulations contain no such requirement.

Share Premium

Special regulations require that share premium be credited to Legal Reserve. Generally-accepted practices assign it to a separate account in the equity section.

4. Cash and due from banks

The detail of cash in local currency and foreign currency expressed in local currency is the following:

Figures in million COP	December 31	June 30
Local currency:		
Cash	691,162	665,960
Banco de la República	1,507,424	2,097,784
Banks and other financial institutions	108,593	52,566
Clearing	618	1,521
Remittances in transit	1,034	1,762
	2,308,831	2,819,593
Foreign currency expressed in local currency:		
Cash	2,079	2,322
Banco de la República	19	17
Banks and other financial institutions	510,214	167,173
Remittances in transit	2,025	2,689
Provision	(146)	(46)
	514,191	172,155
	2,823,022	2,991,748

Provision against cash

The following is the movement of the provision against cash:

Figures in million COP	December 31	June 30
Opening balance	**46**	**97**
Plus: Provision expensed	119	46
Less:		
Recoveries	19	11
Written off	0	86
Closing balance	146	46

Cash and local currency deposits at Banco de la República form part of the mandatory cash reserve held against client deposits.

At December 31 and June 30, 2011, the Bank had reconciliation items outstanding for more than 30 days for a total of $146 and $46 respectively. Full provision was made.

There are no other restrictions on cash.

5. Money-market and related asset positions

The following is the detail of interbank funds sold and reselling agreements:

Figures in million COP	December 31		June 30	
	Balance	Average yield	Balance	Average yield
Local currency				
Ordinary interbank funds	187,949	4.72%	32,000	4.22% *
Investment transfer commitments – simultaneous operations	359,629	4.32%	75,596	4.15%
Total local currency asset positions	547,578		107,596	
Foreign currency				
Ordinary interbank funds sold	117,659	0.62%	145,243	
Overnight operations	0		19,140	
Total foreign currency asset positions	117,659		164,383	0.27% **
Total money-market positions	665,237		271,979	

* Correspond to the weighted average local currency rate of operations current at the close.
** Corresponds to the weighted average rates current for the Miami and New York Agencies.

There are no restrictions on interbank funds sold or reselling agreements.

6. Investments

Trading, debt securities

Figures in million COP	December 31	June 30
Sovereign domestic issues and guarantees:		
Treasury issues - TES	177,554	44,012
Debt reduction issues - TRD(*)	65,118	95,146
TES UVR	6,714	18,620
Bonds: *Solidaridad para la Paz*	246	521
	249,632	158,299
Mortgage securitization issues:		
TIPS	30,275	33,860
Non-mortgage securitization issues:		
Patrimonio Autónomo Transmilenio	6,431	6,085
Issued, endorsed, accepted or guaranteed by Superintendency-supervised entities:		
Bonds:		
Bonds BANCOLDEX	0	1,747
Bonds IBR	4,639	631
Bonds CPI	25,461	21,372
Bonds BANCOLOMBIA	0	10,853
CMR Falabella S.A.	0	1,012
CDT	0	4,007
	30,100	39,622

* Mandatory investments

Continues

Figures in million COP	December 31	June 30
Issued by entities not supervised by the Superintendency:		
Convertible bonds:		
Datos y Mensajes S.A. (**)	0	17
Other public debt:		
C.D.T.CPI FINDETER	3,030	0
CDT 360 RES 274 FINDETER	4,006	0
CDT CPI 360 FINDETER	2,003	0
Bonds:		
CPI Bonds, ISA	4,202	4,270
CPI Bonds, Empresas Públicas de Medellín	1,059	3,161
Bonds, BANCOLDEX	1,745	0
EEB International Ltd.	0	56,670
TGI International Ltd.	48,971	27,933
EPM	82,957	124,530
	147,973	216,564
Issued, endorsed, guaranteed or accepted by banks abroad :		
BRADESCO	0	7,187
Emgesa global bonds	16,923	0
Bonds Pacific Rubiales Energy	1,343	7,278
	18,266	7,278
	482,677	468,912

** Fully provided against at June 30, 2011 and written off at December 31, l 2011.

Available for sale

Figures in million COP	December 31	June 30
Sovereign domestic issues and guarantees:		
Treasury issues - TES	2,203,613	1,251,429
TES UVR	277,330	351,234
	2,480,943	1,602,663
Mortgage securitization issues:		
TIPS	72,488	84,596
Other public debt:		
Bonds:		
Empresas Públicas de Medellín	28,173	0
Other securities:		
Global bonds: Emgesa	5,233	0
	2,586,837	1,687,259

Held to maturity

Figures in million COP	December 31	June 30
Domestic debt issued or guaranteed by the State or Superintendency-supervised institutions:		
TRDs	247,529	244,721
Sovereign external issues or guarantees:		
Treasury bonds	10,135	9,228
Other public debt		
Term Deposits	97,883	122,978
Agricultural Development Bonds		
Clase "A" (*)	393,009	381,923
Clase "B" (*)	604,807	584,472
	1,095,699	1,089,373
Issued, endorsed, guaranteed or accepted by foreign governments:		
US Treasury bills	9,841	9,003
	1,363,204	1,352,325

* Mandatory investments

Investment transfer rights

The detail of investment repurchase rights is the following:

Figures in million COP	December 31	June 30
Sovereign domestic issues and guarantees:		
Treasury issues - TES	26,048	1,460,886
TES UVR	2,359	24,642
	28,407	1,485,528
Investments delivered in guarantee		
Available for sale		
Sovereign domestic issues and guarantees:		
Treasury issues - TES	27,022	29,799
	55,429	1,515,327

At December 31 and June 30, 2011, the Bank evaluated all debt security investments for credit risk, except for sovereign issues and guarantees, Banco de la República issues and FOGAFIN issues and guarantees. The resulting classification was "A" - Normal, except for the convertible bond of Datos y Mensajes S.A, classed "E" – Unrecoverable at June 30, l 2011 and written off at December 31, l 2011.

There are no legal or economic restrictions in investments except for investment repurchase rights and securities delivered in guarantee to counterparts in liability repos and to the Central Counterpart Risk Clearing House, respectively.

Available for sale, capital investments

Name	Capital	% holding	Adjusted cost	Equity value	Net valuation gains	Provision	Accumulated unrealized profit	Classification
	December 31							
Low/medium turnover or unquoted								
Investments abroad								
Banco de Bogotá S.A. Panamá	US$ 49,395	100.00	$ 95,960	106,684	10,723	0	0	A
Bogotá Finance Corporation	50	100.00	97	161	64	0	0	A
Corporación Financiera Centroamericana S.A FICENTRO	779	49.78	753	30	0	753	0	E
Leasing Bogotá S.A. Panama	1,751,395	100.00	3,407,314	3,407,529	212	0	0	A
			3,504,124	3,514,404	10,999	753	0	
Investments in Colombia								
Almacenes Generales de Depósito ALMAVIVA S.A.	349	94.92	29,741	136,257	106,516	0	0	A
Fiduciaria Bogotá S.A.	20,277	94.99	80,567	121,004	40,438	0	0	A
A Toda Hora S.A.	333	20.00	264	1,387	1,123	0	0	A
Casa de Bolsa S.A.	15,223	22.79	3,940	6,053	2,114	0	0	A
Sociedad Administradora de Fondos de Pensiones y Cesantías Porvenir S.A.	73,456	35.28	189,919	279,020	89,100	0	0	A
ACH Colombia S.A.	6,595	11.91	1,139	2,296	1,158	0	0	A
Pizano S.A.	648	16.85	11,592	36,474	24,882	0	0	A
Deceval S.A. Depósito Centralizado de Valores de Colombia	12,051	1.61	553	1,051	498	0	0	A
Cámara de Compensación de Divisas	2,500	3.19	80	98	18	16	0	B
Megalínea	111	94.90	1,476	1,781	306	0	0	A
Redebán Multicolor S.A.	10,119	2.44	965	1,629	664	0	0	A
Cámara de Riesgo Central de Contraparte S.A.	40,000	1.14	456	335	(121)	0	0	A
Gestión y Contacto	868	2.04	77	147	70	0	0	A
			320,769	587,532	266,766	16	0	
High turnover or unquoted								
Corporación Financiera Colombiana S.A.	1,902	37.50	2,413,296	2,413,296	0	0	1,678,234	A
			$ 6,238,189	6,515,232	277,765	769	1,678,234	

Name		Capital	% holding	Adjusted cost	Equity value	Net valuation gains	Provision	Accumulated unrealized profit	Classification
				June 30					
Low/mínimum turnover or unquoted:									
Investments abroad									
Banco de Bogotá S.A. Panamá	US$	49,395	100.00	$ 87,544	92,494	4,949	0	0	A
Bogotá Finance orporation		50	100.00	89	146	58	0	0	A
Corporación Financiera Centroamericana S.A FICENTRO		779	49.78	687	28	0	687	0	E
Leasing Bogotá S.A. Panama (*)		1,648,180	100.00	2,925,555	3,007,543	81,989	0	0	A
				3,013,875	3,100,211	86,996	687	0	
Investments in Colombia									
Almacenes Generales de Depósito ALMAVIVA S.A.		349	94.92	29,741	133,574	103,833	0	0	A
Fiduciaria Bogotá S.A.		20,277	94.99	80,567	118,370	37,803	0	0	A
A Toda Hora S.A.		333	20.00	264	1,324	1,060	0	0	A
Casa de Bolsa S.A.		15,223	22.79	3,940	5,823	1,883	0	0	A
Sociedad Administradora de Fondos de Pensiones y Cesantías Porvenir S.A.		71,455	35.28	175,375	249,211	73,836	0	0	A
ACH Colombia S.A.		6,595	11.91	1,138	2,194	1,056	0	0	A
Pizano S.A.		648	16.85	11,592	36,345	24,753	0	0	A
Deceval S.A. Depósito Centralizado de Valores de Colombia		12,051	1.61	553	874	320	0	0	A
Cámara de Compensación de Divisas		2,500	3.19	80	83	4	15	0	B
Megalínea		111	94.90	1,476	1,593	117	0	0	A
Redebán Multicolor S.A.		10,120	2.44	965	1,520	554	0	0	A
Cámara de Riesgo Central de Contraparte S.A.		34,000	1.08	456	344	(112)	0	0	A
Gestión y Contacto		800	2.04	77	110	33	0	0	A
				306,224	551,365	245,140	15	0	
High turnover or unquoted:									
Corporación Financiera Colombiana S.A.		1,863	37.50	2,375,582	2,375,582	0	0	1,687,501	A
				$ 5,695,681	6,027,158	332,136	702	1,687,501	

* Includes securities booked as "repurchase rights" and "delivered in guarantee", which are part of the Available for Sale – Debt Securities portfolio.

At December 31 and June 30, 2011, the valuation of low-turnover securities was effected using equity variation based on certifications of the Statutory Auditor and/or Legal Representative dated not earlier than October 31 and March 31, 20111, respectively:

Investment maturities

Figures in million COP	December 31						
	0-30 days	31-60 days	61-90 days	91-180 days	181-360 days	Over 360 days	Total
Trading, debt securities	8,360	7,970	7,707	19,999	34,485	404,156	482,677
Held to maturity	214,642	658	0	322,646	498,853	326,405	1,363,204
Available for sale, debt securities (*)	0	0	6,895	0	835,484	1,799,887	2,642,266
Available for sale, capital investments	0	0	0	0	0	6,238,189	6,238,189
	223,002	8,628	14,602	342,645	1,368,822	8,768,637	10,726,336

Figures in million COP	June 30						
	0-30 days	31-60 days	61-90 days	91-180 days	181-360 days	Over 360 days	Total
Trading, debt securities	7,820	4,163	4,210	22,619	52,564	377,536	468,912
Held to maturity	198,417	31,268	0	243,952	536,145	342,543	1,352,325
Available for sale, debt securities (*)	0	0	0	0	0	3,202,586	3,202,586
Available for sale, capital investments	0	0	0	0	0	5,695,681	5,695,681
	206,237	35,431	4,210	266,571	588,709	9,618,346	10,719,504

* Includes securities booked as "repurchase rights" and "delivered in guarantee", which are part of the Available for Sale – Debt Securities portfolio.

Provision against investments

The following is the detail of movement of the provision against investments:

Figures in million COP		December 31	June 30
Opening balance		719	774
Plus:	Provision expensed	91	27
Less:	Written off	17	0
	Recovery of provision	24	82
Closing balance		769	719

Qualitative information

Objectives

The Bank Treasury follows policies and limits set by the Directors and local regulations, seeking to maximize the relations between risk and return on treasury portfolio, optimize risk-return ratios on portfolios managed, maximize relationships with clients and take advantage of opportunities detected in the markets where the Bank operates.

There is permanent follow-up of internal and external economic factors under the monitoring and control of the Risks Units, in order to ensure that Treasury objectives are achieved.

Markets in which the Bank's Treasury operates

- Internal public debt
- Private debt
- Public and private fixed-yield, foreign currency
- Currency
- OTC derivatives
- Standardized derivatives
- Money market

Risk philosophy

The Directors and Senior Management of the investment and risks area, supported by a range of tools, with well-defined processes and qualified staff secure appropriate management of risks to which the Bank is exposed.

Further, permanent follow-up of risk limits and Treasury business results and constant coordination and effective investment decision-making has meant that strategies are implemented within the approved budget and in accordance with the general policy to manage the Bank´s assets and liabilities.

Strategy

After a fairly optimistic beginning to the year, markets began to lose traction as they began to see that economic showing a less robust performance, and a more complex sovereign debt situation in Europe. At the same time, higher commodity prices pushed inflation up in most countries, and had a negative effect on economic performance.

In particular, the United States economy slowed down along the year, after having started with some vigour and, while total inflation rose moderately. Even so, high installed capacity and housing and employment helps to the pressure on prices down, and with it, the underlying inflation rate. In this context, the Federal Reserve completed its Quantitative Easing program as planned; but the expected rise in rates was put off, and there is perhaps the general feeling that there will be no movement before 2012.

Further, there was uneven growth between countries in Europe, with Germany leading the dynamics of the economy, and the peripheral characters reporting weak performance. As in the rest of the world, inflation began to rise, and in this case encourages the European Central Bank to raise its rates. These adjustments supported the performance of the euro, which gained ground against the dollar despite the situation in Europe as a whole.

Finally, in the emerging countries, central banks continued (or began) interest rate adjustment cycles, as and when economic growth started back on an upward path, and inflation began to rise in most

countries. Along with the interest rate adjustment, central banks also introduced a number of exchange measures, in order to reduce the tendency of the characters to appreciate against the dollar.

Markets-fixed yield

Treasury activity in the second half of 2011 continued to be focused on term deposits for up to 10 years, looking for greater funding stability and spread of sources, offering securities indexed to the Central Bank intervention rate, the interbank deposit rate DTF and the price index CPI, to satisfy the needs of an institutional fund market which is becoming increasingly important.

In the money market, activity was steady, with recourse to the central banks expansion window as the main tool, given the high liquidity of the market which concentrated on TES in accounts with the central bank, given the excellent performance in tax collection and the Government´s success in holding down spending towards the end of the year.

In the second half of 2011, there was a continuous and strong demand for foreign currency investments, and consequently, there was an increased use of correspondent and multilateral credit lines, exploring new possibilities of funding with development plans.

The fixed-yield portfolios were managed together with hedging operations such as notional bond futures, short sales, and forwards without delivery for TES.

There was a reduction in domestic debt bonds, mainly in the "Available for Sale" category.

In Banco de Bogota Colombia, there were no new foreign currency investments since the proceeds of returns on dollar investments plus the implied devaluation of hedging operations offered very low returns. As an alternative, positions were taken in corporate bonds denominated in pesos and payable in dollars.

In the agencies outside Colombia, some dollar positions were liquidated, taking advantage of lower interest rates. Positions were taken in Colombian corporate bonds payable in dollars and denominated in pesos in the expectation that the implied devaluations in hedging operations might fall.

Currency and derivatives

As part of the role of the Treasury, the Currency and Derivatives Desk works hand-in-hand with the commercial function, offering its products to all segments, and supporting work with training and accompaniment, and innovating and renewing products in order to add value for customers.

Banco de Bogota undertakes derivatives operations to cover asset and liability risks on its balance sheet, and for intermediation with customers. Likewise, it undertakes operations to capitalize on opportunities for interest rate or exchange-rate arbitrage in local and foreign markets.

During 2011 the Currency and Derivatives Desk has deepened its financial structures based on derivatives as a means of providing customers with mechanisms that will optimize their hedging

strategies. There was an increase in the number of operations with collars, forward extras, leveraged collars and traditional hedging products such as currency and interest rate forwards and swaps.

Also, and since the devaluation curve has been below threw theoretical differential, there have been opportunities for arbitrage in which customers can obtain peso funding at rates cheaper than they could find in the traditional market (synthetics).

The Currency and Derivatives Desk is responsible for hedging dollar asset risks, Given the new importance of the affiliates abroad after the purchase of BAC at the end of 2010, the hedging operations to cover balance sheet exchange exposure due to affiliates and agencies abroad received special accounting treatment. This means that the results of the devaluation curve movements are isolated from the Profit and Loss accounts when reflecting changes in market prices: the Earnings Statement only reflects the effect of exchange variations on the investment and related hedging instruments.

The derivatives portfolios are combinations of types of basic contract such as forwards, option for swaps, in which the original risk is covered by money market instruments or another type of derivative. For example, an exchange rate option contract generates exposure to factors such as exchange rates and interest rates at home and abroad, and these are covered with forward operations and money market interest instruments, and for other factors such as the volatility of the exchange rate, which can only be covered with option contracts.

The Bank has risk management policies and procedures which are generated by dealings in this type operation, with a defined framework of action in which business may be done.

In this way, maximum exposure to market risk or value at risk is defined for each operation and type of risk associated with each of the instruments forming various portfolios (sensitivities or effects on the portfolio value as a consequence of interest rate or other factor movements-impact on variations in fair price of exchange, and specific risk factors: interest rate (Rho), exchange rate (Delta), and volatility (Vega).

In addition, credit risk is a fundamental aspect considered when dealing in financial derivatives, and therefore models being developed to calculate credit exposure taking account of the potential future exposure of operations.

The result of the portfolio management strategy is evaluated by comparing the sources of revenue against sources of risk for each portfolio, in order to determine whether the profits are derived from the taking of positions (on exchange rates of interest rates), on the activities of intermediation, or on structure of portfolios (the passage of time).

Quantitative Information

Composition of Treasury Portfolios

	December 31		
Figures in million COP	Average balance	Balance	Net income
Financial investments, Local currency:			
Trading:			
Securities position	376,743	432,118	8,743
Mandatory	389	246	1,869
Available for sale:			
Position	2,784,303	2,642,266	95,273
Held to maturity:			
Securities position	375,469	335,277	4,718
Mandatory position	943,480	997,816	7,883
Total local currency	4,480,384	4,407,723	118,486
Financial investments, Foreign currency:			
Held to maturity			
Yankee bonds	9,693	10,135	1,346
Other Treasury ´portfolios:			
Currency	(8,574)	(10)	(2,041)
Forwards			
Purchase contracts	592,209	88,471	391,200
Sale contracts	(648,358)	(123,647)	(537,241)
	(56,149)	(35,176)	(146,041)

Continues

Figures in million COP	December 31 Average balance	 Balance	 Net income
Swaps			
Currency	10,704	(2,635)	(17,671)
Interest rates	(9,418)	(1,697)	(1,114)
	1,286	(4,332)	(18,785)
Options			
Rights	35,672	34,511	51,360
Obligations	(25,728)	(18,663)	(18,983)
	9,944	15,848	32,377
Exchange futures, purchases	126,371	0	55,124
Exchange futures, sales	531,322	0	(48,967)
Securities futures, purchases	3,075	0	(91)
Securities futures, sales	$ 41,734	0	629

Figures in million COP	June 30 Average balance	 Balance	 Net income
Financial investments, local currency:			
Trading:			
Trading and Notional Bond	287,470	164,670	12,340
Mandatory	104,887	95,668	3,150
Available for sale:			
Position	3,149,587	3,202,587	111,642
Held to maturity:			
Mandatory position	1,289,698	1,334,094	12,747
Total Local currency	4,831,642	4,797,019	139,879
Financial investments, foreign currency:			
Market position			
Corporate dollar bonds	0	0	132
Held to maturity			
Yankee bonds	9,333	9,228	(62)
Available for sale	0	0	(268)
Total foreign currency	9,333	9,228	(198)
Agencies:			
Investments of Banco de Bogotá York Agency	109,394	126,727	4,636
Investments of Banco de Bogotá Miami Agency	81,811	90,850	11,203
	191,205	217,577	15,839

NOTE: Banco de Bogotá engages in derivatives operations for speculative purposes and as a line of business, Average income shown here corresponds only to the valuation of derivative instruments. The primary positions covered and money market instruments used in the lines of business are not shown here.

