At June 30, 2012 and December 31, 2011
(In Millions of Colombian Pesos, Except the Exchange Rate)

1. Reporting Entity

Banco de Bogotá (the Bank) is a private entity with its headquarters in the city of Bogotá D.C. It was incorporated through Public Instrument No. 1923 drawn up and notarized on November 15, 1870 at the Office of Notary Public No. 2 in Bogotá D.C. The Colombian Financial Services Authority renewed its operating license definitively through Resolution No. 3140 issued on September 24, 1993. The duration of the Bank, as established in its by-laws, extends to June 30, 2070. However, this term may be reduced by dissolution or increased through extension prior to that date. The business of the Bank is to perform all operations and enter into all contracts legally permitted for commercial banks, subject to the requirements and limitations imposed by Colombian law.

The following are the most representative amendments to the by-laws:

- Banco de Bogotá S.A. (the absorbing company or transferee) formally merged by absorption with Banco del Comercio S.A. (the absorbed company or transferor) by means of Public Instrument Number 3594 drawn up on December 30, 1992 and notarized at the Office of Notary Public No. 11 in the city of Bogota.

- Article forty-two (42) of the corporate by-laws on distribution of dividends, which will be decreed in equal parts for all subscribed and fully paid shares, was amended through Public Instrument Number 1722 drawn up on June 5, 1997 and notarized at the Office of Notary Public No. 11 in the City of Bogotá.

- Banco de Bogotá amended its by-laws by means of Public Instrument Number 0891 drawn up on April 11, 2002 and notarized at the Office of Notary Public No. 11 in the city of Bogotá. The amendment updates the duties of the Bank's governing bodies. Specific duties related to approval, dissemination and control of compliance with the provisions set forth in the Good Governance Code were included as part of those duties.

- The merger by absorption involving Banco de Bogotá S.A. (the absorbing company or transferee) and Banco de Crédito y Desarrollo Social – MEGABANCO S.A. (the absorbed company or transferor) was executed through Public Instrument 3690 drawn up on November 7, 2006 and notarized at the Office of Notary Public No. 11 in the city of Bogotá.

- Acquisition for the purpose of integration and absorption of Banco de Bogotá S.A. (the acquiring company) with Leasing Bogotá S.A. (the acquired company) was executed through Public Instrument Number 4608 drawn up on May 24, 2010 and notarized at the Office of Notary Public No. 38 in the city of Bogotá.

The Bank was operating on June 30, 2012 with eight thousand two hundred eighty four (8,284) employees on contract, three hundred sixty-eight working under civil apprenticeship agreements and seven hundred seventy-two (772) temporary staff members. Through outsourcing with specialized companies, the Bank also employs a total of three thousand two hundred thirty (3,230) persons through five hundred sixty-one (561) offices, five (5) corporate service centers (CSC), three (3) small business service centers, forty-six (46) collection and payment offices, eighteen (18) business advisory offices, twelve (12) own-code bank branch extension offices, ninety (90) non-own code bank branch extension offices, thirteen (13) bank extension offices, eight (8) premium offices, twenty (20) 24-hour service centers, two hundred thirty-one (231) non-banking correspondents, thirteen (13) Servicajas, two (2) customer-only service offices, four (4) payroll installment lending offices with special services, three (3) non-own-code payroll installment lending centers, four (4) core offices and two (2) agencies, one in New York City and the other in Miami. The Bank also owns one hundred percent (100%) of the foreign subsidiaries Banco de Bogotá S.A. Panamá, which includes Banco de Bogotá Nassau, Banco de Bogotá Finance Corporation in the Cayman Islands and Leasing Bogotá S.A. Panamá, which includes BAC Credomatic Inc. Other subsidiaries and investments are detailed in Note 6.

The accompanying financial statements combine the assets, liabilities and results of its offices in Colombia and its agencies in New York and Miami, but do not consolidate the financial statements of the Bank with its subsidiaries. The consolidated financial statements are prepared separately.

The Banco de Bogota is subsidiary of Grupo Aval Acciones y Valores S.A.