Maximum, minimum and average balances of portfolios

Figures in million COP		December 31 Average balance	Maximum balance	Minimum balance
Trading				
Mandatory		389	283	246
Trading - Domestic		269,902	416,430	280,816
Global		106,841	119,218	99,813
Held to maturity				
Mandatory		943,480	997,816	996,161
Trading	US$	9,693	9,763	9,246
Trading Domestic		375,469	535,753	344,933
Global		14,339	28,173	2,102
Available for sale – debt securities				
Securities position		2,769,964	2,606,220	2,381,403
Global		14,339	28,173	2,102
Currency	US$	(4)	0	(1)
Forwards		(56,149)	(35,176)	(151,254)
Swaps		1,286	32,211	(4,332)
Options		9,945	93,074	12,542

Figures in million COP		June 30 Average balance	Maximum balance	Minimum balance
Trading				
Position		115,283	130,044	110,512
Mandatory		72,704	81,317	63,585
Trading	US$	395	1,588	0
Trading Domestic		219,511	556,989	80,099
Global		19,205	44,980	2,418
Held to maturity				
Mandatory		1,291,774	1,333,702	1,259,591
Trading	US$	9,381	9,612	9,211
Available for sale –debt securities				
Position, securities		2,339,354	2,417,314	2,250,228
Global		826,623	938,212	554,294
Available for sale	US$	9,631	34,678	0
Currency		US$ 1,489	3,589	500
Forwards		(389,910)	(258,886)	(638,920)
Swaps		1,745,587	1,788,789	1,687,720
Options		36,878	24,284	10,131

The following is a presentation of values at risk for financial instruments in the treasury portfolios at December 31 and June 30, 2011, as shown on Form 381 "Evaluation of interest rate risk", Form 383 "Compensation and total interest rate risk", Form 384 "Evaluation of share price risk" and Form 385 "Evaluation of exchange risk". The calculations make a valuation of the effect of probable movements in market curves against the current values of the financial assets in the Bank´s Treasury portfolios.

Exposure levels

Most important portfolios

Figures in million COP	December 31		June 30	
Interest rates		277,238		319,206
Pesos	252,843		276,720	
Foreign currency	4,533		10,203	
UVR	19,862		32,283	
Exchange rate		7,129		14,821
Share prices		256		239
Total VaR		284,623		334,266

7. Loans and Financial Leasing Operations

The following is the detail of loans by mode:

Figures in million COP	December 31	June 30
Ordinary loans	22,624,759	21,092,962
Loans funded band other entites	939,322	878,439
Non-recourse factoring	85,916	106,387
Letters of credit covered	180,025	155,081
Overdrafts	140,839	216,593
Discounts	137,290	128,133
Credit card	1,120,043	987,605
Advance sale of export proceeds	295,559	180,959
SMEs	189,483	190,751
Micro credit	240,657	206,449
Home mortgage lending	20,201	18,936
Foreign loans reimbursed	551	426
Real property leasing	205,080	172,073
Moveable assets in leasing	675,267	390,587
	26,854,992	24,725,381

The following is the detail of loans by economic sector:

Figures in million COP	December 31						
Sector	Commercial	Consumer	Micro	Home mortgage	Financial leasing	Total	% Share
Coffee	66,442	5,172	1,388	0	99	73,101	0.27
Cattle breeding	94,694	35,340	1,950	0	1,829	133,813	0.50
Agriculture	656,917	61,817	4,234	0	28,649	751,617	2.80
Mining	1,071,332	3,092	45	0	31,279	1,105,748	4.12
Mineral extraction	89,862	1,447	27	0	2,527	93,863	0.35
Food	845,427	13,528	7,363	0	26,084	892,402	3.32

Continues

Figures in million COP Sector	December 31 Commercial	Consumer	Micro	Home mortgage	Financial leasing	Total	% Share
Beverages and tobacco	119,955	790	200	0	1,340	122,285	0.46
Textiles	506,053	20,050	5,237	0	19,118	550,458	2.05
Paper	208,155	9,501	1,001	0	17,199	235,856	0.88
Chemicals	667,434	3,512	768	0	25,585	697,299	2.60
Oil & Gas	71,319	380	11	0	967	72,677	0.27
Mfr non-metal mineral products	598,880	1,131	407	0	2,441	602,859	2.24
Mfr of metal products	839,414	7,753	1,002	0	24,817	872,986	3.25
Mfr of machinery	126,969	2,531	361	0	3,287	133,148	0.50
Mfr of transport materials	101,104	1,557	131	0	2,060	104,852	0.39
Manufacture	129,634	12,614	2,829	0	6,323	151,400	0.56
Electricity, gas and water	977,357	472	53	0	12,790	990,672	3.69
Construction	2,274,422	39,261	1,836	0	269,140	2,584,659	9.62
Vehicles	433,409	23,089	4,303	0	8,985	469,786	1.75
Commerce	3,335,012	318,685	141,348	0	93,467	3,888,512	14.48
Hotels	99,815	31,481	13,325	0	5,490	150,111	0.56
Transport and communications	1,509,119	147,912	9,847	0	89,132	1,756,010	6.54
Services	3,421,312	324,455	8,261	0	129,771	3,883,799	14.46
Public administration	1,085,345	1,267	36	0	2,694	1,089,342	4.06
Health and education	818,896	46,269	2,316	0	30,971	898,452	3.35
Home mortgage	0	0	0	20,201	0	20,201	0.08
Other family loans	334,120	3,692,169	27,616	0	18,377	4,072,282	15.16
Other	231,609	194,459	4,762	0	25,972	456,802	1.70
	20,714,007	4,999,734	240,657	20,201	880,393	26,854,992	100.0

Figures in million COP Sector	June 30 Commercial	Consumer	Micro	Home mortgage	Financial leasing	Total	% Share
Coffee	64,113	4,110	1,114	0	164	69,501	0.28
Cattle breeding	84,969	28,005	1,300	0	1,441	115,715	0.47
Agriculture	669,213	47,761	2,790	0	14,610	734,374	2.97
Mining	1,080,199	2,371	22	0	27,482	1,110,074	4.49
Mineral extraction	85,611	1,030	29	0	2,532	89,202	0.36
Food	915,401	10,984	4,540	0	16,254	947,179	3.83
Beverages and tobacco	162,577	666	104	0	142	163,489	0.66
Textiles	476,329	15,214	3,366	0	20,293	515,202	2.08
Paper	212,473	7,007	943	0	11,795	232,218	0.94
Chemicals	740,201	2,983	580	0	15,787	759,551	3.07
Oil & Gas	93,594	320	2	0	1,334	95,250	0.39
Mfr non-metal mineral prod	318,530	1,007	386	0	1,684	321,607	1.30
Mfr of metal products	738,020	6,332	658	0	26,602	771,612	3.12
Mfr of machinery	170,303	2,190	249	0	6,781	179,523	0.73
Mfr of transport materials	82,815	1,080	73	0	1,386	85,354	0.35
Manufacture	132,695	9,886	2,149	0	5,953	150,683	0.61
Electricity, gas and water	1,043,743	382	26	0	7,732	1,051,883	4.25

Continues

Figures in million COP Sector	June 30 Commercial	Consumer	Micro	Home mortgage	Financial leasing	Total	% Share
Construction	1,244,567	29,672	1,292	0	107,009	1,382,540	5.59
Vehicles	369,770	18,014	2,967	0	13,477	404,228	1.63
Commerce	3,129,416	244,120	125,918	0	72,124	3,571,578	14.44
Hotels	89,570	23,759	8,547	0	756	122,632	0.50
Transport and communications	1,484,166	116,249	7,133	0	64,034	1,671,582	6.76
Services	3,553,941	137,135	7,047	0	75,078	3,773,201	15.26
Public administration	933,167	1,025	4	0	4,000	938,196	3.79
Health and education	880,329	35,702	1,869	0	25,957	943,857	3.82
Home mortgage	0	0	0	18,937	0	18,937	0.08
Other family loans	401,024	3,455,394	29,806	0	21,288	3,907,512	15.80
Other	281,490	296,711	3,535	0	16,965	598,701	2.42
	19,438,226	4,499,109	206,449	18,937	562,660	24,725,381	100.0

At December 31 and June 30, 2011, the Bank evaluated all loans, interest and other items.

The detail of loans by classification is the following:

	December 31					
				Provisions 2/		
Figures in million COP	Capital	Interest and other	Other Items 1/	Capital	Interest and other	Secured
Commercial						
A - Normal	19,381,787	171,457	43,431	302,186	3,505	8,757,871
B - Acceptable	792,134	8,633	187	31,598	1,027	261,161
C - Appreciable	283,448	8,747	413	45,114	6,066	148,731
D- Significant	157,907	5,576	2,549	97,284	8,030	59,249
E - Unrecoverable	98,731	8,598	5,076	93,818	13,674	8,670
	20,714,007	203,011	51,656	570,000	32,302	9,235,682
Consumer						
A - Normal	4,760,688	55,186	32,735	125,048	2,738	1,294,856
B - Acceptable	62,970	1,427	236	6,799	588	8,251
C - Appreciable	45,324	1,043	315	8,101	1,100	6,664
D- Significant	75,222	2,258	1,265	58,383	3,503	16,780
E - Unrecoverable	55,530	1,911	27,028	55,532	28,939	2,373
	4,999,734	61,825	61,579	253,863	36,868	1,328,924
Micro						
A - Normal	230,008	4,377	422	2,300	221	87,344
B - Acceptable	2,333	50	20	75	71	785
C - Appreciable	1,457	37	16	292	53	498
D- Significant	1,395	29	17	698	46	390
E - Unrecoverable	5,464	207	199	5,461	404	2,202
	240,657	4,700	674	8,826	795	91,219

1/ Other items includes: payment for account of customers, fees, commissions, staff advances and sundry receivables.

2/ At December 31 and June 30, 2011, loans include $19,315 and $15,905 for capital and interest. These items do not require a provision since they are recorded as deferred income.

Continues

	December 31					
				Provisions [2/]		
Figures in million COP	Capital	Interest and other	Other Items [1/]	Capital	Interest and other	Secured
Home mortgage						
A - Normal	19,048	131	2	197	9	20,327
B - Acceptable	683	7	1	49	8	735
C - Appreciable	240	2	1	30	3	265
D- Significant	69	1	1	16	1	80
E - Unrecoverable	161	1	4	89	6	103
	20,201	142	9	381	27	21,510
Financial leasing						
A - Normal	837,405	8,072	381	12,926	185	0
B - Acceptable	36,217	437	12	1,202	19	0
C - Appreciable	2,916	73	6	309	41	0
D- Significant	2,723	107	18	1,572	124	0
E - Unrecoverable	1,132	137	203	1,133	340	0
	880,393	8,826	620	17,142	709	0
General provision	0	0	0	2,609	0	0
	26,854,992	278,504	114,538	852,821	70,701	10,677,335

1/ Other items includes: payment for account of customers, fees, commissions, staff advances and sundry receivables.

2/ At December 31 and June 30, 2011, loans include $19,315 and $15,905 for capital and interest. These items do not require a provision since they are recorded as deferred income.

The detail of loans by Classification is the following

	June 30					
				Provisions [2/]		
Figures in million COP	Capital	Interest and other	Other Items [1/]	Capital	Interest and other	Secured
Commercial						
A - Normal	18,005,011	137,120	58,288	270,889	3,933	6,967,703
B - Acceptable	837,938	11,245	187	35,469	960	225,566
C - Appreciable	322,735	15,716	411	50,469	5,719	145,661
D- Significant	169,151	7,774	2,918	103,195	9,768	55,815
E - Unrecoverable	103,391	4,497	6,397	100,091	10,316	18,533
	19,438,226	176,352	68,201	560,113	30,696	7,413,278
Consumer						
A - Normal	4,255,720	48,180	8,090	102,594	2,439	1,230,341
B - Acceptable	61,489	1,358	256	6,138	571	10,115
C - Appreciable	45,596	974	251	7,301	906	7,035
D- Significant	123,759	3,746	1,501	89,275	5,151	16,084
E - Unrecoverable	12,545	431	26,001	12,558	26,148	1,659
	4,499,109	54,689	36,099	217,866	35,215	1,265,234

1/ Other items includes: payment for account of customers, fees, commissions, staff advances and sundry receivables.

2/ At December 31 and June 30, 2011, loans include $19,315 and $15,905 for capital and interest. These items do not require a provision since they are recorded as deferred income.

Continues

Figures in million COP	June 30 Capital	Interest and other	Other Items 1/	Provisions 2/ Capital	Provisions 2/ Interest and other	Secured
Micro						
A - Normal	195,903	3,535	272	1,959	195	73,743
B - Acceptable	2,121	50	15	68	66	656
C - Appreciable	1,170	35	11	234	46	382
D - Significant	1,107	31	13	554	44	394
E - Unrecoverable	6,148	433	178	6,147	609	2,148
	206,449	4,084	489	8,962	960	77,323
Home mortgage						
A - Normal	18,022	127	3	180	12	23,292
B - Acceptable	479	4	2	45	6	517
C - Appreciable	232	2	2	26	4	265
D - Significant	23	2	83	9	83	19
E - Unrecoverable	181	1	4	90	7	151
	18,937	136	94	350	112	24,244
Financial leasing						
A - Normal	525,810	4,949	299	7,948	107	0
B - Acceptable	30,430	293	31	956	56	0
C - Appreciable	3,209	74	3	297	55	0
D - Significant	2,593	164	43	1,556	202	0
E - Unrecoverable	618	54	135	618	190	0
	562,660	5,534	511	11,375	610	0
General provision	0	0	0	2,254	0	0
	24,725,381	240,795	105,394	800,920	67,593	8,780,079

1/ Other items includes: payment for account of customers, fees, commissions, staff advances and sundry receivables.

2/ At December 31 and June 30, 2011, loans include $19,315 and $15,905 for capital and interest. These items do not require a provision since they are recorded as deferred income.

The following is the detail of loans by geographical zone:

Figures in million COP Region	December 31 Capital	Interest and financial component	Other Items	Provisions Capital	Provisions Interest and other	Secured
Antioquia	696,859	10,166	6,089	55,098	5,880	280,068
Corporate banking	6,493,788	59,263	1,041	129,239	5,191	2,857,452
Corporate banking - Antioquia	2,754,873	19,252	268	50,241	3,121	794,207
Corporate banking - Occidente	1,725,846	16,170	327	49,935	655	501,832
Business banking	1,456,682	12,084	723	51,856	1,978	485,562
Official-institutional banking	898,377	7,918	706	11,480	890	435,404
Social banking	297,465	6,742	219	5,918	398	335,713
Central	586,735	8,203	4,118	27,512	3,188	456,305
Costa	555,992	8,864	6,734	51,600	6,554	295,046

Continues

Figures in million COP	December 31					
		Interest and		Provisions		
		financial	Other		Interest	
Region	Capital	component	Items	Capital	and other	Secured
Bogotá Regional Off. Norte PMP	922,293	12,629	5,455	48,933	5,373	308,166
Bogotá Regional Off. Sur PMP	851,635	12,033	6,003	59,167	6,328	232,542
NorOriental	2,253,311	30,001	374	48,883	2,440	568,358
Occidente	693,411	9,762	6,597	55,201	6,639	509,993
Oriente	743,535	10,302	4,860	39,184	4,081	508,622
Region 1 Megabanco	818,234	13,436	6,051	43,544	5,613	580,589
Region 2 Megabanco	587,697	10,268	4,521	35,707	4,559	320,128
Red Megabanco DG	2,152,961	21,931	7,690	65,217	2,455	1,172,875
Head Office	2,365,298	9,480	52,762	21,497	5,358	34,473
	26,854,992	278,504	114,538	850,212	70,701	10,677,335
General provision	0	0	0	2,609	0	0
	26,854,992	278,504	114,538	852,821	70,701	10,677,335

Figures in million COP	June 30					
		Interest and		Provisions		
		financial	Other		Interest	
Region	Capital	component	Items	Capital	and other	Secured
Antioquia	666,410	9,110	5,858	52,042	5,687	258,757
Corporate banking	6,291,191	53,949	1,754	131,850	5,061	1,953,250
Corporate banking - Antioquia	2,146,122	13,017	270	44,618	2,442	532,228
Corporate banking - Occidente	1,701,609	11,255	293	49,596	454	534,119
Business banking	1,395,586	9,653	688	55,353	1,578	266,190
Official-institutional banking	903,744	10,389	692	10,164	809	474,828
Social banking	258,410	5,810	267	6,179	385	321,729
Central	514,726	6,958	3,934	23,809	3,093	367,029
Costa	510,301	7,705	6,479	49,353	5,727	269,480
Bogotá Regional Off. Norte PMP	839,815	10,710	5,253	43,382	5,208	278,389
Bogotá Regional Off. Sur PMP	795,532	10,910	5,705	51,984	6,090	227,369
NorOriental	2,148,647	26,955	507	45,814	2,750	588,553
Occidente	657,136	8,740	7,011	51,841	6,699	484,193
Oriente	588,595	8,220	5,243	33,902	4,037	385,813
Region 1 Megabanco	727,440	11,854	5,700	39,264	5,660	530,962
Region 2 Megabanco	545,295	8,725	4,054	31,404	4,393	299,321
Red Megabanco DG	1,999,916	19,949	6,898	59,531	2,175	978,187
Head Office	2,034,906	6,886	44,788	18,580	5,345	29,682
	24,725,381	240,795	105,394	798,666	67,593	8,780,079
General provision	0	0	0	2,254	0	0
	24,725,381	240,795	105,394	800,920	67,593	8,780,079

The following is the detail of loans by monetary unit:

Figures in million COP	December 31 Local Currency	December 31 Foreign Currency	December 31 Total	June 30 Local Currency	June 30 Foreign Currency	June 30 Total
Commercial	17,822,692	2,891,315	20,714,007	17,105,468	2,332,758	19,438,226
Consumer	4,999,734	0	4,999,734	4,499,109	0	4,499,109
Micro	240,657	0	240,657	206,449	0	206,449
Home mortgage	20,201	0	20,201	18,937	0	18,937
Financial leasing	839,008	41,385	880,393	539,548	23,112	562,660
	23,922,292	2,932,700	26,854,992	22,369,511	2,355,870	24,725,381

The following is the detail of loans and interest by maturity periods showing expected cash flows for time-bands of 0-360+ days classified by medium-term liquidity risk.

Loans and interest by maturity period and by classification of medium-term liquidity risk:

	December 31						
	0 - 30 days	30 - 60 days	60 - 90 days	90 - 180 days	180 - 360 days	Over 360 days	Total
Commercial	2,194,975	1,821,055	2,191,800	3,107,958	3,444,514	12,789,204	25,549,506
Consumer	261,204	240,292	223,234	720,392	946,288	3,132,164	5,523,574
Home mortgage	539	392	392	1,184	2,339	26,895	31,741
Micro	14,629	14,451	14,261	41,361	73,109	203,832	361,643
	2,471,347	2,076,190	2,429,687	3,870,895	4,466,250	16,152,095	31,466,464

	June 30						
	0 - 30 days	30 - 60 days	60 - 90 days	90 - 180 days	180 - 360 days	Over 360 days	Total
Commercial	1,388,663	1,519,133	1,336,339	3,238,192	3,904,957	12,124,672	23,511,956
Consumer	152,461	151,759	150,517	416,361	868,986	3,353,963	5,094,047
Home mortgage	568	416	429	1,214	2,465	30,843	35,935
Micro	11,497	12,051	12,237	35,088	63,602	181,975	316,450
	1,553,189	1,683,359	1,499,522	3,690,855	4,840,010	15,691,453	28,958,388

The following is the detail of restructured loans:

Figures in million COP	December 31					Provisiones		
	No. of loans	Capital	Interest	Other Items	Total	Capital	Interest and other	Secured
Commercial								
A - Normal	789	225,679	5,996	27	231,702	7,308	277	101,485
B - Acceptable	660	305,732	2,018	32	307,782	13,509	298	41,751
C - Appreciable	949	168,275	6,059	147	174,481	30,563	3,261	70,638
D - Significant	1,326	93,829	2,251	937	97,017	60,350	3,142	24,313
E - Unrecoverable	870	84,831	7,562	828	93,221	79,909	7,898	10,656
	4,594	878,346	23,886	1,971	904,203	191,639	14,876	248,843
Consumer								
A - Normal	5,275	29,758	285	54	30,097	1,731	67	1,674
B - Acceptable	1,899	7,872	107	23	8,002	1,214	48	256
C - Appreciable	2,697	14,520	249	83	14,852	2,700	229	464
D - Significant	2,197	13,175	322	166	13,663	10,584	500	916
E - Unrecoverable	2,548	12,185	382	251	12,818	12,185	633	175
	14,616	77,510	1,345	577	79,432	28,414	1,477	3,485
Micro								
A - Normal	366	$ 2,215	20	5	2,240	22	7	596
B - Acceptable	22	150	0	1	151	5	2	37
C - Appreciable	14	58	0	1	59	12	1	12
D - Significant	22	108	1	1	110	54	2	44
E - Unrecoverable	60	552	29	30	611	552	57	162
	484	3,083	50	38	3,171	645	69	851
Home mortgage								
A - Normal	39	179	0	0	179	2	0	29
B - Acceptable	4	15	0	0	15	7	0	9
C - Appreciable	3	28	0	0	28	6	0	24
D - Significant	2	3	0	0	3	3	0	0
E - Unrecoverable	4	38	0	2	40	31	2	9
	52	263	0	2	265	49	2	71
Totales								
A - Normal	6,469	257,831	6,301	86	264,218	9,063	351	103,784
B - Acceptable	2,585	313,769	2,125	56	315,950	14,735	348	42,053
C - Appreciable	3,663	182,881	6,308	231	189,420	33,281	3,491	71,138
D - Significant	3,547	107,115	2,574	1,104	110,793	70,991	3,644	25,273
E - Unrecoverable	3,482	97,606	7,973	1,111	106,690	92,677	8,590	11,002
	19,746	959,202	25,281	2,588	987,071	220,747	16,424	253,250

	June 30							
Figures in million COP						Provisiones		
	No. of loans	Capital	Interest	Other Items	Total	Capital	Interest and other	Secured
Commercial								
A - Normal	1,200	211,346	1,554	13	212,913	8,504	584	103,991
B - Acceptable	681	157,847	2,203	32	160,082	11,843	529	10,199
C - Appreciable	1,092	233,166	13,306	199	246,671	39,034	4,484	60,342
D - Significant	1,668	101,573	4,278	1,363	107,214	64,998	4,808	28,402
E - Unrecoverable	839	84,014	3,178	702	87,894	80,715	3,405	16,137
	5,480	787,946	24,519	2,309	814,774	205,094	13,810	219,071
Consumer								
A - Normal	5,483	31,598	313	46	31,957	1,692	60	1,753
B - Acceptable	2,165	8,570	108	16	8,694	1,202	37	371
C - Appreciable	2,461	13,628	212	50	13,890	2,250	146	704
D - Significant	5,856	27,669	765	325	28,759	19,787	1,050	1,087
E - Unrecoverable	611	3,327	119	91	3,537	3,326	210	204
	16,576	84,792	1,517	528	86,837	28,257	1,503	4,119
Micro								
A - Normal	379	2,205	22	6	2,233	22	9	593
B - Acceptable	28	150	1	2	153	5	3	53
C - Appreciable	17	91	0	0	91	18	1	35
D - Significant	21	117	2	1	120	59	3	38
E - Unrecoverable	83	681	32	22	735	681	53	206
	528	3,244	57	31	3,332	785	69	925
Home mortgage								
A - Normal	62	273	1	0	274	3	0	120
B - Acceptable	4	17	0	0	17	7	0	10
C - Appreciable	2	3	0	0	3	2	0	1
D - Significant	3	14	0	1	15	7	1	9
E - Unrecoverable	4	32	1	1	34	19	2	18
	75	339	2	2	343	38	3	158
Totales								
A - Normal	7,124	245,422	1,890	65	247,377	10,221	653	106,457
B - Acceptable	2,878	166,584	2,312	50	168,946	13,057	569	10,633
C - Appreciable	3,572	246,888	13,518	249	260,655	41,304	4,631	61,082
D - Significant	7,548	129,373	5,045	1,690	136,108	84,851	5,862	29,536
E - Unrecoverable	1,537	88,054	3,330	816	92,200	84,741	3,670	16,565
	22,659	876,321	26,095	2,870	905,286	234,174	15,385	224,273

Restructured loans by economic sector:

Figures in million COP	December 31 Ordinary and Special	Moratoriums	Liquidation	Law 550/99	Law 1116/06	Law 617/00
Coffee	1,574	0	0	0	202	0
Cattle breeding	4,621	0	0	0	1,125	0
Other - Agriculture	10,705	54	2,754	10,469	9,794	0
Coal mines, Oil & Gas	1,831	0	0	0	0	0
Metal and non-metal mineral extraction	218	0	9	494	14	0
Food	4,662	0	754	16,632	6,025	0
Beverages and tobacco	19	0	132	52	1,583	0
Textiles clothing and leather and leathergoods	62,194	0	978	13,451	8,061	0
Paper, printing and publishing	13,878	560	697	35	36,374	0
Chemicals, rubber and plastic	5,285	0	1,099	956	14,650	0
Oil & gas and coal	0	0	50	0	0	0
Mfr non-metal minerals products	497	0	0	131	12,327	0
Mfr metal products	176,853	0	797	299	3,007	0
Mfr machinery and equipment	4,141	0	102	0	600	0
Mfr transport materials	1,740	0	858	311	53	0
Other Mfr including wood and wood products	4,866	0	32	32	1,679	0
Electricity, gas and water	1,163	0	0	0	64	0
Construction	8,373	0	10,785	1,506	7,641	0
Vehicles	3,278	0	173	0	2,259	0
Other – Wholesale and retail commerce	88,205	18	2,460	2,453	43,015	0
Hotels and restaurants	2,687	0	0	16	387	0
Transport and communications	12,832	0	671	34,144	2,473	0
Business services	25,070	195	624	3,741	20,040	0
Public administration and defence	26,647	0	0	24,308	0	90,537
Health, education, recreation and culture	34,481	0	0	132	515	0
Family loans exc. Home mortgages	60,414	132	75	4	517	0
Other	5,888	70	0	664	230	0
	562,122	1,029	23,050	109,830	172,635	90,537

Figures in million COP	June 30 Ordinary and Special	Moratoriums	Liquidation	Law 550/99	Law 1116/06	Law 617/00
Coffee	1,844	0	0	0	0	0
Cattle breeding	2,932	0	0	0	1,125	0
Other - Agriculture	15,094	54	2,787	21,328	12,168	0
Coal, Oil & Gas	1,770	0	0	0	0	0
Metal and non-metal minerals extraction	312	0	0	494	14	0
Food	4,070	0	850	6,152	7,256	0
de Beverages and tobacco	38	0	0	189	1,583	0
Textiles, clothing, leather and leathergoods	39,252	70	2,846	13,520	11,024	0
Paper, printing and publishing	2,158	560	747	1,093	30,515	0
Chemicals, rubber and plastics	6,491	0	1,882	981	5,844	0
Oil & gas and coal products	105	0	0	0	0	0
Non-metal minerals products	685	0	0	119	12,333	0
Base metal and and finished metal products	66,204	0	310	493	15,565	0
Mfr. machinery and equipment	839	0	62	0	776	0
Mfr. of transport material	2,187	16	0	1,170	52	0
Mfr. other products including wood	3,494	0	38	35	1,370	0
Electricity, gas and water	1,351	0	0	0	56	0
Construction	8,412	0	10,785	1,451	7,546	0
Vehicles	4,244	0	9	6	2,154	0
Other – Wholesale and retail commerce	136,294	18	2,588	5,292	23,126	0
Hotels and restaurants	2,751	0	24	28	381	0
Transport and communications	12,346	0	708	34,353	2,574	0
Business services	19,077	223	1,265	3,797	16,256	0
Public administration and defence	26,845	0	0	30,481	0	117,671
Education, health recreation and culture	26,033	0	0	141	515	0
Family loans except home mortgage	67,708	130	129	6	313	0
Other	6,152	69	0	0	123	0
	458,688	1,140	25,030	121,129	152,669	117,671

Restructured loans by geographical zone:

Figures in million COP Region	December 31 Ordinary and Special	Moratoriums	Liquidation	Law 550/99	Law 1116/06	Law 617/00
Antioquia – SME	28,009	435	1,747	2,184	4,897	0
Antioquia Corporate banking	90,330	0	15	1,281	36,888	0
Corporate banking	182,654	0	10,599	44,644	63,227	0
Business banking	33,112	0	5,510	7,838	16,186	0
Official-institutional banking	450	0	0	0	4,199	0
Social banking	0	0	112	0	1,151	0
Bogota Norte - SME Personal	21,072	3	279	677	2,613	0
Bogota Sur - SME Personal	19,687	560	381	1,903	6,869	0
Central	9,947	1	326	1,522	559	0
Costa	15,193	0	70	41,062	3,723	1,853
Head Office	748	3	0	118	710	0
NorOriente	69,924	0	200	5,293	5,284	31,655
Occidente - SME	28,132	10	2,125	432	5,434	0
Occ Corporate banking	8,252	0	0	649	16,703	55,623
Oriente	20,706	0	568	320	1,349	0
Region 1 Megabanco	17,947	0	62	1,298	841	0
Region 2 Megabanco	11,786	17	403	242	1,221	1,406
Red Megabanco	4,172	0	653	367	781	0
	562,121	1,029	23,050	109,830	172,635	90,537

Figures in million COP Region	June 30 Ordinary and Special	Moratoriums	Liquidation	Law 550/99	Law 1116/06	Law 617/00
Antioquia - SME	30,581	450	1,689	2,681	3,842	0
Antioquia Corporate banking	90,755	16	853	1,986	30,668	0
Corporate banking	68,651	0	10,599	44,512	60,529	0
Business banking	35,569	0	6,658	9,347	16,125	0
Social banking	0	0	683	0	1,200	0
Bogota Norte - SME Personal	22,071	1	198	684	2,307	0
Bogota Sur - SME Personal	21,944	560	381	4,745	6,580	0
Central	9,744	0	320	1,927	540	0
Costa	16,042	70	201	45,899	2,196	1,945
Head Office	907	3	0	125	13	0
NorOriente	67,693	0	203	4,385	5,934	31,660
Occidente - SME	34,851	23	2,335	486	3,050	0
Occ Corporate banking	9,213	0	33	594	16,589	79,644
Oriente	12,435	0	559	363	737	0
Region 1 Megabanco	18,551	0	50	1,320	702	0
Region 2 Megabanco	11,103	17	268	1,508	1,162	4,422
Red Megabanco	6,578	0	0	567	495	0
	458,688	1,140	25,030	121,129	152,669	117,671

Restructured loans by monetary unit

Restructured loans, moratoriums, compositions with creditors, liquidations, Law 550/1999, Law 1666/2006 and Law 617/2000 by monetary unit:

	December 31			June 30		
Figures in million COP	Currency Local	Currency Foreign	Total	Currency Local	Currency Foreign	Total
Commercial	878,305	41	878,346	784,780	3,166	787,946
Consumer	77,510	0	77,510	84,792	0	84,792
Micro	3,083	0	3,083	3,244	0	3,244
Home mortgage	263	0	263	339	0	339
	959,161	41	959,202	873,155	3,166	876,321

Loan purchases and sales

The following is the detail of cash firm loan purchases and sales.

Figures in million COP	Capital		Average conditions of business at December 31 2011	
Name	July 1 - December 31	January 1 - June 30	Rate	Term
Purchases				
Acerías Paz del Río S.A.	37,585	0	9.3	Up to 3 months
Finesa S.A.	46,429	37,227	4.5	Up to 5 years
Pernod Ricard Colombia S.A.	0	1,029		
Metrokia	20,625	22,615	9.0	Up to 1 month
C. I. Denim Factory	7,800	4,297	Libor+1.35%	Up to 3 months
Quest International S.A.	129	0	LIbor+3.5%	Up to 1 month
Carboleonas	0	313		
Invergrupo S.A.	244	3,053	5.0	Up to 3, 4 y 5 years
Minas Paz del Río S.A.	17,324	0	9.3	Up to 3 months
Mincivil	0	24,989		
Newell Sanford	94	0	13.6	Up to 3 months
Rocas y Minerales	0	98		
Cales y Derivados Calcáreos	217	960	Libor+4%	Up to 2 months
Banco de Bogotá Nassau	5,869	0	Libor+1.8%	Up to 4 months
Dinagas S.A.	0	10,898		
H.L. Ingenieros	0	2,497		
Ingecolmaq	0	4,817		
Refractarios Magnesita	0	6,747		
Colombian Coial	0	748		
Gran Sapore	0	550		
Latinoamericana de carbon	0	1,805		
Mineralex Ltda	0	134		
Carbones del Canada	0	248		
Consorcio G&D	0	114		
Exportaciones y Movimientos	0	116		

Continues

Figures in million COP Name	Capital July 1 - December 31	 January 1 - June 30	Average conditions of business at December 31 2011 Rate	 Term
Icollantas	481	606	9.5	Up to 4 months
Pabsa	192	197	9.5	Up to 3 months
Propilco	1,252	192	9.5	Up to 4 months
Diaco S.A	5,572	6,114	9.4	Up to 2 months
Tech Data	586	188	9.4	Up to 1 month
Propal	11,764	3,306	9.5	Up to 7 months
Gran Sapore de Colombia	0	925		
Transportes Estelar	0	131		
Calpreco	0	241		
Banco Colpatria	0	122		
Lenovo	566	0	8.9	Up to 2 months
Liliana Maria Cabeza Peña	248	0	11.0	Up to 120 months
Catalina Acevedo Moreno	302	0	11.0	Up to 120 months
Polisiun	196	0	LIbor+2.5%	Up to 1 month
Pelikan	150	0	15.1	Up to 4 months
Fábrica de Chocolates Triunfo	118	0	LIbor+2.5%	Up to 1 month
Giovanna Andrea Escobar Atencio	62	0	11.0	Up to 96 months
	157,805	135,277		
Sales				
Banco de Bogotá Miami Agency	37,967	0	Libor +2%	Up to 6 months
Banco de Bogotá New York Agency	0	23,040		
Banco de Bogotá S.A. - Colombia	27,176	8,373	Libor+2.15%	Up to 5 months
	65,143	31,413		

Loans written off

The detail of loans written off is the following:

Figures in million COP	December 31 Capital	 Interest	 Total	June 30 Capital	 Interest	 Total
Commercial	31,543	3,681	35,224	54,987	5,854	60,841
Consumer	59,030	4,397	63,427	57,010	5,607	62,617
Micro	4,639	868	5,507	5,218	1,168	6,386
Home mortgage	1	0	1	0	0	0
	95,213	8,946	104,159	117,215	12,629	129,844

Loan provisions

The movement of the loan provision by mode is the following:

Figures in million COP		Commercial	Consumer	Micro	Home mortgage	Total
Balance at December 31, 2010		565,472	214,104	13,022	519	793,117
Plus:	Provision expensed	252,077	116,950	6,593	544	376,164
	Re-expression Miami Agency	(971)	0	0	0	(971)
	Trust transfer Megabanco	470	0	0	0	470
Less:	Loans written off	54,987	57,010	5,218	0	117,215
	Recoveries	190,883	55,868	3,370	524	250,645
Balance al June 30, 2011		571,179	218,176	11,027	539	800,920
Plus:	Provision expensed	214,281	150,849	7,390	177	372,697
	Trust transfer, Megabanco 1/	1,195	0	0	0	1,195
Less:	Loans written off	31,543	59,030	4,640	1	95,214
	Recoveries	168,417	55,683	2,546	131	226,777
Balance at December 31, 2011		586,695	254,312	11,231	584	852,821

1/ Transfer of loan trust account from Megabanco to Banco de Bogotá.

In application of Superintendency Circular 043 of October 2011, the effect of the expected loss on earnings was a total of $28,080 million.

The public sector

At December 31 and June 30, 2011, loans to the public sector totalled $1,376,835.0 and $1,423,754.9 representing 5.8% and 5.8% of the Bank´s total loans. Provisions totaled $37,559.2 and $37,902.7 million, that is, 2.7% of loans to that sector, respectively.

Loans of the New York and Miami Agencies

At December 31 and June 30, 2011, the loans of the New York and Miami Agencies were classified in the terms of Superintendency Circular 100/1995, as follows:

Figures in million COP	December 31	June 30
New York	475,400	438,869
Miami	730,450	574,898
	1,205,850	1,013,767
Provision New York	(6,556)	(6,159)
Provision Miami	(9,845)	(7,516)
	1,189,449 1/	1,000,092 2/

1/ Equivalent to US$612,266,107,71 at Reference Rate $1.942,70 per US$

2/ Equivalent to US$564,283,821,14 at Reference Rate $1.772.32 per US$

8. Acceptances, Spot Operations and Derivatives

The following is the detail of acceptances, spot operations and derivatives:

Figures in million COP	December 31			June 30		
Forward	Asset	Liability	Net	Asset	Liability	Net
Bank acceptances outstanding	62,632	67,932	(5,300)	17,160	17,160	0
Spot operations						
Currency sale rights	0	0	0	1,035	0	1,035
Currency purchase rights	62,554	0	62,554	47,807	0	47,807
Currency sale obligations	0	0	0	(1,034)	0	(1,034)
Currency purchase obligations	(62,565)	0	(62,565)	(47,789)	0	(47,789)
	(11)	0	(11)	19	0	19
Forwards - speculative						
Currency sale rights	1,301,756	(3,382,329)	4,684,085	4,224,460	(476,789)	4,701,249
Currency purchase rights	3,086,333	(921,963)	4,008,296	628,435	(3,699,398)	4,327,833
Currency sales obligations	(1,292,645)	3,486,211	(4,778,856)	(4,117,016)	480,708	(4,597,724)
Currency purchase obligations	(2,995,815)	929,048	(3,924,863)	(623,293)	3,799,155	(4,422,448)
Securities sale rights	4,222	0	4,222	0	0	0
Securities sale obligations	(4,170)	0	(4,170)	0	0	0
	99,681	110,967	(11,286)	112,586	103,676	8,910
Forward Hedging Foreign Currency						
Currency sales rights	222,883	(1,539,524)	1,762,407	1,189,370	0	1,189,370
Currency purchase rights	301,032	0	301,032	0	(2,658)	2,658
Currency sales obligations	(221,168)	1,570,165	(1,791,333)	(1,121,420)	0	(1,121,420)
Currency purchase obligations	(295,994)	0	(295,994)	0	2,674	(2,674)
	6,753	30,641	(23,888)	67,950	16	67,934
Futures:						
Currency sale rights	9,689	421,205	(411,516)	302,191	(8,863)	311,054
Currency purchase rights	459,402	(9,689)	469,091	8,986	(387,137)	396,123
Securities sales rights	41,651	7,048	34,603	0	(2,606)	2,606
Securities purchase rights	3,420	0	3,420	2,787	0	2,787
Currency sale obligations	(9,689)	(421,205)	411,516	(302,191)	8,863	(311,054)
Currency purchase obligations	(459,402)	9,689	(469,091)	(8,986)	387,137	(396,123)
Securities sales obligations	(41,651)	(7,048)	(34,603)	0	2,606	(2,606)
Securities purchase obligations	(3,420)	0	(3,420)	(2,787)	0	(2,787)
	0	0	0	0	0	0
Swaps						
Assets						
Currency sale rights	253,821	(349,885)	603,706	475,800	(173,665)	649,465
Rights on interest rates	626,712	(650,794)	1,277,506	452,565	(680,119)	1,132,684
Currency obligations	(220,770)	385,571	(606,341)	(396,247)	218,201	(614,448)
Interest rate obligations	(615,978)	663,225	(1,279,203)	(446,293)	687,726	(1,134,019)
	43,785	48,117	(4,332)	85,825	52,143	33,682

Continues

Figures in million COP	December 31			June 30		
Forward	Asset	Liability	Net	Asset	Liability	Net
Options						
Assets						
Currency Call	38,692	4,182	34,510	2,200	193	2,006
Currency Put	1,593	20,256	(18,663)	3,305	21,431	(18,126)
	40,285	24,438	15,847	5,505	21,624	(16,120)
	253,125	282,095	(28,970)	289,045	194,619	94,425

* At December 31, 2011 the Bank delivered for $27,022.1 to the Central Counterpart Risk Clearing House as a guarantee for these operations in the standardized derivatives market of the Colombian stock Exchange BVC (note 6).

Banco de Bogotá engages in derivatives operations acting as an intermediary for customers or to take advantage of opportunities for arbitrage and hedging Exchange rates and interest rates on the local market and abroad.

The derivative portfolios contain basic combinations of Forwards, Options and Swaps whose original risk is hedged with money market instruments or another type of derivative. For example, an exchange rate option generates exposure to exchange rate risk and to internal and external interest rates, which are covered by forwards and money market instruments, and other factors such as exchange rate volatility, which can only be hedged with options.

The Bank has policies and procedures for management of the risks generated in this type of operation. This framework is used in all operations.

Limits for maximum exposure to market risk (Value at Risk, or VaR) by operation and type of risk associated with each instrument in each portfolio (sensitivity of effect on portfolio value as a consequence of movements in interest rates or related factors – the impact of variations in fair market prices for specific risk factors. Interest rate – Rho, exchange rate – Delta and volatility – Vega.

Credit risk is a fundamental consideration when dealing in financial derivatives, and methods have therefore been devised to calculate credit risk exposure taking account of potential future exposure of operations.

The result of the portfolio management strategies is evaluated by contrasting sources of income with sources of risk for each portfolio, in order to determine whether profits come from the taking of positions (exchange rate or interest rate), from intermediation, or from the structure of the portfolios themselves (passage of time)

The Bank arranges synthetic cover for its derivatives portfolio with money market instruments and foreign currency debt.

The Bank manages a “Delta Neutral” options portfolio on the spot market and exercises strict control over Gamma, Rho, Theta and Vega risks.

Operations current at December 31, 2011 were as follows:

Forwards – speculative

	December 31		
	Dollar balance (US$)	Balance	Purpose
Currency purchase rights (Peso/Dollar)	2,008.5	$ 3,901,963	Hedging with forward sales with customers and other Bank Book positions (Dollar Peso).
Currency purchase rights (other than Peso/Dollar)	54.7	106,333	Hedging with forward sales with customers (Currency-peso y Currency-Currency) and other Bank Book positions.
	2,063.2	**$ 4,008,296**	
Currency purchase obligations (Peso/ Dollar)	0.0	$ (3,818,894)	Peso flows corresponding to forward purchases for US$2.008 million.
Currency purchase obligations (other than Peso/Dollar)	(54.5)	(105,969)	Forward contracts with customers (Currency-Currency) and other Bank Book positions.
	(54.5)	**$ (3,924,863)**	
Currency sale rights (Peso/Dollar)	0.0	$ 4,576,322	Peso flows corresponding to forward sales for US$2.404 million
Currency sale rights (other than Peso/Dollar)	53.4	107,763	Forwards hedging with customers (Currency-Currency) and other Bank Book positions.
	53.4	**$ 4,684,085**	
Currency sale obligations (Peso/ Dollar)	(2,404.7)	$ (4,671,549)	Forwards hedging with customers and other Bank Book positions (Dollar Peso).
Currency sale obligations (other thanPeso/Dollar)	(55.2)	(107,307)	Forward contracts with customers (Currency-Currency) and other Bank Book positions.
	(2,459.9)	**$ (4,778,856)**	
Securities sale rights	2.2	$ 4,222	Forward hedging securities on US$ 2.173
Securities sale obligations	0.0	(4,170)	
	2.2	**$ 52**	

Forwards for hedging

	Dollar balance (US$)		Balance	Purpose
Currency Purchase rights (Peso/Dollar)	154.9	$	301,032	Peso flows to cover US$ 155 million .
Currency purchase obligations (Peso/ Dollar)	0.0		(295,994)	
	154.9	**$**	**5,038**	
Currency sale rights (Peso/Dollar)	0.0	$	1,762,407	Peso flows to cover US$ 922,084 million.
Currency sale obligations (Peso/ Dollar)	(922.1)		(1,791,333)	
	(922.1)	**$**	**(28,926)**	

Futures

	Dollar balance (US$)		Balance	Purpose
Currency purchase rights	242.0	$	469,091	Exchange rate futures US$ 2 Million and rollover for US$ 240 million
Currency sale rights	0.0		411,516	Peso flows in exchange rate futures US$ 5 million and rollover for S$ 217.05 million
	242.0	**$**	**880,607**	
Currency purchase obligations	0.0	$	(469,091)	Exchange rate futures US$ 2 million and rollover US$ 240 million
Currency sale obligations	(222.1)		(411,516)	Peso flows in exchange rate futures US$20.7 million and rollovers for US$ 201.9 Million
	(222.1)	**$**	**(880,607)**	
Securities purchase rights	0.0	$	3,420	Peso flows in securities contracts, CRC.
Securities purchase obligations	0.0		(3,420)	Peso flows in securities contracts, CRC.
	0.0	**$**	**0**	
Securities sale rights	0.0	$	34,603	Peso flows in securities contracts, CRC.
Securities sale obligations	0.0		(34,603)	Peso flows in securities contracts, CRC.
	0.0	**$**	**0**	

Swaps

	Dollar balance (US$)		Balance	Purpose
Currency rights	103.7	$	201,511	Cross Currency Swaps where the Bank receives dollar interest or euro rates and pays peso interest rates. Covers other swap book positions and Bank Book positions.
	0.0		402,195	Peso flows corresponding to Cross Currency Swaps where the Bank receives peso interest rates and delivers Dollar or Euro interest rates.
	103.7	**$**	**603,706**	
Currency obligations	(195.3)	$	(379,419)	Cross Currency Swaps where the Bank receives dollar or euro interest rates and pays peso interest rates. Covers other swap book positions and Bank Book positions.
	0.0		(226,922)	Peso flows corresponding to Cross Currency Swaps where the Bank receives peso interest rates and delivers Dollar or Euro interest rates.
	(195.3)	**$**	**(606,341)**	
Interest rate rights	455.7	$	885,259	Interest Rate Swaps (IRS) en dollars where the Bank receives dollar fixed/floating interest rates delivering dollar floating/ fixed interest rates where the fair price of exchange is positive.
	0.0		357,783	Interest rate Swaps (IRS) en pesos where the Bank receives fixed/floating interest rates delivering floating/fixed interest rate.
	0.0		34,463	Peso interest rate swaps where the Bank receives fixed rate and delivers floating rate (IBR).
	455.7	**$**	**1,277,506**	
Obligations Sobre Tasas de Interés	(456.4)	$	(886,617)	Cross Currency Swaps where the Bank receives peso interest rates and pays dollar or euro interest rates. Covers other swap book and Bank Book positions.
	0.0		(358,348)	Interest rate Swaps (IRS) in pesos where the Bank receives fixed/floating interest rates delivering floating/fixed interest rate.
	0.0		(34,238)	Peso interest rate swaps where the Bank receives floating rate (IBR) and receives fixed rate.
	(456.4)	**$**	**(1,279,203)**	

The Bank arranges synthetic cover for derivatives portfolios with money-market instruments and foreign currency debt instruments.

At the close of December 31, 2011, the Dollar Peso Options portfolio with customers was as follows:

Options – Dollar/Peso

	December 31			
	Dollar balance (US$)		Balance	Purpose
Issue/sale of call on interest rates	196.4	$	387,681	Plain vanilla dollar call and put options. (The peso value is the face amount of the option at the strike rate: see Circular 42/2008)
Currrency Caps, Floors, Collars etc	391.1		724,126	Dollar/peso call and put options issued as part of a structure. ((The peso value is the face amount of the option at the strike rate: see Circular 42/2008)
Total Obligations under Options	**587.5**	**$**	**1,111,806**	
Purchase of interest rate puts	204.9	$	385,312	Plain vanilla dollar call and put options. (The peso value is the face amount of the option at the strike rate: see Circular 42/2008)
Purchase of other options	391.1		761,777	Dollar/peso call and put options issued as part of a structure. (The peso value is the face amount of the option at the strike rate: see Circular 42/2008)
Total Obligations under options	**596.0**	**$**	**1,147,089**	

The details of operations at June 30, 2011, are

Forwards - speculative

	June 30			
	Dollar balance (US$)		Balance	Purpose
Currency purchase rights (Peso/ Dollar)	2,391.8	$	4,239,108	Hedging with forward sales with customers and other Bank Book positions (Dollar Peso).
Currency purchase rights (other than Peso/Dollar)	50.1		88,725	Hedging with forward sales with customers (Currency-peso and Currency-Currency) and other Bank Book positions.
	2,441.9	**$**	**4,327,833**	

	Dollar balance (US$)		Balance	Purpose
Currency purchase obligations (Peso/ Dollar)	0	$	(4,241,985)	Peso flows corresponding to forward purchases for US$2.340 million.
	0		(2,185)	Peso flows corresponding to forward purchases hedging exchange risk
Currency purchase obligations (currency/peso)	(53.9)		(95,545)	Forward contracts with customers (Currency-peso) and other Bank Book positions.
Currency purchase obligations (other than Peso/Dollar)	(46.7)		(82,732)	Forward contracts with customers (Currency-Currency) and other Bank Book positions.
	(100.6)	**$**	**(4,422,447)**	
Currency sale rights (Peso/ Dollar)	0	$	4,614,666	Peso flows corresponding to forward sales for US$2.543 million
Currency sale rights (other than Peso/Dollar)	0		9,033	Peso flows corresponding to forward sales
	43.8		77,550	Forward contracts with customers (Currency-Currency) and other Bank Book positions.
	43.8	**$**	**4,701,249**	
Currency sale obligations (Peso/ Dollar)	(2,543.4)	$	(4,507,729)	Forwards hedging with customers and other Bank Book positions (Dollar Peso).
Currency sale obligations (other than Peso/Dollar)	(50.8)		(89,996)	Forward contracts with customers (Currency-Currency) and other Bank Book positions.
	(2,594.2)	**$**	**(4,597,724)**	

Forward hedging operations

	Dollar balance (US$)		Balance	Purpose
Currency purchase rights (Peso/ Dollar)	1.5	$	2,658	Peso flows to cover US$ 1.5 million.
Currency purchase obligations (Peso/ Dollar)	0.0		(2,674)	
	1.5	**$**	**(16)**	
Currency sale rights (Peso/ Dollar)	0.0	$	1,189,370	Peso flows to cover US$ 632.74 million.
Currency sale obligations (Peso/ Dollar)	(632.7)		(1,121,420)	
	(632.7)	**$**	**67,950**	

Futures

	Dollar balance (US$)		Balance	Purpose
Currency purchase rights	222.6	$	396,123	Exchange rate futures US$ 20.7 Million and Rollover US$ 201.9 Million
Currency sale rights	0.0		311,054	Peso flows Exchange rate futures US$ 11 million and Rollover US$ 164 million
	222.6	**$**	**707,177**	
Currency purchase obligations	0.0	$	(396,123)	Peso flows Exchange rate futures US$ 20.7 Million and Rollover US$ 201.9 Million
Currency sale obligations	(175.0)		(311,054)	Exchange rate futures US$ 11 million and Rollover US$ 164 million
	(175.0)	**$**	**(707,177)**	
Securities purchase rights	0.0	$	2,787	Peso flows in securities contracts, CRC.
Securities purchase obligations	0.0		(2,787)	Peso flows in securities contracts, CRC.
	0.0	**$**	**0.0**	
Securities sale rights	0.0	$	2,606	Peso flows in securities contracts, CRC.
Securities sale obligations	0.0		(2,606)	Peso flows in securities contracts, CRC.
	0.0	**$**	**0.0**	

Swaps

	Dollar balance (US$)		Balance	Purpose
Currency rights	98.0	$	173,722	Cross Currency Swaps where the Bank receives dollar or euro interest or euro rates and pays peso interest rates. Covers other swap book and Bank Book positions.
	0.0		475,743	Peso flows corresponding to Cross Currency Swaps where the Bank receives peso interest rates and delivers dollar or euro interest rates.
	98.0	**$**	**649,465**	

	Dollar balance (US$)		Balance	Purpose
Currency obligations	(223.6)	$	(396,247)	Cross Currency Swaps where the Bank receives dollar interest or euro rates and pays peso interest rates. Covers other swap book and Bank Book positions.
	0.0		(218,201)	Peso flows corresponding to Cross Currency Swaps where the Bank receives peso interest rates and delivers dollar or euro interest rates.
	(223.6)	**$**	**(614,448)**	
Interest rate rights	480.5	$	851,525	Interest Rate Swaps (IRS) en dollars where the Bank receives dollar fixed/floating interest rates delivering dollar floating/fixed interest rates where the fair price of exchange is positive.
	0		219,726	Interest Rate Swaps (IRS) en pesos where the Bank receives fixed/floating interest rates delivering floating/fixed interest rate.
	0		61,432	Peso interest rate swaps where the Bank receives fixed rate and delivers floating rate (IBR).
	480.5	**$**	**1,132,684**	
Interest rate obligations	(481.1)	$	(852,632)	Cross Currency Swaps where the Bank receives Peso interest rates and pays dollar or euro interest rates. Covers other swap book and Bank Book positions.
	0.0		(219,961)	Interest Rate Swaps (IRS) en pesos where the Bank receives fixed/floating interest rates delivering floating/fixed interest rate.
	0.0		(61,426)	Peso interest rate swaps where the Bank receives floating rate (IBR) and receives fixed rate.
	(481.1)	**$**	**(1,134,019)**	

The Bank arranges synthetic coverage for derivatives portfolios with money market instruments and foreign debt instruments.

At the close of June 30, 2011, the Dollar/Peso Options portfolio with customers was as follows:

Dollar Peso options portfolio

	June 30		
	Dollar balance (US$)	Balance	Purpose
Issue/sale of interest rate call	155.9	$ 293,920	Plain vanilla dollar call and put options (The peso value is the face value of each option at the strike rate. See Circular 42/2008)
Issue of currency Caps, Floors, Collars etc.	73.3	133,551	Dollar/peso call and put options issued as part of a structure. ((The peso value is the face amount of the option at the strike rate: see Circular 42/2008)
Total obligations under options	**229.2**	**$ 427,472**	
Interest rate puts purchase	111.7	$ 208,093	Plain vanilla dollar call and put options. (The peso value is the face amount of the option at the strike rate: see Circular 42/2008)
Other purchase options	72.6	137,067	Dollar/peso call and put options issued as part of a structure. ((The peso value is the face amount of the option at the strike rate: see Circular 42/2008)
Total obligations under options	**184.3**	**$ 345,160**	

The Bank manages a "Delta neutral portfolio hedging the Delta risk in the sport market and strictly following up Gamma, Rho, Theta and Vega risks.

9. Accounts Receivable

The following is the detail of Interest and Other Accounts Receivable:

Figures in million COP	December 31	June 30
Interest:		
Interbank funds sold and reselling commitments	133	13
Loans	269,206	234,127
Other interest on advances under contracts	5,016	3,955
	274,355	238,095
Other Accounts Receivable:		
Dividends	44,686	27,396
Sales commitments – moveable assets	10,395	7,008
Advances to suppliers and contractors (*)	273,934	157,773

* Advances to suppliers and contractors, increase due to increases in own leasing business.

Continues

Figures in million COP	December 31	June 30
Staff advances	608	219
Cash shortages	245	201
Clearing shortages	30	2,079
Insurance claims	665	738
Unrecoverables – Indefinite responsibility, local currency	1,345	3,138
Sundry – Credibanco	1,688	994
Cheques in transit received under agreements	334	339
ATM withdrawal shortages	386	0
Sundry receivables	498	0
Transit account – on-line process rejections	1,571	2,202
Currency dealing	34	1,016
Recoveries, transit opening or cancellation of receivables	753	0
Credit card vouchers	8,467	1,021
Transfers to the Colombian Treasury	25,264	24,919
Shortage in savings accounts	11,041	10,964
Unhedged foreign currency forward	5,232	3,052
Banco República Citibank New York	2,645	2,645
Megabanco trust, local currency	1,539	1,343
Sundry	19,061	17,645
	410,421	264,692

Provision against Accounts Receivable

The movement of provisions by mode of credit is the following:

Figures in million COP	Commercial	Consumer	Micro	Home mortgage	Total
Balance at December 31, 2010	32,326	33,972	1,356	102	67,756
Plus: Provision expensed	15,079	11,562	969	112	27,721
Trust transfer Megabanco	59	0	0	0	59
Less: Written off	8,259	6,542	1,204	0	16,005
Recoveries	7,908	3,768	161	102	11,938
Balance al June 30, 2011	31,298	35,223	959	112	67,593
Plus: Provision expensed	19,797	10,985	957	14	31,753
Less: Written off	7,313	5,460	891	0	13,664
Recoveries	10,790	3,862	230	99	14,981
Balance at December 31, 2011	32,992	36,886	795	27	70,701

10. Foreclosed and Restored Assets and Assets not Used in the Business

The detail of foreclosed assets is the following:

Figures in million COP	December 31	June 30
Marketable assets		
Land	13	13
Foreclosed assets:		
Real property	61,563	55,713
Movable assets	11,705	11,627
	73,268	67,340
Leasing assets restored		
Moveable assets:		
Machinery and equipment	674	659
Assets not used in the business:		
Land	1,517	1,516
Buildings	49	49
Less depreciación	(5)	(4)
	1,561	1,561
Provision against foreclosed and restored assets		
And assets not used in the business		
Real property	(42,745)	(35,703)
Moveable property	(11,672)	(11,568)
Restored assets	(428)	(402)
Assets not used in the business	(1,484)	(1,382)
	(56,329)	(49,055)
	19,187	20,518

The detail of foreclosed and restored assets by length of time held, is the following:

Figures in million COP	Under 1 year	1- 3 years	3- 5 years	Over 5 years	Total	Provisión
December 31						
Foreclosed assets:						
Real property	32,840	3,009	824	24,890	61,563	42,745
Moveable assets	170	193	549	10,793	11,705	11,672
	33,010	3,202	1,373	35,683	73,268	54,417
Restored assets						
Moveable assets	37	637	0	0	674	428
June 30						
Foreclosed assets:						
Real property	15,230	12,487	3,399	24,597	55,713	35,703
Moveable assets	102	182	650	10,693	11,627	11,568
	15,332	12,669	4,049	35,290	67,340	47,271
Restored assets						
Moveable assets	587	72	0	0	659	402

At December 31 and June 30, 2011, Foreclosed Assets represent 0.04% and 0.05% of total assets, respectively. The Bank considers that this proportionately very small amount of immobilized assets will not have any material effect on the financial statements.

Most of the Foreclosed Assets have been valued in the last two years.

The Bank employs the following procedure to sell foreclosed assets:

- The Manager of the office receiving the asset is responsible for its administration and control of any expenses incurred.
- The Bank´s Property Department allocates an architect to each Region, responsible for ensuring that assets are in an acceptable condition to be sold.
- Hoardings and notices are placed on properties held for sale to guide interested parties and attend to the public on dedicated phone lines.
- The search for information on special situations has intensified. This includes the terms of land-.use regulations (POT) affecting the area of the property, urban development norms and definitions of density and use, etc.
- Regular visits are made across the country so that the Bank´s sales-force will be familiar with the properties which are for sale. The Commercial area is trained in the disposal of foreclosed assets; and their commercialization forms part of the instruction programs for Office Managers, Heads of Operations, SENA trainees and other employees.
- Sales are promoted through announcements in the national press and in the Bank´s Property Offer magazine. Office Managers are kept informed of assets available for sale. The information is given to Bank officers on the Intranet and to customers and third parties on the internet. The information on these assets is distributed to leading real estate agents for them to promote sales on a non-exclusive basis.

At December 31 and June 30, 2011, moveable foreclosed assets consisted mainly of shares, as follows:

Name	N° Shares	Adjusted value	Provision
December 31			
Pizano S.A.	1,048,961	$ 6,647	6,647
Inca S.A.	23,937,576	1,097	1,097
Desarrolladora de Zonas Francas	89,588,592	292	292
Hilacol S.A.	116,967	216	216
Zona Franca de Bogotá S.A.	7,043,754	23	23
Promotora La Alborada	434,866,324	139	139
June 30			
Pizano S.A.	1,048,961	$ 6,647	6,647
Inca S.A.	23,937,576	1,097	1,097
Desarrolladora de Zonas Francas	89,588,592	292	292
Hilacol S.A.	116,967	216	216
Zona Franca de Bogotá S.A.	7,043,754	23	23
Promotora La Alborada	434,866,324	139	139

These are unquoted investments and their value rises or falls with the percentage of equity held subsequent to acquisition, calculated on the basis of the latest certified financial statements.

Provision against foreclosed and restored assets and assets not used in the business.

The movement of the provision against foreclosed and restored assets and assets not used in the business is the following:

Figures in million COP		December 31	June 30
Opening balance		49,055	43,986
Plus	Provision expensed for the period: marketable and restored assets	2,084	7,138
	Provision expensed for the period, assets restored and assets not used in the business	103	615
	Increased provision due to reclassification or transfer	14,053	0
Less:	Recovery of provision against foreclosed and restored assets	8,165	1,657
	Recovery of provisions against assets restored and assets not used in the business	1	425
	Provision used in sales	800	602
Closing balance		56,329	49,055

11. Property and Equipment

At December 31 and June 30, 2011, there are insurance policies to cover theft, fire, earthquake, riot, civil commotion, explosion, volcanic eruption, power failure and loss or damage to premises and vehicles.

There are no mortgages or other charges on these assets and they have not been delivered on mortgage guarantee.

The values assigned to real property are supported by valuations made in 2011, 2010 and 2009.

Depreciation expensed in the periods ended on December 31 and June 30, 2011 was $22.106 and $21.178 respectively.

Detail of Property and Equipment

Figures in million COP

Asset	December 31	June 30
Land		
Cost	26,784	26,836
Provision	(6)	(6)
Net	26,778	26,830
Construction in Progress		
Cost	5,646	3,645

Continues

Figures in million COP Asset	December 31	June 30
Buildings		
Cost	194,068	192,996
Accumulated depreciation	(65,119)	(63,586)
Provision	(94)	(107)
Net	128,855	129,303
Office equipment, furniture and fittings		
Cost	124,628	117,948
Accumulated depreciation	(53,797)	(49,038)
Net	70,831	68,910
Computer equipment		
Cost	109,821	101,813
Accumulated depreciation	(46,711)	(48,729)
Net	63,110	53,084
Vehicles		
Cost	20	20
Accumulated depreciation	(18)	(16)
Net	2	4
Imports in transit		
Cost	25,301	141,715
	320,523	423,491

Movement of Property and Equipment.

Figures in million COP Assets	Balance at December 31, 2011	Additions	Withdrawals	Profit (Loss) on sale	Balance at June 30, 2011
Land	26,784	0	52	171	26,836
Buildings	194,068	4,735	3,663	288	192,996
Furniture and fittings	124,628	8,259	1,579	50	117,948
Computer equipment	109,821	21,449	13,441	0	101,813
Vehicles	20	0	0	0	20
Total Assets	455,321	34,443	18,735	509	439,613

The movement of the provision against Property and Equipment, is the following:

Figures in million COP	December 31	June 30
Opening balance	113	197
Less: Recovery income	13	84
Closing balance	100	113

12. Other Assets

Permanent Contributions

At December 31 and June 30, 2011, there are permanent contributions to cooperatives, social clubs, nonprofit organizations and other entities for $470 and $468 respectively.

Prepaid Expenses and Deferred Charges

The following is the detail:

Figures in million COP	December 31	June 30
Prepaid expenses		
Insurance	1,139	1,830
Rent	825	1,009
Equipment maintenance	887	752
Software updates and maintenance	107	145
Other	302	295
	3,260	4,031
Deferred charges		
Remodelling	2,444	2,516
Software	25,056	19,579
Stationery	3,898	3,622
Improvements to rented premises	5,841	6,465
Discounts on investment placements	12,808	0
Deferred income tax	24,121	10,146
Advertising	2,120	3,344
Wealth tax and surcharge	205,690	240,569
Contributions and affiliations	0	216
Commissions and fees paid on the acquisition of BAC	20,987	10,318
Other	7,371	6,348
	310,336	303,123
	313,596	307,154

The movement of prepaid expenses and deferred charges for the period ended on December 31, 2011, is the following:

Figures in million COP	Balance at December 31	Charges	Credit	Balance at June 30
Prepaid expenses				
Insurance	1,139	1,170	1,861	1,830
Rent	825	78	262	1,009
Equipment maintenance	887	646	511	752
Software and Hardware updates and maintenance	107	216	254	145
Other	302	609	602	295
	3,260	2,719	3,490	4,031

Continues

Figures in million COP	Balance al December 31	Charges	Credit	Balance al June 30
Deferred charges				
Remodelling	2,444	1,710	1,782	2,516
Software	25,056	13,493	8,016	19,579
Stationery	3,898	12,346	12,070	3,622
Improvements to rented premises	5,841	3,502	4,126	6,465
Discounts on investment placements	12,808	13,008	200	0
Deferred income tax (debit) 1/	24,121	48,844	34,869	10,146
Advertising	2,120	3,722	4,946	3,344
Wealth tax and surcharge 2/	205,690	0	34,879	240,569
Contributions and affiliations	0	10,156	10,372	216
Commissions and fees paid on acquisition of BAC	20,987	24,263	13,594	10,318
Other	7,371	28,718	27,695	6,348
	310,336	159,762	152,549	303,123
	313,596	162,481	156,039	307,154

1/ The following is The detail of Deferred Income Tax Debit/Credit at December 31 and June 30, 2011:

Figures in million COP	December 31	June 30
Asset deferred tax:		
Valuation of forwards, futures and swaps	20,641	5,320
Deferred charges	821	1,811
Turnover tax	2,659	3.015
Net asset deferred tax	24,121	10,146
Deferred asset liability:		
Unrealized gains on investments	859	369
Valuation of forwards, futures, swaps and investments	5,230	36,003
Employee benefits (pension reserve)	5,426	5,757
Other (Exchange difference)	1,339	1,339
Total deferred tax liability	12,854	43,469
Net deferred tax Asset (liability)	11,267	(33,323)

2/ The following is the detail of amortization of wealth tax and its surcharge at December 31 and June 30, 2011:

Figures in million COP	December 31	June 30
Wealth tax declared	239,972	274,254
Amount amortized	(34,282)	(34,282)
Balance pending amortization	205,690	239,972

Goodwill

Goodwill arises from the acquisition of 94.99% of the shares of Banco de Crédito y Desarrollo Social – MEGABANCO S. A. authorized by Superintendency Resolution 917 of June 2, 2006.

The initial valuation on acquisition date (June 2006), on merger date (November 2006) and the first update (November 2007) was made by the firm Estrategias Corporativas, authorized by the Superintendency to value the business units to which goodwill was allocated in Communication 2006065624-002-000 of December 14, 2006. The second update was made in November 2008 by PricewaterhouseCoopers Asesores Gerenciales, authorized by the Superintendency in Communication 2009003030-002-000 of February 9, 2009.

A summary of the goodwill initially determined for each business line, accumulated amortization and the balance at December 31 and June 30, 2011 is the following:

Business line	Share	Initial allocation of goodwill at acquisition date (June 21, 2006)	Book value of goodwill at December 31, 2011	Difference between initial allocation and book value amortized to December 31, 2011
Commercial	32.7%	200,794	167,237	(33,557)
Consumer	30.8%	188,616	157,094	(31,522)
Payroll Inst.	27.0%	165,774	138,069	(27,704)
Vehicles	6.7%	41,207	34,321	(6,887)
Micro	2.8%	16,903	14,078	(2,825)
	100.0%	**613,294**	**510,799**	**(102,495)**

Business line	Share	Initial allocation of goodwill at acquisition date (June 21, 2006)	Book value of goodwill at June 30, 2011	Difference between initial allocation and book value amortized to June 30, 2011
Commercial	32.7%	200,794	170,665	(30,129)
Consumer	30.8%	188,616	160,313	(28,303)
Payroll Inst.	27.0%	165,774	140,899	(24,875)
Vehicles	6.7%	41,207	35,024	(6,183)
Micro	2.8%	16,903	14,366	(2,537)
	100.0%	**613,294**	**521,267**	**(92,027)**

This note corresponds to expert opinion on the gains in value of lines of business allocated goodwill derived from the acquisition of Megabanco, in particular:

a. Description

Goodwill is allocated to the five business lines: Commercial, Micro, Consumer, Payroll installment and Vehicles. The general criteria applied to define these lines of business were their relative importance to the bank, the approach of each line, profitability and potential creation of value. They are as follows:

- Commercial: A banking business, mainly making Commercial loans to businesses, the public sector and the solidarity sector, except for the vehicle business (a separate line) for engaging in organized economic activities, other than Micro loans (another separate line).
- Consumer: A banking business mainly providing consumer credit to individuals not included in the Payroll installment or Vehicle lines for the acquisition of consumer goods or payment of services for non-commercial or non-entrepreneurial purposes.
- Payroll Installment: A banking business to grant installment credit to individuals to whom this type of loan subject to this type of credit is available, manager by the Special Payroll installment Credit Unit.
- Vehicles: A banking business providing credit for vehicle purchases, made to corporate entities or individuals qualified for this line of operation (Commercial or Consumer), also managed by the Special Vehicles Unit.
- Micro: A banking business mainly offering micro-operations to individuals or corporate entities qualifying for this line.

b. Method of valuation

The valuation of business lines was effected using a discounted dividend flow, which the experts consider to be most appropriate for the valuation of financial businesses and which is widely used by first class investment banks. The method makes a projection of available dividends for ten years, plus a final value, all discounted at a suitable rate.

The method of dividend flows allows the total flow to be broken down into several flows which can then be valued separately. The sum of the valuations is the same, in terms of value, as the valuation of the total flow using the same discount rate.

In order to determine whether there is a loss of value of goodwill allocated to each of these business lines, the intangible value calculated (i.e. the difference between market price and book value) needs to be compared for each line with respect to the book value net of amortizations.

c. Valuation:

Valuation on acquisition date

On the date of acquisition (June 21, 2006) goodwill was allocated as a function of the intangible calculated for each business line. The chart below shows the book value, the intangible calculated and goodwill allocated to each line at acquisition date:

Line of business	Book value (Jun-06)	Intangible Calculated (Jun-06)	Goodwill allocated (Jun-06)
Commercial	109,844	219,000	200,794
Consumer	39,536	205,717	188,616
Payroll installment	41,745	180,804	165,774
Vehicles	29,459	44,943	41,207
Micro	13,331	18,435	16,903
TOTAL			$ 613,294

Valuation at merger date

Banco de Bogotá merged with Megabanco on November 7, 2006 in Public Deed 3690, Notary 11, Bogotá, having received the "declaration of no objection" in Superintendency Resolution 1923 of October 26, 2006. In the terms of Superintendency Circular 034/2006 a valuation must be made of the businesses allocated goodwill at the time of the merger with Megabanco.

The following chart shows book value, updated intangible and goodwill net of amortizations by business line, taken at the date of acquisition:

Line of business	Book value (Dec-06)	Intangible calculated at Dec-06	Goodwill net of amortizations (Dec-06)	Diff. between goodwill and intangible calculated (Dec-06)	Additional amortization due to deterioration (Dec-06)
Commercial	1,183,793	2,405,163	196,449	2,208,714	0
Consumer	173,112	873,735	184,534	689,201	0
Payroll inst.	67,519	232,577	162,186	70,391	0
Vehicles	42,213	70,236	40,315	29,921	0
Micro	15,693	27,290	16,537	10,753	0
TOTAL			$ 600,021		0

First update of the valuation

Line of business	Book value (Nov-07)	Intangible calculated at (Nov-07)	Goodwill net of amortizations (Nov-07)	Diff. between goodwill and intangible calculated (Nov-07)	Additional amortization due to deterioration (Nov-07)
Commercial	1,437,490	2,664,486	191,796	2,472,690	0
Consumer	217,069	1,003,615	180,163	823,451	0
Payroll inst.	81,859	289,458	158,345	131,113	0
Vehicles	56,531	98,040	39,361	58,680	0
Micro	15,501	41,691	16,145	25,546	0
TOTAL			$ 585,810		0

Since the intangible value calculated is higher than the book value net of amortizations, no additional amortization is required due to deterioration.

Second annual update

The following is the second annual update of the book value, with valuation of the intangible and goodwill net of amortizations by line of business (November 2008):

Line of business	Book value (Nov-08)	Intangible calculated at (Nov-08)	Goodwill net of amortizations (Nov-08)	Diff. between goodwill and intangible calculated (Nov-08)	Additional amortization due to deterioration (Nov-08)
Commercial	1,689,697	3,297,334	186,385	3,110,949	0
Consumer	223,409	1,105,421	175,080	930,341	0
Payroll inst.	99,100	417,260	153,877	263,383	0
Vehicles	74,298	132,257	38,250	94,007	0
Micro	19,250	71,289	15,690	55,599	0
TOTAL			$ 569,282		0

Since the intangible value calculated is higher than the book value net of amortizations, no additional amortization is required due to deterioration.

Third annual update

The following is the second annual update of the book value, with valuation of the intangible and goodwill net of amortizations by line of business (November 2009):

Line of business	Book value (Nov-09)	Intangible calculated at (Nov-09)	Goodwill net of amortizations (Nov-09)	Diff. between goodwill and intangible calculated (Nov-09)	Additional amortization due to deterioration (Nov-09)
Commercial	1,755,558	3,004,512	180,601	2,823,911	0
Consumer	217,378	1,150,517	169,647	980,870	0
Payroll inst.	110,25	480,637	149,102	331,535	0
Vehicles	71,563	104,572	37,063	67,509	0
Micro	21,410	111,116	15,203	95,913	0
TOTAL			$ 551,615		0

Since the intangible value calculated is higher than the book value net of amortizations, no additional amortization is required due to deterioration.

Fourth annual update

The following was the fourth annual update of book value for the intangible value calculated and net amortization of goodwill by line of business, in November 2010:

Line of business	Book value (Nov-10)	Intangible calculated at (Nov-10)	Goodwill net of amortizations (Nov-10)	Diff. between goodwill and intangible calculated (Nov-10)	Additional amortization due to deterioration (Nov-10)
Commercial	2,183,545	4,868,396	174,418	4,693,979	0
Consumer	259,696	1,676,946	163,839	1,513,107	0
Payroll inst.	131,931	750,915	143,997	606,918	0
Vehicles	66,415	176,126	35,794	140,332	0
Micro	19,639	115,447	14,682	100,765	0
TOTAL			$ 532,730		0

Since the intangible value calculated is higher than the book value net of amortizations, no additional amortization is required due to deterioration.

<u>Fifth annual update</u>

The following was the fifth annual update of book value for the intangible value calculated and net amortization of goodwill by line of business, in November 2011:

Line of business	Book value (Nov-11)	Intangible calculated at (Nov-11)	Goodwill net of amortizations (Nov-11)	Diff. between goodwill and intangible calculated (Nov-11)	Additional amortization due to deterioration (Nov-11)
Commercial	2,722,986	4,951,861	167,808	4,784,053	0
Consumer	349,048	2,237,700	157,631	2,080,070	0
Payroll inst.	178,530	1,014,774	138,541	876,233	0
Vehicles	83,404	280,318	34,438	245,880	0
Micro	24,769	167,666	14,126	153,540	0
TOTAL			**$ 512,543**		**0**

Since the intangible value calculated is higher than the book value net of amortizations, no additional amortization is required due to deterioration.

The following is the detail of amortization of goodwill:

Figures in million COP	December 31	June 30
Opening balance	521,267	531,098
Amortization in the period	(10,468)	(9,831)
Closing balance	510,799	521,267

Other Assets – Other

The detail is the following:

Figures in million COP	December 31	June 30
Permanent contributions	470	468
Trust rights [1/]	6,957	15,383
Staff loans [2/]	55,675	53,792
Remittances in transit - unconfirmed	28	0
Deferred payment letters of credit	4,835	1,396
Deposits	7,171	2,810
Withholdings at source	0	25,916
Works of art and culture	4,055	3,823
Moveable assets and fittings in store	91	105
Petty cash	2	1
Advance income tax paid	0	141,565
Advance turnover tax paid	0	4,071
Sales tax (IVA) deductible from income tax	10,897	8,441
Sundry	7,630	6,295
	97,811	264,066

1/ Trust Rights

These are escrows set up to manage past-due non-performing loans and assets in the assignment of assets and liabilities of Corporación Financiera Colombiana S.A., the merger with Banco de Crédito y Desarrollo Social - MEGABANCO S.A. and Compensación VIS – Vivienda de Interés Social, as follows:

Operation	Name	December 31	June 30
A. Assignment of assets and liabilities: Corporación Financiera Colombiana S.A.			
Escrow loans A	Fiduciaria Bogotá S.A.	$ 0	3,769
B. Merger with Megabanco S.A			
Foreclosed assets San Jerónimo del Yuste	Fiduciaria Bogotá S.A.	2,702	2,702
Patrimonio Autónomo Sol del Río Claro	Fiduciaria Bogotá S.A.	37	38
C. Compensation VIS – Social interest home mortgage s			
Foreclosed property in Guayuriba	Fiduciaria Bogotá S.A.	4,218	3,874
D. Trust donation Colombia Humanitaria	Fiduciaria Bogotá S.A.	0	5,000
Total		$ 6,957	15,383

The values of provisions, depreciation and valuation gains in the escrows were adjusted to match information certified by each escrow manager. The escrow managers are responsible for the accounting policies and for the preparation of financial statements, which must be in accordance with the accounting rules and practices set by the Superintendency and otherwise by Decree 2649/1993. Despite the application of Chapter III of Superintendency Circular 100/1995, this is effected directly in the Bank´s financial statements.

2/ Staff Loans

The Bank evaluated all staff loans and the result of the classification At December 31 and June 30, 2011, is the following:

Figures in million COP	Home mortgage	Consumer	Total	Secured	Provisión
	December 31				
A - Normal	39,958	15,680	55,638	13,480	845
D - Significant	0	23	23	19	19
E - Unrecoverable	0	14	14	9	9
	39,958	15,717	55,675	13,508	873

Figures in million COP	Home mortgage	Consumer	Total	Secured	Provisión
	June 30				
A - Normal	37,382	16,109	53,491	14,128	772
B - Acceptable	0	284	284	45	41
C - Appreciable	0	14	14	9	9
D - Significant	0	3	3	0	3
	37,382	16,410	53,792	14,182	825

Staff loans for home and vehicle purchases are secured

Provision against Other Assets

The detail of the provision against Other Assets at December 31 and June 30, 2011 is as follows:

Figures in million COP	December 31	June 30
Staff loans	873	825
Works of art and culture	301	301
Other provisions	3,656	3,655
	4,830	4,781

The movement of the provision against Other Assets is the following:

Figures in million COP	December 31	June 30
Opening balance	4,781	5,214
Plus: Provision expensed	209	807
Less: Recoveries of staff loans	160	571
Other Assets written off	0	669
Closing balance	4,830	4,781

13. Deposits and Demand Accounts

Term Deposits

Term Deposits are classified by maturities as follows:

Figures in million COP	December 31	June 30
Local currency		
Less than 6 months	1,476,850	1,773,581
6 - 12 months	1,002,011	873,306
12-18 months	456,534	185,597
18 months or more	4,302,213	3,376,414
	7,237,608	6,208,898
Foreign currency		
Less than 6 months	836,165	0
	836,165	0
	8,073,773	6,208,898

At December 31 and June 30, 2011, there were cash reserves held against local currency deposits as follows:

Deposits and Demand Accounts – sight to 30 days	11,0%
Official establishments	11,0%
Deposits and Demand Accounts over 30 days	11,0%
Term Deposits:	
Up to 180 days	4,5%
180-360 days	4,5%
360-540 days	4,5%
Ordinary savings	11,0%
Term savings	11,0%
Deposits and trust creditors	11,0%
Commitments to repurchase investments sold	11,0%

Other

The detail of Other Deposits and Demand Accounts is the following:

Figures in million COP	December 31	June 30
Local currency:		
Trust funds and special accounts	243	231
Correspondents	165,070	87,419
Special deposits	5,642	21,963
Demand accounts for banking services	202,589	104,226
Bank collection services	23,817	46,455
	397,361	260,294

14. MONEY MARKET AND RELATED LIABILITY POSITIONS

The following is the detail:

	December 31		June 30	
	Balance	Average yield	Balance	Average yield
Local currency:				
Ordinary interbank funds purchased	16,000	4.77%	55,000	4.16% *
Transfer commitments in operations			1,200,137	4.10% *
Commitments arising from short positions in simultaneous operations	0		45,799	
Transfer commitments in simultaneous operations	28,382	4.72%	253,045	3.43% *
	44,382		1,553,981	
Foreign currency:				
Ordinary interbank funds purchased	54,396	0.67%	146,748	0.50% **
	98,778		1,700,729	

* Weighted average rates for operations in local currency current at the close.
** Weighted average rates for transfer commitments in current foreign currency operations.

15. BANK LOANS AND OTHER FINANCIAL OBLIGATIONS

The following is the detail in local currency and foreign currency expressed in local currency:

	December 31				
Name	US$ million	Short term (1 year)	Medium term (1-3 years)	Long term (3 years)	Total
Local currency					
Bco de Comercio Exterior Local Cy.	0	25,741	167,518	33,826	227,085
Bco de Comercio Exterior Foreign Cy. [1/]	0	1,616	13,469	777	15,862
Finagro	0	30,043	117,213	250,663	397,918
Findeter	0	6,851	75,028	246,637	328,516
Banks Abroad [2/ and 3/]					
Banco Credito - Helm	10	19,427	0	0	19,427
Banco de Crédito del Perú [4/]	80	0	155,416	0	155,416
Banco Itau	5	9,714	0	0	9,714
Banco Latinoamericano de Commerce Exterior	20	38,854	0	0	38,854
Banesco Panamá	10	19,427	0	0	19,427

1. Equivalent to US$ 8.164.977.54
2. Equivalent to US$ 1.414.488.810.71. The average monthly cost in the accrual of financing is $4,353
3. Loans with personal guarantee
4. Includes the balance of the obligation for the acquisition of BAC for US$500,000,000 equivalent to $971,350 payable at maturity.

Continues

Name	US$ million	Short term (1 year)	Medium term (1-3 years)	Long term (3 years)	Total
	December 31				
Bank of America	48	93,250	0	0	93,250
Bank of America - Miami	13	24,284	0	0	24,284
Bank of Montreal	10	19,427	0	0	19,427
Bank of Nova Scotia	4	7,771	0	0	7,771
BB&T	1	2,667	0	0	2,667
Bladex, Panamá	40	77,708	0	0	77,708
Citibank, NA	108	102,963	106,849	0	209,812
Cobank - CCC	57	46,975	64,030	0	111,005
Commerzbank AG, Luxemburgo [4/]	80	58,281	97,135	0	155,416
Corp. Interamericana de Inversiones	30	0	0	58,281	58,281
Corpbanca, New York	20	38,854	0	0	38,854
Corpbanca, New York Branch [4/]	15	0	29,141	0	29,141
Deutsche Bank - CCC	212	0	411,611	0	411,611
Fifth Third Bank	15	29,140	0	0	29,140
Helm Bank (Panamá) S.A. [4/]	20	0	38,854	0	38,854
HSBC Bank USA, NA [4/]	76	40,797	106,849	0	147,645
Israel Discount Bank New York [4/]	5	0	9,714	0	9,714
JP Morgan Chase Bank, NA [4/]	86	60,612	106,849	0	167,461
Mercantil Commercebank NA [4/]	15	0	29,141	0	29,141
Standard Chartered Bank [4/]	108	111,705	97,135	0	208,840
Sumitomo Bank	25	48,567	0	0	48,567
The Bank of Tokyo - Mitsubishi [4/]	55	9,713	97,135	0	106,848
Toronto Dominion Bank	43	82,565	0	0	82,565
Wells Fargo Bank NY [4/]	170	233,901	97,135	0	331,036
Wells Fargo Bank MIAMI	34	66,052	0	0	66,052
	1,415	1,306,903	1,820,220	590,184	3,717,309

1. Equivalent to US$ 8.164.977.54
2. Equivalent to US$ 1.414.488.810.71. The average monthly cost in the accrual of financing is $4,353
3. Loans with personal guarantee
4. Includes the balance of the obligation for the acquisition of BAC for US$500,000,000 equivalent to $971,350 payable at maturity.

At the end of 2011, the Bank exchanged the bridging loans for US$ 1,000 million, taken to cover the Exchange risk derived from the BAC Credomatic acquisition for a syndicated 3-year loan for US$500 million and a 5-year bond issue on the international financial market for US$600 million.

Interest paid on these loans is $22,068 in local currency and $26,117 foreign currency.

The balance of these loans abroad is the result of the dynamics of rotation of loans paid at maturity with own funds through a transfer to creditor bank accounts in accordance with normal commercial practice.

Name	June 30 US$ million	Short term (1 year)	Medium term (1-3 years)	Long term (3 years)	Total
Local currency					
Bco de Comercio Exterior (pesos)		20,660	33,968	172,743	227,370
Bco de Comercio Exterior (foreign currency) 1/		11,016	7,194	240	18,450
Finagro		11,101	11,070	327,004	349,175
Findeter		0	293	317,394	317,687
Banks abroad 2/ and 4/					
Banco Latinoamericano de Exportaciones	20	35,447	0	0	35,447
Banco Itau	5	8,862	0	0	8,862
Citibank 5/ and 6/	382	677,616	0	0	677,616
Bank of America	46	81,527	0	0	81,527
Bank of Montreal	10	17,723	0	0	17,723
Intesa San Paolo	30	53,170	0	0	53,170
Commerce Bank	15	26,585	0	0	26,585
Commerzbank	20	35,446	0	0	35,446
Cobank	34	35,446	24,599	0	60,045
HSBC 6/	333	590,774	0	0	590,774
Standard Chartered Bank	11	19,496	0	0	19,496
BB& T	4	7,089	0	0	7,089
Deutsche Bank AG NEW YORK	142	100,668	151,002	0	251,670
JP Morgan Chase Bank 6/	368	652,804	0	0	652,804
Sumitomo	5	8,862	0	0	8,862
Toronto Dominion Bank	30	53,170	0	0	53,170
Wachovia Bank, N.A. Miami	20	35,446	0	0	35,446
Wells Fargo Bank	153	271,165	0	0	271,165
International organizations 3/ and 4/					
Corporación Andina de Fomento	93	164,826	0	0	164,826
	1,721	2,918,898	228,126	817,381	3,964,404

1/ Equivalent to US$ 37.357.219,62
2/ Equivalent to US$ 1.498.063.654,30. The average cost of financing accruals is $843
3/ Equivalent to US$ 96.300.000,00.The average cost of financing accruals is $843
4/ These loans have personal guarantees
5/ Includes the balance of the loan taken for the acquisition of Banco de Crédito and Desarrollo Social Megabanco S.A. for US$ 50.000.000,00 equivalent to $47,850, which is being amortized with half-yearly payments of US$ 25.000.000,00
6/ Includes the balance of the loan taken for the acquisition of BAC for US$ 1,000,000,000 equivalent to $1.913.980, payable at maturity.

Interest paid for these loans is $22,212 and $17,174 in local currency, and $8.247 and $4,158 in foreign currency, respectively.

The balance of these loans abroad is the result of the dynamics of rotation of loans paid at maturity with own funds through a transfer to creditor bank accounts as is normal commercial practice.

16. Accounts Payable

The detail of interest payable is the following:

Figures in million COP	December 31	June 30
Deposits and demand accounts	54,885	39,185
Interbank funds purchased and repurchase agreements	63	59
Bank loans and other financial obligations	11,033	8,755
Bonds outstanding	27,513	8,818
Convertible bonds	98	163
Other Interest	57	57
	93,649	57,037

Other

The detail of Other Accounts Payable is the following:

Figures in million COP	December 31	June 30
Dividends and other capital surpluses	136,830	133,328
Rent	58	26
Bank transaction tax	18,160	9,582
Sales tax payable	9,134	8,534
Purchase commitments	478	929
Suppliers	77,462	51,606
Contributions and affiliations	3	42
Payroll withholdings and contributions	58,430	42,148
Insurance premiums	43	28
Payroll - bonuses	663	776
Cheques drawn and not collected	4,394	4,612
Tax collections effected	87,281	85,652
Bonos de Paz	28,433	28,791
Bonos de Seguridad	6,996	6,927
Clearing overages in Grupo Aval [1/]	115,413	68,126
Credit card vouchers, local currency	13,543	720
Use of debit cards	959	5,710
ATM overages	329	586
TDs expired	32,230	30,403
Credit cards with credit balances	0	1,916
In favor of third parties, loans collected	10,772	11,963
Provision for electronic purse *Cédula Cafetera* [2/]	42,793	51,294
Embargoes and funds dispersion on payroll loan instalments [3/]	57,516	49,151
Sundry	25,053	27,973
	726,973	620,823

1/ Corresponds to ACH and AVAL processes and transactions

2/ Corresponds to funds credited to Cédulas Cafeteras smartcards pending use by growers

3/ Funds dispersion for application to loans under payroll installment loan agreements on embargoed accounts.

17. Bonds Outstanding

At December 31 and June 30, 2011,the following is the detail of bonds outstanding:

Figures in million COP	December 31	June 30
Second issue of Subordinated Bonds2008		
Series "A"	110,283	110,283
Series "B"	81,177	80,256
Series "C"	18,500	18,500
	209,960	209,039
Third issue of Subordinated Bonds 2010		
Series "AS1"	45,470	45,470
Series "AS4"	50,250	50,250
Series "BS1"	52,283	51,690
Series "BS2"	58,541	57,877
	206,544	205,287
Ordinary Bonds issued abroad 2011		
Series "A"	1,165,620	0
	1,582,124	414,326

The following are the characteristics of the Bonds:

December 31

	Issue type	Series	Term - years	Initial value	Face value	Interest rate	Issue date	Suscription date	Form of payment	Guarantee
Issue 2008	Subordinated bonds	"A" (IPC)	7	110,283	$ 1,000	IPC + 7.00% AV	15-Apr-08	15-Apr-08	Series A and B Interest anual in arrears and quarterly in arrears for Series C. Capital at mauturity	None
		"B" (UVR)	7	81,177	Unit 10,000	UVR + 7.00% AV				
		"C" (DTF)	7	18,500	$ 1,000	DTF + 3.00% AV				
				209,960						
Issue 2010	Subordinated bonds	"AS1" (IPC)	7	45,470	$ 1,000	IPC + 5.33% AV	23-Feb-10	23-Feb-10	Interest anual in arrears, capital at maturity	None
		"AS4" (IPC)	10	50,250	$ 1,000	IPC + 5.45% AV				
		"BS1" (UVR)	7	52,283	Unit 10,000	UVR + 5.29% AV				
		"BS4" (UVR)	10	58,541	Unit 10,000	UVR + 5.45% AV				
				206,544						
Issue 2011	Subordinated bonds	Single series (Fixed rate	5	1,165,620	USD 600,000	5.00%TV	19-Dec-11	19-Dec-11	Interest quarterly in arrears, capital at maturity	None
				1,165,620						

	Issue type	Series	Term - years	Initial value	Face value	Interest rate	Issue date	Suscription date	Form of payment	Guarantee
				June 30						
Issue 2008	Subordinated bonds	"A" (IPC)	7	110,283	$ 1,000	IPC + 7.00% AV	15-Apr-08	15-Apr-08	Series A and B Interest anual in arrears, quarterly in arrears for Series C. Capital at maturity	None
		"B"(UVR)	7	80,256	Und 10,000.0	UVR + 7.00% AV				
		"C" (DTF)	7	18,500	$ 1,000	DTF + 3.00% AV				
				209,039						
Issue 2010	Subordinated bonds	"AS1" (IPC)	7	45,470	$ 1,000	IPC + 5.33% AV	23-Feb-10	23-Feb-10	Interest annual in arrears, capital at maturity	None
		"AS4" (IPC)	10	50,250	$ 1,000	IPC + 5.45% AV				
		"BS1" (UVR)	7 años	51,690	Und 10,000	UVR + 5.29% AV				
		"BS4" (UVR)	10 años	57,877	Und 10,000	UVR + 5.45% AV				
				205,287						

18. Other Liabilities

Consolidated Employment Obligations

The detail of consolidated employment obligations is the following:

Figures in million COP	December 31	June 30
Severance accrual	28,137	20,441
Interest on severance accrual	3,327	1,218
Holidays	18,967	18,444
Other employment benefits	10,048	14,329
	60,479	54,432

Movement of Employment Obligations

Figures in million COP	Balance at December 31, 2011	Accrued in the period	Paid in the period	Balance at June 30, 2011
Severance	28,137	10,068	2,372	20,441
Interest on severance	3,327	2,301	192	1,218
Holidays	18,967	7,235	6,712	18,444
Other benefits	10,048	4,587	8,868	14,329
	60,479	24,191	18,144	54,432

Income received in advance

The movement of income received in advance for the period ended on December 31, 2011, is the following:

Figures in million COP	Balance at December 31	Credits	Charges	Balance at June 30
Interest	998	1,911	1,687	774
Commissions	5,362	22,203	22,085	5,244
Rent	219	21,148	21,131	202
Valuation gain Patrimonio Autónomo Corficolombiana	0	0	3,769	3,769
Income from discount on advance payment of rent.	326	0	68	394
Other	174	512	504	166
	7,079	45,774	49,244	10,549

Deferred Income

The detail of deferred income is the following:

Figures in million COP	December 31	June 30
Profit on sale of assets	79	88
Interest from restructuring processes	19,315	15,905
Other *	1,434	1,056
	20,828	17,049

* This corresponds to the valuation on the day of closing a swap in the period, deferred over the life of each operation. This method of valuation came into effect on January 1, 2010, following Superintendency Circular 25/2008 and Circular Letter 66/2009

Pensions

The movement of the pension liability is the following:

Figures in million COP	Actuarial calculation	Unamortized pension	Total Amortized
Balance at December 31, 2010	101,963	17,444	84,519
Amortizations, January-June 2011	0	(6,360)	6,360
Payments January-June 2011	(4,576)	0	(4,576)
Balance at June 30, 2011	97,387	11,084	86,303
Amortizations of July-December 2011	(4,621)	0	(4,621)
Payments made July-December 2011	0	(3,330)	3,330
Adjustment to actuarial calculation at December 31, 2011	8,690	8,690	0
Balance at December 31, 2011	101,456	16,444	85,012

The most recent actuarial calculation for pensions is that for December 31, 2011.

The calculation was made as required by Decree 2984/2009, Decree 7783/2001 and Resolution 1555 of June 30, 2010. It includes 1,137 individuals, being 672 pensioners, 418 substitute pensioners, 32 voluntary retirees, and 15 active employees. Pensions cover mandatory benefits.

At December 31 and June 30, 2011, the Bank had amortized 83.79% and88.6% of the actuarial calculations, respectively.

Other

The detail of Other Liabilities for the six-month periods ended on December 31 and June 30, 2011, is the following:

Figures in million COP	December 31	June 30
Deferred payment letters of credit	4,835	1,396
Deferred income tax (nota 12)	12,854	43,469
Cancelled accounts	15,346	15,317
Credits to be applied to obligations on collection	12,181	5,649
Cash overages	15	9
Clearing overages	267	258
Other	2,004	1,046
	47,502	67,144

19. Accruals and Provisions

The following is the detail of los Accruals and Provisions:

Figures in million COP	December 31	June 30
Employment obligations		
Service bonus	980	980
Social security	7,519	6,705
Other benefits	277	108
	8,776	7,793
Taxes		
Income tax	150,158	139,022
Turnover tax	8,057	9,138
Other	12,061	7,863
	170,276	156,023
Other		
Contributions and affiliations	89	69
Fines, litigation, indemnities and claims	8,481	8,868
Credit Cards	2,879	2,391
Custody and storage of cash	231	146
Suppliers	3,676	2,713
Contract Credivesa	4,990	3,791
Sundry Activities, Human Resources	0	1,168
Fogafin Deposit Insurance	18,652	17,159
Sundry	6,326	2,582
	45,324	38,887
	224,376	202,703

Service Bonus

The amount appropriated to make payments to employees completing five year-periods of employment.

Social Security

Amounts pending payment for payroll contributions for the last month of the period. These amounts are paid in the first 8 working days of the next month.

Turnover tax

Appropriation for payment of turnover tax for tax years 2009 and 2010.

Sundry

Appropriate for expenses in public services, savings prize draws, occasional services, cleaning, technological services, suppliers and other.

Fines, litigation, indemnities and claims

Figures in million COP	December 31	June 30
Administrative litigation	4,005	4,005
Labour claims	2,072	2,131
Civil and enforcement cases	2,404	2,732
	8,481	8,868

20. Mandatorily Convertible Bonds

The following is the detail of Mandatorily Convertible Bonds at December 31 and June 30, 2011:

Figures in million COP	December 31	June 30
Serie "A"	0	65,493

21. Capital

At December 31 and June 30, 2011, the authorized capital of the Bank was $5,000.0, represented in 500 million shares of par value $10.00 (pesos) each. Subscribed and paid capital on those dates was $2.868 and $2.854 represented in 286.836.113 shares and 285.442.748 shares, respectively.

22. Reserves

Legal

Banks are required to establish a mandatory reserve of 10.0% of net profits for each accounting period until the reserve reaches 50.0% of subscribed capital. The reserve may fall below this limit to absorb losses in excess of undistributed profits. It may not be used to pay dividends or cover losses or expenses while the Bank has undistributed profits.

This account also records share Premium, which is the difference between the par value and the amount actually paid for the share.

Statutory and Occasional

At the disposal of the Directors

Figures in million COP	December 31	June 30
Reserve at the disposal of the General meeting to maintain stability of the dividend	398,175	123,873
Reserve for changes in tax law	6,580	10,014
Voluntary reserves – permanent investments 1/	44,998	44,998
Fractions of shares - Megabanco 2/	3	3
	449,756	178,888

1/ Corresponds to profits from the capitalization of the equity revaluation account of Corporación Financiera Colombiana S.A. which may only be disposed of when shares are sold or as an when the sale price confirms the value.
2/ Arising from the issue of shares in the Megabanco merger process.

23. Surplus – Accumulated Unrealized Profit on Investments Available for Sale

The following is the detail of the unrealized profit on Investments Available for Sale:

Figures in million COP	December 31	June 30
Debt securities	7,465	7,908
High-turnover capital investments:		
Corporación Financiera Colombiana (Note 6)	1,678,234	1,687,501
Foreign currency asset and liability hedging operations	23,041	1,427
	1,708,740	1,696,836

24. Contingent Accounts

The following is the detail of operations representing 10% or more of each of the subaccounts.

Item	Maturity	December 31	June 30
Securities received in repos			
Banco de la República	Various	324,592	1,484,882
Serfinco	24/10/2018	0	647
		324,592	1,485,529
Bank guarantees:			
A.C.I Proyectos S.A	Various	0	2,309
Apco Sucursal	01/04/11	0	5,120
Autogermana S.A.	25/08/2011	0	2,659
Bank of China	31/12/2015	0	1,650
C.I. Grodco S.C.A. Ingenieros Civiles	Various	0	2,259

Continues

Item	Maturity	December 31	June 30
Cartones America SA	Various	0	10,634
Colpatria	Various	0	26,288
Commerzbank Ag	Various	0	142
Compañía Colombiana Automotriz S.A	30/07/2011	0	24,635
Concesión Ruta del Sol	25/08/2020	0	35,385
Deutsche Bank	Various	0	3,607
Empresa de Energia de Bogota	22/10/2013	73,823	67,348
Fabrica Nacional De Autopartes Sa Fanalca Sa	14/03/13	0	6,341
Hocol SA	Various	0	22,512
Inversiones Manuelita SA	Various	0	6,380
Isagen S.A. E.S.P.	Various	0	40,299
J.P. Morgan chase Bank	Various	0	11,234
Kbc Bank	Various	0	1,964
Meta Petroleum Ltda.	Various	0	53,347
Organización de Ingenieria Internacional S.A	19/02/12	0	7,254
Pacific Stratus Energy Colombia Ltd	Various	0	43,493
Petrodorado South America SA Sucursal Colombia	25/12/2012	0	5,317
Transportadora De Energia De Centroamerica Sa	Various	0	10,641
UBS AG	31/03/2013	0	25,539
Vias de las Americas S.A.S	23/08/2010	0	28,445
Unsecured	Various	398,324	72,530
		472,147	517,332
Letters of Credit issued:			
Almacenes Exito S.A	Various	0	27,236
Almacenes Máximo S.A.	Various	0	762
Arturo Calle S.A.	15/10/2011	31,480	40,645
Distribuidora Nissan S.A.	10/09/2011	0	434
Hyundai Colombia Automotriz S.A.	Various	0	19,403
Industrias Haceb Sa	Various	0	16,019
Masisa Colombia SA	Various	0	8
Mecanelectro S.A.	Various	0	663
Metrokia S.A.	Various	0	36,180
Agencia NY	Various	38,854	0
Other	Various	36,314	427
		106,648	141,777
Letters of Credit confirmed			
Monómeros Colombo Venezolanos S.A.	Various	0	7,397
		0	7,397
Loans approved and not disbursed:			
Suramericana de Inversiones	02/01/2012	190,000	0
ISAGÉN S.A.	25/08/2020	225,000	225,000
		415,000	225,000
Creits opened in process of award:			
Inversiones Suramericana	02/01/2012	0	675,329
Odinsa	04/06/2012	200,000	0
Emgesa S.A.	03/01/2015	162,000	0
		362,000	675,329
Credits opened and awarded:			
Arquitectos e Ingenieros Asociados	01/10/2011	0	7,793
Constructora Colpatria	30/03/2014	0	4,750
HB Estructuras	30/03/2014	0	4,750
		0	17,293

Item	Maturity	December 31	June 30
Obligations under Options:			
Agricola Santamaria SA	03/01/2012	0	9,998
Bancolombia	Various	0	16,916
Citibank N.A. London Branch	07/12/2011	0	18,850
Ecopetrol S.A.	26/07/2011	0	17,700
Finagro S.A.	Various	0	194,151
Forsa S.A.	30/06/2011	0	2,614
Hocol	Various	163,800	0
HSBC BANK USA N.A.	31/01/2011	134,453	20,080
Meta Petroleum Ltda	Various	420,828	0
Mineros S.A	24/06/2011	0	18,468
OLEODUCTO BICENTENARIO DE COLOMBIA SAS	20/10/2011	0	27,000
Productora de Papeles S A PROPAL	22/12/2011	0	15,598
Riopaila Castilla S.A.	27/12/2011	0	3,730
Sociedad Portuaria Regional de ¿???	Various	0	24,770
Suministros Generales S.A.	Various	0	2,136
Other	Various	115,395	55,691
		834,476	427,702
Litigation:			
Dirección de Impuestos and Aduanas Nacionales	Various	0	15,400
Gerencia Juridica	Various	0	23,510
Megabanco Virtual	Various	0	73,427
Secretaría de Hacienda de Cartagena	Various	130,393	130,393
HSBC Bank USA N.A.	Various	38,511	0
Other	Various	141,540	76,119
		310,444	318,849

The following is the detail of contingent accounts:

Figures in million COP	December 31	June 30
Debtor:		
Securities delivered in repo and simultaneous operations	28,407	1,485,529
Loan interest	84,370	85,522
Financial leasing interest	418	393
Monetary correction on loans	20	23
Rights under Options – Speculative	1,147,089	345,344
Leasepayments receivable	1,918,633	638,506
Purchase options receivanble	129,176	39,651
Other contingencies – Debtor	772,854	322,063
	4,080,967	2,917,031
Creditor:		
Securities received in guarantee, repos and simultaneous operations	359,929	29,849
Bank guarantees	749,694	650,344
Letters of Credit	259,894	227,993
Loans approved and not disbursed	450,000	225,000
Credits opened	4,268,645	4,604,618
Obligations under Options – Speculative	1,111,806	427,701
Other contingencies – Creditor	387,928	382,318
	7,587,896	6,547,823

25. Memorandum Accounts

The following is the detail of Memorandum Accounts:

Figures in million COP	December 31	June 30
Debtor:		
Assets and securities delivered in custody	3,442,591	3,601,644
Fair Price of exchange, primary asset positions	871,655	795,209
Assets and securities delivered in guarantee	21,649	1,153,759
Valuation gains on foreclosed assets	92,311	77,047
Remittance and other outward collections	3	94
Cheques purchased and unpaid	29	85
Assets written off	1,203,777	1,129,505
Exchange adjustment due to re-expression of loans	3,014	6,326
Asset inflation adjustment	28,120	29,360
Accounts Receivable, investment yields		
– Trading investment in debt securities	26,464	10,968
Loans to parent, affiliates and subsidiaries	927	2,055
New agricultural loans	60,683	61,862
Dividends, rights in kind, equity revaluation	59,970	59,970
Property and Equipment fully depreciated	296,476	279,755
Provision for persons in moratorium situations	160,720	169,068
Trading investments, debt securities	432,364	260,320
Investments held to maturity	1,353,362	1,343,322
Investments available for sale in debt securities	2,642,266	3,202,587
Credits in favor of the Bank not used	134,462	134,462
Reciprocal asset operations with parent/subsidiary	6,746,890	6,154,509
Reciprocal operations affecting expenses of parent/subsidiary	5,782	11,466
Fiscal value of assets	37,003,036	37,003,036
Other memorandum accounts - Debtor *	48,545,136	45,607,026
	103,131,687	101,093,435

* At December 31 and June 30, 2011, there was a certain percentage determined by the Tax Area on loans funded with savings resources for $9.915.151 and $10.748.237, loans for $23.069.376 and $21.568.591 and other sources for $13.154.225 and $10.820.355; based on balances of savings and loan accounts. The account was created for tax purposes.

Figures in million COP	December 31	June 30
Creditor:		
Assets and securities received in custody	3,687,597	1,485,816
Assets and securities received in guarantee of future loans	3,565,811	2,928,799
Guarantees pending cancellation	79,654	80,170
Assets and securities received in admissible collateral	10,690,825	8,794,259
Other Assets and securities received as collateral	962,389	1,170,467
Inward collections	690,617	677,782
Recovery of assets written off, local currency	27,109	19,752
Equity inflation adjustment	413,183	413,183
Capitalization of equity revaluation	413,183	413,183
Yield on trading investments, debt securities	1,057,474	315,220
Capital investments	19	18
Fiscal value of equity	4,952,714	2,844,590
Classification of financial leasing operations	884,675	565,372
Classification of home mortgage loans - secured	19,841	18,458
Classification of home mortgage loans - unsecured	542	651
Classificationof consumer loans - secured	868,650	856,777
Classification of consumer loans - unsecured	4,200,314	3,703,120

Continues

Figures in million COP	December 31	June 30
Classification of micro loans - secured	130,712	103,958
Classification of micro loans - unsecured	115,256	106,942
Classification of commercial loans - secured	4,694,176	4,255,155
Classification of commercial loans - unsecured	16,228,898	15,367,075
Liability operations with parent/subsidiaries	502,806	220,644
Reciprocal operations affecting equity with parent/subsidiaries	2,137,527	2,131,272
Reciprocal operations affecting income with parent/subsidiaries	7,300	9,840
Other memorándum accounts - Creditor	516,491	450,222
	56,847,763	46,932,725

26. Transactions with Related Parties

Related parties are shareholders, administrators and directors holding 10% or more of the Bank´s capital and companies over which the Bank exercised subordination.

	December 2011					
Figures in million COP	With Grupo Aval	Directors with legal representation	Directors	Entities in the combination	Related companies (Consolidation)	Companies related to Directors
ASSETS						
Cash and Banks	0	0	0	10,554	10,079	0
Investments	0	0	0	264	6,234,732	0
Provision against investments	0	0	0	0	753	0
Loans	7	687	240	357	41,545	667,433
Accounts Receivable	0	4	5	1,644	70,184	0
Valuation gains	0	0	0	1,123	248,955	0
Other Assets	0	0	0	0	0	0
LIABILITIES						
Deposits	1,099,900	1,563	2,073	2,802	505,931	0
Accounts Payable	75,965	0	0	2,107	2,076	0
Other Liabilities	0	0	0	119	13	0
EQUITY						
Gains/Losses realized	0	0	0	0	1,678,234	0
INCOME						
Interest	4,550	22	3	0	1,849	0
Commissions	0	0	0	0	946	0
Rent	0	0	0	0	194	0
Other	0	0	0	6,377	328	0
EXPENSES						
Interest	0	2	0	0	2,600	0
Commissions	0	0	0	0	2,355	0
Fees	0	0	0	0	0	0
Rent	0	0	0	0	47	0
Other	0	0	0	2,963	4,121	0

Figures in million COP	June 2011					
	With Grupo Aval	Directors with legal representation	Directors	Entities in the combination	Related companies (Consolidation)	Companies related to Directors
ASSETS						
Cash	0	0	0	3,333	1,725	0
Investments	0	0	0	0	5,692,223	0
Investment Provision	0	0	0	0	687	0
Loans	13	934	293	1,018	36,174	562,436
Accounts Receivable	0	0	0	636	26,651	0
Valuation gains	0	0	0	0	329,255	0
Other Assets	0	0	0	0	11	0
LIABILTIES						
Deposits	1,119,717	526	99	5,013	219,403	0
Accounts Payable	74,856	0	0	1,189	2,880	0
Other Liabilties	0	0	0	126	0	0
EQUITY						
Unrealized profit/loss	0	0	0	0	1,687,501	0
INCOME						
Interest	8,082	0	0	64	705	0
Commissions	0	0	0	8,459	910	0
Rent	0	0	0	357	161	0
Other	0	0	0	63	294,139	0
EXPENSES						
Interest	0	0	0	63	7,202	0
Commissions	0	0	0	315	1,630	0
Fees	0	0	265	0	0	0
Rent	0	0	0	0	209	0
Other	3,086	0	0	3,531	3,425	0

The loan rate applied to Directors and Administrators was DTF + 4 and DTF + 4.5.

27. Other operating income and expenses

The detail of other operating income is the following:

Figures in million COP	December 31	June 30
Rent	119	122
Supplier discounts	194	19
Recovery of provisions against accounts receivable 1/	14,981	11,938
Recovery of provisions against loans and leasing operations 1/	226,777	250,645
Sale of chequebooks	21,240	20,936
Sale of savings passbooks	1,161	1,108

1/ Loan and receivables recoveries refer to recoveries of provisions made in previous periods; the amounts recorded correspond to partial or full payments made by clients mainly classified "A". The increases are due to changes in the percentages of provisions to be made for each risk category, and to the Bank´s performance in collection.

Continues

Figures in million COP	December 31	June 30
Subsidy, Finagro special line	1,617	2,115
Commercial information	676	656
Penalty for prepayment , local currency loans	2,309	1,557
Other	6,156	4,163
	275,230	293,259

The detail of other operating expenses is the following:

Figures in million COP	December 31	June 30
Fees	15,066	10,972
Taxes	88,174	87,011
Rent	19,374	18,323
Contributions and affiliations	21,520	19,133
Insurance	40,425	38,177
Maintenance and repairs	20,903	18,305
Office remodelling	3,965	3,793
Cleaning and security	10,403	10,313
Temporary services	26,826	24,609
Advertising	19,846	16,667
Public relations	536	289
Public services	25,766	24,625
Data processing	4,361	3,929
Travel	3,233	1,834
Transport	21,429	20,847
Stationery	8,696	6,529
Donations	6,385	1,497
Software services and development, local currency	3,385	1,853
Statement preparation, local currency	841	426
Court and notarial costs	337	431
Reimbursement to Grupo Aval – Special services	3,453	0
Sundry other – foreign currency	472	426
Outsourcing services	23,804	21,663
Incentives, prizes and promotion of financial products	8,698	6,925
Databases	4,914	0
Signposting and safety items	1,576	0
Reversal of operating income/expenses, closed periods	1,434	0
Premises administration	3,954	3,861
Custody and storage of cash	1,953	0
Operating risk	1,082	892
Other	18,133	24,927
	410,944	368,257

28. Other Provisions

The following is the detail of amounts appropriated to other provisions:

Figures in million COP	December 31	June 30
Cash and due from banks	119	46
Marketable, foreclosed and restored assets	2,187	7,753
Other assets	209	807
	2,515	8,606

29. Non-operating income and expenses

The following is the detail of non-operating income:

Figures in million COP	December 31	June 30
Profit on the sale of:		
Foreclosed assets [1/]	517	3,808
Property and Equipment	509	7,353
	1,026	11,161
Recoveries:		
Assets written off	27,109	19,752
Recovery of provision against investments	24	82
Recovery of provision against marketable, foreclosed and restored assets [2/]	8,166	2,082
Recovery of provision against property and equipment	13	84
Recovery of provision against other assets	160	571
Recovery of other provisions	2,734	2,274
Returns	846	973
Other recoveries	11,480	23,406
Losses recovered	1,957	1,545
	52,488	50,769
Rent	926	978
Income from foreclosed assets	27	86
Creditors declared abandoned	2,206	0
Income from the administration and control of Patrimonio Megabanco	4,846	0
Other	371	4,697
	8,377	5,761
	61,891	67,691

1/ The most important item was the profit on the sale of the Guayuriba building plots received from Inurbe for $9.907

2/ Recovery of provisions against the sale of the Guayuriba plots for $1.765 and sale of trust rights of Seven Star for $1.022

The detail of non-operating expenses is the following:

Figures in million COP	December 31	June 30
Loss on sale of property and equipment	0	6
Losses [1/]	5,537	4,855
Fines, litigation, indemnities and claims	1,939	3,132
Loss on sale of foreclosed and restored assets	6	6
Sundry	1,906	3,482
	9,388	11,481

1/ At June 30, 2011, the balance was $4.855 in insurance losses, composed of $3.413 belonging to PUC accounts for operating risk formed by 1.456 events; the remaining amount of $1.442 is part of the account "Loss due to Borrower´s and Credit-Cardholder´s Death".

30. Income Tax

The following is a reconciliation between book and fiscal profit for the six-month periods ended on December 31 and June 30, 2011:

Figures in million COP	December 31	June 30
Profit before tax	763,310	664,490
Plus or (Less) items that increase/(decrease) taxable profit:		
Bank transaction tax	8,484	11,449
Fines, penalties, litigation	1,939	3,132
Net effect of non-allowable recoveries and provisions	674	3,230
Other non-allowable expenses	13,800	12,441
Wealth tax	34,282	34,282
Non-allowable taxes	440	912
Difference in book and fiscal valuation of investment income	(1,482)	5,769
Non-taxable dividends and other capital yields	(161,357)	(150,784)
Yield on bonds: *Seguridad y de paz*	(17)	(31)
Higher/(lower) fiscal income on valuation of forwards	133,635	(62,535)
Higher fiscal profit on securitization trust		
Exempted income	(774)	(1,622)
(Higher) lower fiscal amortization of deferred charges	(2,999)	5,337
Book valuation not made for tax purposes: swaps and options	6,047	(4,421)
Recovery of tax provision, previous year	0	(1,241)
Other non-taxable income	(144)	(964)
Taxable income base	795,838	519,444
Standard rate - 33%	262,627	171,417
Deduction for dividends Leasing Panamá	(48,467)	(32,395)
Recovery of income tax 2010	0	(1,495)
Deferred tax	(44,590)	20,306
Total tax	169,570	157,833

Deferred Tax

The following timing differences arose at December 31 and June 30, 2011, affecting deferred tax

Figures in million COP	December 31	June 30
Higher (lower) amortization of fiscal deferred charges	990	(1,693)
Indemnities for employees and pension reserve	(330)	2,429
Provision for Turnover Tax	357	(621)
Difference between book and fiscal income on forwards and options valuations	(45,607)	20,191
	(44,590)	20,306

The reconciliation of book and fiscal equity at December 31, 2011 and 2010 is as follows:

Figures in million COP	2011	2010
Book equity	8,100,301	5,156,366
Plus or (Less) items that increase (decrease) equity for fiscal purposes:		
Fiscal adjustments to foreclosed assets	22,515	23,232
Fixed asset fiscal adjustments	288,423	305,635
Deferred tax payable	12,854	15,599
Provisions against assets that do not change fiscal values	28,666	17,510
Accruals and provisions	(7,963)	(6,122)
Book valuation gains on assets	(541,880)	(538,347)
Book valuation of derivatives	23,660	(18,577)
Deferred tax receivable	(24,121)	(2,583)
Fiscal equity	7,902,455	4,952,713

Income tax filings for 2008 are currently being reviewed by the tax authority DIAN. DIAN has so far taken no such action for tax years 2009 and 2010

31. Contingencies

Litigation against the Bank

A December 31 and June 30, 2011, the Bank was involved in administrative and judicial proceedings against it, but these are difficult to classify as contingencies in the terms of the related regulations.

Remote or eventual contingencies cannot be held to be "justified, quantifiable and reliable" and so no provision is made against them. In relation to valuations, it is well known that plaintiffs claim exaggerated sums which are in most cases discredited during the proceedings. The difficulties of quantifying the scope of these contingencies also lies in the fact that in many cases there are principal and subsidiary claims and in most cases petitions are not compatible with each other or are written in a confusing manner and it is not possible to make a reasonable calculation or quantification.

Following Superintendency instructions in Circular 66/2001 amended by Circular 002/2003, claims were assigned values on the basis of the analysis and opinions of the lawyers responsible.

Labour cases

At December 31 and June 30, 2011, labor claims totaled $4,700 and $4,767respectively, and probable contingency provisions were made for $2,072 and $2,131 respectively. Historically, most cases of this kind have been decided in favor of the Bank.

Civil cases

At December 31 and June 30, 2011, the result of valuations of civil court cases was $141,539 and $164,752.4 respectively. Provisions were made for $2,656.5 and $ 2,398.7 and $ 1,733.3, respectively.

The result of the valuation of civil cases pending at December 31 and June 30, 2011 was $141,539 and $164,752 respectively, (of which $111,875 are contingencies inherited from MEGABANCO, mostly covered by FOGAFÍN under the contract for the assumption of liabilities of June 21, 2006 between the Bank and FOGAFIN) and provisions were made for contingencies totalling $2,404 and $2,732 respectively.

- At December 2011, the civil suit brought by PÁNELES NACIONALES DE COLOMBIA S.A. for $ 28,000 was closed in the Bank´s favour, and there is no remaining contingency With respect to the suit brought by LUZ AMPARO GAVIRIA and PEDRO RAMÓN KERGUELEN, the amount is $ 20,000. Payment is claimed on the grounds that a former Bank employee in Montería committed a crime. The action was extinguished upon the death of the accused, and there was no further means of continuing the civil action as part of the criminal trial.

- Action for revocation of COOPERADORES EN LIQUIDACIÓN against MEGABANCO S. A. (now BANCO DE BOGOTÁ S. A.), before Civil Court 6, Cali, totals $12,000 million. It is currently in the evidence-gathering state of the first instance pending a decision on the request for revocation proposed by the Bank (this contingency is covered by FOGAFIN). The Cooperative claims revocation of 13 contracts for delivery of property in lieu of repayment of loans: the contracts were made between COOPERADORES and BANCOOP in July and August 1998. It claims revocation of a contract for delivery of assets in lieu of repayment of loans signed between COOPERADORES and BANCO COOPDESARROLLO regarding 78 properties in the development Portales de Comfandi II, Deed 2258 of May 29, 1998, Notary 11, Cali; and revocation of the delivery in lieu of repayment in Deed 3693 of July 17, 1998, ,Notary 7, Cali by to DANCOOP, affecting 1,102,551 capital quotas of COOPERADORES in SERCOFUN LTDA for $3,000, and if they have been disposed of their value together with dividends, profits and interest are to be restored. These acts were performed during the six months prior to the intervention of COOPERADORES by DANCOOP on August 3, 1998.

- The arbitration called by Empresarial Consultores Ltda. as representative the Superintendency of the Solidarity Economy to attend to situations not defined in the liquidation of COOPERADORES, in which claims total $16,000 million, before the Bogotá Chamber of Commerce Arbitration and Conciliation Centre seeks to define matters related to a sale of loans between BANCOOP and COOPERADORES in an agreement of July 13, 1998 for $31,000, in which COOPERADORES was claiming revocation. The case was closed and all liability on the Bank´s part ceased through a tribunal decision issued on October 11, 2010, declaring that the Bank´s proposal of an exception of merit (claiming forfeiture of action) was to prosper; however, Empresarial Consultores responded with a claim for protection of fundamental rights, which was denied in the first instance by the Bogotá Appeals Court and confirmed in the second instance at the Supreme Court of Justice, Pedro Munar- Cadena presiding, in a decision of February 8, 2011. The Constitutional Court did not agree to review the case, in a decision of April 238, 2011.

- At December 31, 2011, the contingency derived from the action of the Rafael María Leaño-Camacho and others was valued at $23,427 million, claiming compensation from the former associates of CUPOCREDITO for damages suffered as a result of the loss of value of contributions. The case is in the evidence-gathering stage of the first instance. It is also covered by FOGAFIN, but the risk is considered remote, because action is now forfeit, none of the grounds of liability are present and MEGABANCO S.A. is a third party, alien to the situation claimed.

- In respect of the claims of a civil party to the case of JOREPLAT EN LIQUIDACIÓN, totalling $20,000 million pursuing an indemnity from the Bank on the grounds the party suffered damages from the foreclosures on Joreplat in favour of Bancoop and Coopdesarrollo, the contingency disappeared because the Cali Appeal Court, on November 25, 2010 declared the proceedings null as of a Resolution of November 19, 2007 of Prosecutor Delegate 2 before the Cali Appeal Court, leaving the decision of Regional Prosecutor 83 of October 11, 2006 in firm, assessing merits in the absence of evidence of criminal liability of the accused, lack of congruence of the conduct alleged with any definition of a crime and concurrent prescription of action, issuing a decision to preclude the investigation. The decision is totally favourable to the Bank. As a consequence of the nullity ordered, the Prosecution Service ordered the embargo on several properties to be raised on January 14, 2011, but failed to include Properties 370-293402, 370-293403 and 370-108202 respectively in its Resolution. The Bank claimed revocation and on February 20, 2011 the Prosecution Service rectified the position to include the properties omitted. The civil party appealed the Resolution of January 14, claiming revocation. The appeal was sent to the second instance which decided in favour of the Bank on December 13, 2011 and therefore the order to raise the charges is now in firm. At the close all that remains is the issue of the order to cancel the embargoes.

Administrative and other cases

Claims in administrative and tax cases initiated by national and local authorities demand penalties for alleged irregularities by the Bank in the course of its activities as a national and regional tax collection agent; and assess higher taxes payable by the Bank as a taxpayer. At December 30 and June 30, 2011, the claims totalled $154,524 and $154,377 respectively, and provisions were made for $4,005 and $4,005

32. Ratio of risk-weighted assets to computable capital

Computable capital may not be less than 9% of risk-weighted assets in local and foreign currencies, as required by Article 2.1.1.2 of Decree 2555/2010 formerly Article 2 of Decree 1720/2001. Individual compliance is verified monthly and consolidate compliance is verified every six months to include Colombian subsidiaries subject to Superintendency supervision and financial subsidiaries abroad.

The classification of risk assets in each category is effected by applying percentages set by the Superintendency for each item of assets, contingent creditors and trust mandates and other trust business in the Uniform Plan of Accounts PUC. As from January 30, 2002 market risks is included as part of risk-weighted assets.

At December 31 and June 30, 2011, the Bank´s ratio was 15.74% and 16.52% respectively. Computable capital at those dates was $ 6,600.603.0 and $6,547,666.0 respectively.

33. Risk Management

The process of risk management is subject to senior management guidelines and is consistent with the directives for administration and performance set by the Board.

There is a Credit and Treasury Risks Committee formed by directors, which meets regularly to discuss, measure, control and analyze credit risk (SARC) and treasury risk (SARM) management. There is also an Asset and Liability Technical Committee, which takes decisions on the management of assets, liabilities and liquidity through the Liquidity Risk Management System - SARL. The analysis and followup of operating Risk Management and Business Continuity (SARO-PCN) is handled by the Board´s Audit Committee.

Credit and Counterpart Risk

The Bank faces credit risks daily on two fronts: credit, commercial, consumer, mortgage and micro banking; and treasury, which manages interbank operations, investment portfolio management, derivatives and currency dealing, amongst other things. Although they are two independent businesses, the nature of the risk of insolvency on the part of a counterpart is equivalent and therefore the criteria used in both cases are the same.

The basic principles and rules for risk management appear in the Credit Manual, originally conceived for traditional retail banking but also used as a basis for treasury operations. The criteria for evaluation of credit risk follow the guidelines of the Credit and Treasury Risk Committee.

The Board is the senior authority on credit matters and it provides general policy guidance and gives authorizations for the granting of the highest levels of credit permitted. In banking operations authority levels depend on amount, term and security offered by the client. The Board has delegated credit functions to a number of departments and officers, who process applications and are responsible for their analysis, follow-up and results.

The Board authorizes limits for treasury operations and counterparts. There are three mechanisms for risk control: the annual allocation of limits and daily controls; and quarterly evaluations of solvency by issuer and reports on the concentration of investments by economic group.

Approvals of credit take account of other considerations such as the limits of the counterpart and the quality and value of security received; the term required and concentration of risk in economic sectors.

The Bank has a Credit Risk Management System (SARC), administered by the Credit and Treasury Risk function. Amongst other things, it provides for the design, implementation and evaluation of risk policies and tools defined by the Credit and Treasury Risk Committee and the Directors. The progress made with SARC has brought some important benefits in the integration of tools for the measurement of credit risk in the Bank´s credit approvals processes.

Market Risk

In order to satisfy the requirements of the Superintendency (Chapter XXI of the Accounting Circular), the Bank has used the standard model for the presentation, measurement, control and management of market risk, interest rates, exchange rates and prices of shares in the Treasury book and the Bank book. These exercises are conducted daily for each area of exposure to risk. Asset positions in the Treasury Book are mapped within zones and bands depending on portfolio duration, capital investments and net position (assets less liabilities) in foreign currency, in line with the standard model recommended by the Basel Committee.

The Bank also uses internal parametered and non-parametered models based on the Value at Risk (VaR) method to manage market risk based on the identification and analysis of variations in risk factors (interest rates, exchange rates and price indices) in relation to the value of portfolio instruments. The models are the JP Morgan Risk Metrics method and the historical simulation method.

The methods used to measure VaR are regularly evaluated and subjected to back-testing to ensure their effectiveness. The Bank also has tools for stress and sensitivity testing of portfolios with simulations of extreme scenarios.

The Board and senior management are aware of the implicit risks of the Bank´s activities in the money market, the exchange market and the capital market, and the way that they are treated in the Bank´s general strategy. At the same time there are tools and reports that provide an overall and individual Treasury risk map every day, so that some or all risks can be hedged. The Bank is also committed to obtaining an effective system to organize and control its Treasury operations.

Treasury policies and limits are studied and designed by the senior management and approved by the Board. They appear in the International and Treasury Product Manual and the Market Risk Management System (SARM) and the Policy and Procedure Manual applicable to OTC securities trading. The Product Manual includes instructions for personnel involved in treasury activities; manuals of functions and responsibilities; procedures and products for each area and product; technological applications which support negotiation, recording, accounting, control and reporting and compliance; The SARM Manual compiles limits by type of risk, market, product, business unit or authorization level; processes for the identification, measurement, control and monitoring of market risks; models developed to control and monitor risks and control reports on positions and measurement of performance and results. The Policies and Procedure Manual applicable to OTC securities dealing sets policies and procedures for the treatment of OTC clients and in general, all securities dealing.

Once position risks are identified and quantified, especially for treasury instruments, position limits are then set for them. In line with the Bank´s general policy, the distribution of risk in treasury operations aims at diversification of products and markets, with the conservative criterion of maintaining moderate VaRs. There are thus minimum requirements of knowledge of products, reading of the markets and disciplines for negotiation compatible with the culture of the Bank. For portfolios that include derivatives, additional limits have been set for each type of risk so that the limits for each business unit or strategy can be used in full for any of the risks in any part of the portfolio without exceeding the overall limit set.

The measurement of market risk adopts two focuses: first, economic impact on earnings; and second, a determination of the economic value of positions, which in turn determines the capital required to cover the risk assumed.

The use of the VaR method has enabled the Bank to estimate earnings or capital at risk, and facilitated the allocation of funds to the business units. It has also enabled the Bank to compare activities in different markets and identify positions that offer the greatest risk to treasury business. Likewise, the VAR method helps to set position limits and review positions and strategies rapidly as market conditions change.

There are also "risk type limits" established for each instrument in each portfolio (sensitivities or effects on the value of the portfolio as a consequence of changes in interest rates or related factors: the impact of variations in specific risk factors: Rho, Delta, Vega etc.

In order to avoid potentially improper dealing in the market, the Bank has established counterpart and dealing limits by operators for each dealing platform in the markets in which the Bank operates. Limits are controlled daily by the Back Office and Middle Office. Dealing limits by operator are assigned at different levels of authority in Treasury as a function of the officer's experience in the market, in dealing with the particular types of product and in portfolio management

Liquidity Risk

The Bank has a Liquidity Risk Management System (SARL) approved by the Directors, to identify, measure, control and monitor liquidity risk as a function of positions taken in the course of authorized asset, liability and off-balance-sheet operations.

The measurement of liquidity risk is effected using the short-term Liquidity Risk Indicator (IRL) for 7, 15 and 30 days from the Superintendency´s standard model. The method of liquidity gaps or accumulated 90-day gaps is used for medium term positions, with the time banks recommended by the Technical Asset and Liability Committee.

The analysis of risk should enable the Bank to obtain a proper measurement of volatility of debts, indebtedness levels, the structure of assets and liabilities, the degree of liquidity of assets, availability of financing lines and the general effectiveness of asset and liability management. At the same time, liquidity risk management should enable the Bank to maintain sufficient liquidity (liquid assets, guarantees and collateral) to face possible scenarios of own or systemic stress.

The quantification of money market requirements is also a part of the Bank´s measurement of liquidity. Technical studies support decisions on the primary and secondary sources of liquidity, diversifying suppliers of funds in order to ensure that funding is stable and sufficient and to minimize concentration on sources. Once the sources have been identified they are assigned to different portfolios in line with the budget and the nature and depth of the markets.

Funds availability is reviewed daily, not only to comply with cash reserve requirements but also to cover possible shortfalls arising from banking operations, to take strategic positions or to change the risk and liquidity profile.

Senior Management´s Assets and Liabilities Committee identifies the liquidity situation and decisions are taken as required to cover the following areas: high-quality assets which should be retained; tolerance in the management of liquidity or minimum liquidity; strategy in loan placement and in deposit-taking; policy for the placement of surplus liquidity; changes in the characteristics of products and the diversification of sources of funds to avoid concentration of deposit taking from small numbers of savers or investors, coverage strategy, results of the Bank and changes in balance sheet structure.

Operating Risk

The Bank has designed an operating risk management system (SARO) with the following objectives: to strengthen understanding and control of risks in processes, products and business lines; to reduce error and to optimize processes in accordance with risk evaluations and identify opportunities for improvement; to support the development and operation of new products and services; to integrate operating risk management into all Bank activities; to obtain a sustainable risk management system through self-management (involving all staff); to contribute to the identification, recording and management of risk events; to enable levels of tolerance of risk (appetite for risk) to be measured; to develop a uniform language and culture for the identification and management of risks.

SARO is managed by the Operating Risk Unit (GRO) with three main principles: strategy – elements of the system such as policies, organizational structure, organs of control, dissemination, recording of events, technological platform, training and documentation; method – procedures required to identify, measure, control and monitor operating risks; and control/self-control - regular review of risk profiles, functioning of controls, compliance with action plans (opportunities for improvement and treatment plans), training, the use of a common language and the identification of opportunities for improving the system.

The GRO is a member of the Committee for Claims and Frauds and the Know-Your-Client Committee, and supports the Financial Consumer Attention System by identifying and quantifying risks arising from that system and from the records of risks and controls associated with compliance with the Sarbanes-Oxley Law.

The Directors have included in the SARO Manual a definition of policies, rules and procedures for the handling of business within the levels of appetite for risk defined, enabling the identification, measurement, control and monitoring of operating risks inherent in processes, and individuals, infrastructure, technology and external events involved. The manual also includes all aspects of Business Continuity Management.

The Bank has an Operating Risk Events Log (RERO) which is constantly updated with risk management reports and allocations of expense accounts for proper book management.

Legal Risk

The Legal Division supports risk management in operations. In particular it defines the procedures required to impose appropriate controls on the legal risk, ensuring that operations comply with the law, and that they are correctly documented. The Division also analyzes and writes the contracts that support the operations of the business units.

The Bank respects copyright, uses only legally-acquired software or licenses, and does not allow its equipment to be used with any programs other than those officially approved.

Money-laundering and the financing of terrorism

The Bank has developed a system to manage risks related to money-laundering and the financing of terrorism (SARLAFT) as part of its organizational culture, which is structured on the Superintendency´s Legal Circular, with the four stages specified there and adopted by the Bank; and there are elements and instruments contained in policies and procedures to prevent, detect and report suspect operations related to money-laundering and the financing of terrorism. It is appreciated that this involves reputational and legal risks, risk of contagion and operating risks needing the closest attention of senior management and indeed, of all Bank staff.

The Bank´s SARLAFT enables ML/FT risks to be identified, measured, evaluated, controlled and monitored using a risk-mapping method that takes account of the probability of occurrence and impact of the risks in order to establish a risk consolidated and line-by-line profile of risk factors and associated risks.

The risks of Money-Laundering and the Financing of Terrorism (ML/FT) follow international and Colombian guidelines containing areas for continuous improvement, designed to achieve a reasonable degree of minimalization of those risks in the Bank.

The Bank has technological tools to implement the know-your-client, know-your-market and user control policies or identify unusual operations and report suspect transactions to the Ministry of Finance Special Financial Information and Analysis Unit UIAF as required by law.

Further, the Bank has developed an institutional training tool address to staff and explaining directives in relation to the regulatory framework and control mechanisms used to prevent ML/FT and promoting the SARLAFT culture.

The Bank also has a system to identify, measure, control and monitor each risk factor (client-user, channel, product, jurisdiction) as laid down in Colombian law. This includes actions with correspondents, which the Bank considers to be one of its distribution channels. This system of risk management is strengthened by the segmentation developed for each risk factor which allows risks to be identified and unusual operations to be detected based on a segment profile.

In observance of the law, and in terms of amounts and characteristics given in Title 1 Chapter 11 of the Superintendency's Basic Legal Circular 7/1996, the Bank regularly sends its reports to UIAF, and also provides the competent authorities with the information which they require by law. The Bank's policies include support and collaboration with the authorities to supply information to secure the success of their investigations, within the formalities of the law.

With this, the Bank´s operations and business are processed to the highest ethical standards and controls, giving pride of place to health banking practices and observance of the law – over and above the attainment of commercial targets. This has in practice entailed the implementation of criteria, policies and procedures used to manage SARLAFT risks designed to reduce them to the lowest possible level, as the Bank has traditionally done.

This system, of money-laundering and financing of terrorism risk management acts in complement to the Bank´s commercial work, taking advantage of these processes to provide a prompt response of the best possible kind to client needs and requirements.

The Bank has a number of functions that form part of the AML/FT risk management, such as the Compliance Control Unit (led by the Compliance Officer), the Comptroller and the Statutory Auditor, whose purpose is to ensure that SARLAFT is properly applied.

The Bank makes use of the results of the various stages of SARLAFT and reports from control functions, the Comptroller and Statutory Audit and pronouncements of the Directors in relation to the Compliance Officer´s quarterly reports, in order to ensure that SARLAFT is always properly managed.

34. Corporate Government

The principles of the Bank's Corporate Government are defined in the Corporate Government Practices, which is formed by the Good Government Code, the Code of Ethics and the Audit Committee Regulations issued by the Directors. The Good Government Code includes the Regulations for General Meetings and Internal Regulations of the Board

The Bank follows Superintendency Circular 28/2007 in issuing an annual report on Corporate Government Practices, contained in the Recommendations of the Country Code.

The Directors and Senior Management

The Directors and senior management are aware of the responsibilities involved in manages the risks of the banking business and know how those risks are related to the general strategy of the Bank. They are informed of the processes and structure of business done, and of the nature of the activities undertaken.

As a matter of policy, Senior Management continuously supports and follows up the Bank´s business, provides directives for the granting of credit, determines policies and authority limits for each type of market, product or business unit. It defines the risk profile of the Bank, adopts measures to counter new financial risks, establishes the organizational structure required and evaluates the methods used in risk management.

The Board is responsible for approving methods, procedures and limits and for allocating credit and counterpart limits. Specific and regular reports are sent to the Directors in order to keep them permanently informed of the activities of credit risk management.

Further, the Directors supervise compliance with internal controls policy and the operating risks management system SARO through the Audit Committee. The Credit and Treasury Risks Committee assists the Directors in analyzing matters related to SARC and SARM.

Senior Management analyzes matters related to asset and liability management and the Liquidity Risk Management System SARL through the Technical Committee for Assets and Liabilities.

Reports to the Directors and Senior Management

Senior management has clear, precise and rapid tools available to maintain permanent control on banking risks, with exposure by type of risk, dealing area and portfolio.

The Treasury Risks Department of the Credit and Treasury Risk Division provides a series of daily evaluation and control reports for Senior Management decision-taking, showing individual and aggregate exposures for each risk, compliance with policies and limits, the monitoring of strategies and volumes traded by position and type of instrument.

The Balance Sheet and Corporate Government Risks Unit of the Financial Division prepares its own daily report with a market risk analysis and a weekly liquidity risk report for all the Bank´s positions, using the Superintendency´s standard models.

The Directors receive a weekly report on the activities of each business unit and its financial results. These reports enable the Bank to follow up business regularly, with profitability and activity indicators.

The Credit Division makes a monthly report to the Board with the composition of loans by type and segment and indicators of quality and coverage.

Operating Risk Department makes a calculation of the Bank´s operating risk profile every six months, and reports its results to the Board.

Technological Infrastructure

The Bank has introduced systems and technologies to facilitate control. Modernization has not been limited to software traditionally used to record operations: security and communications systems have also been updated.

The risk control and management areas have technology to provide information, evaluate production processes and assess results achieved in individual operations and for whole portfolios.

The Bank also has a number of documented information systems to support its work in addition to the database applications used for control purposes. Most of the applications are open systems that allow downloading of spreadsheets to support measurement, follow-up and control of risks.

The Bank is continuously implementing technological developments in order to increase operating controls.

Methods of Risk Measurement

The Bank has a method of risk measurement by type of risk (credit, liquidity, market, operating, money-laundering and the financing of terrorism) and this enables inherent exposure to be identified. They are documented in each of the Risk Management Manuals.

Organizational Structure

The Bank has an organizational structure to assist in the analysis, integration and management of risks inherent in each kind of business.

Credit risk management and Treasury market risk are controlled in the Executive Division´s Credit and Treasury Risk Department.

Liquidity and market risks are assessed by the Balance Sheet and Corporate Government Risks Unit of the Finance Division.

For operating risk, the Bank has the Operating Risk Department, attached to the Financial Division

The Control and Compliance Department is specifically responsible for legal risks related to asset-laundering. The Legal Division also controls legal risks.

Authority levels and responsibilities in risk management are identified and recognized by officers in each area, who have a precise description of the functions, objectives and scope of their posts.

Human Resources

The Human Resources Selection area has set certain minimum requirements in education and experience with a profile appropriate to each post.

Those involved in the analysis, measurement and management of risks have the experience and formation and skills to perform professionally in this area. Specifically, the intention is to combine a demanding level of professional formation in the financial area with strong moral and human qualities.

Internal and external training programs are provided to update technical competences in risk management: there is participation in public discussions, and interaction with the regulatory and supervisory bodies.

Review of Operations

Technological systems, processes involved, evaluation tools and mechanisms introduced in the course of negotiations enable the Bank to ascertain that operations are being conducted as agreed. The systems make risk management and control more agile and transparent.

There are several security systems, such as the recording of telephone calls, security cameras at strategic points, electronic control of physical access to premises, areas of restricted access, access controls for systems. The procedures used for the closing of operations make it possible to ensure that operations are recorded promptly and correctly. The Administrative Services Manual and the Code of Ethics contain express instructions on aspects of security to be followed by staff.

At the Treasury desk there is recording equipment to check on transactions effected by operators and these are kept in suitable conditions and for the time required by law. The Code of Conduct provides guidelines, policies, parameters, duties and obligations that apply to all officers. Mobile phones may not be used in the dealing room. The Bank also has a device to block mobile phone signals.

Audit

The Comptroller´s Department assigns personnel to review and evaluate aspects of risk management and administration. Internal control systems enable the Comptroller to receive detailed information about operations and to monitor that they are promptly and correctly recorded in accordance with work programs scheduled.

The main function of the Comptroller is to make regular and systematic reviews of operations, to analyze and monitor compliance with internal controls, to generate reports with recommendations for improvement and to monitor and advise on actions taken.

The Statutory Auditor and the Comptroller are aware of concentrations of risk by economic groups, the impact of operations on the Bank´s equity, and the solvency of issuers of investments held in portfolios.

The Statutory Auditor and the Comptroller regularly validate all activities, transactions and operations to ensure that they are within the parameters of current regulations and authorizations of the Directors and senior management.

35. Statutory Controls

During the half years ended on December 31 and June 30, 2011, the Bank complied with requirements for mandatory cash reserves, own positions, capital ratios and mandatory investments.

36. Post-closing events

No events between the close and February 13, 2012 have been of significance that would require disclosure.

37. Reclassifications

For comparability, some items in the Earnings Statement have been reclassified for the half year ended on June 30, 2011