2. Principal Accounting Policies

a) Basic Accounting Policies

The accounting policies and preparation of the financial statements of the Bank are consistent with the accounting principles generally accepted in Colombia and the instructions issued by the Colombian Financial Services Authority.

b) Cash Equivalents

For the purpose of the cash flow statement, the Bank regards money-market asset positions and related items as cash equivalents.

c) Asset and Liability Positions in Money Market and Related Operations

This account records interbank operations, repos, simultaneous operations and temporary transfers of securities, as follows:

Ordinary Interbank Funds

These are funds the Bank places with or receives directly from another financial entity, with no agreement to transfer investments or to extend loans. These are operations related to the corporate business and are agreed at terms of up to thirty (30) calendar days, provided the intention is to take advantage of surplus liquidity or to satisfy the need for liquidity. Also included in this category are overnight operations conducted with financial institutions outside the country, using own funds.

The interest income generated by these operations is entered on the statement of earnings.

Operations that are not paid off within the stipulated time frame are legalized and recorded as loans, unless the operation is conducted with Banco de la República.

Repurchase Operations (Repos)

A repo is an operation in which the Bank purchases or transfers securities in exchange for the delivery of a sum of money, thereby assuming a commitment to acquire or transfer again, to the “other party” that same day or at a later date and at a set price, securities of the same kind and characteristics.

The initial amount may be calculated with a discount on the market price of the securities involved in the operation. The agreement could indicate the securities turned over initially may be exchanged for others during the course of the operation, and restrictions may be placed on the mobility of the securities in question.

Yields are recorded under this item. They are calculated exponentially during the course of the operation and entered on the statement of earnings.

The securities transferred through repo operations are registered in debtor or creditor contingent accounts, depending on whether the operation is open or closed, in that order.

Simultaneous Operations

In a simultaneous operation, the Bank acquires or transfers securities in exchange for a sum of money, with the agreement to transfer or purchase again, on that same day or at a later date and for a set price, securities of the same kind and characteristics.

The initial amount is not to be calculated with a discount on the market price of the securities in question, nor may it be agreed that the securities turned over initially be exchanged for others during the course of the operation. Likewise, no restrictions may be placed on the mobility of the securities involved.

The yields earned by the acquirer and paid by the transferor during the term of the operation to cover its cost are registered in this account.

The difference between the present value (cash delivered) and the future value (final price of the transfer) constitutes income in the form of a financial return that is calculated exponentially during the course of the operation and recorded on the statement of earnings.

The amounts transferred in a simultaneous operation are recorded in debtor or creditor contingent accounts for asset and liability positions, respectively.

Securities Lending

The Bank transfers possession of securities under an agreement to re-transfer them on the same day or at a later date, In turn, the other party transfers possession of other securities or a sum of money equal to or more than the value of the securities in the transaction.

d) Investments

This account includes investments acquired by the Bank to maintain a secondary liquidity reserve, to gain direct or indirect control of any company in the financial or service sector, to comply with legal or regulatory requirements, or solely to eliminate or reduce the market risk to which assets, liabilities and other items in the financial statements are exposed.

The different types of investments are classified, valued and recorded as indicated in the following table.

Classification	Term	Characteristics	Valuation	Entered on the Books
Trading	Short Term	Securities acquired to turn a profit on short-term price fluctuations	Using fair values, reference rates and/or margins calculated and published daily by the Colombian Stock Exchange. The valuation of investments in public or private debt issued outside the country by foreign issuers is based on verified data with respect to generic dirty prices published by an information platform. On days when the valuation price cannot be found or cannot be estimated, the security is valued exponentially, based on the internal rate of return. This procedure is performed daily.	The difference between the actual market value and the immediately preceding value is registered as a gain or loss in the value of the investment, and the balancing item affects earnings for the period. This procedure is performed daily. Investments are valued at market prices, as of the day they are acquired. Therefore, changes or differences between the purchase price and market value of investments also are recorded as of the purchase date.

Classification	Term	Characteristics	Valuation	Entered on the Books
Held to maturity	Up to maturity	These are securities the Bank seriously intends to hold to maturity or to the redemption date and has the legal, contractual, financial and operational capacity to do so. These investments may not be used in liquidity operations nor for repos, simultaneous operations or securities lending, unless they are forced or mandatory investments subscribed in the primary market and the other party in the operation is the Central Bank (Banco de la República), the General Office of Public Credit and the National Treasury or an entity supervised by the Colombian Financial Services Authority. They also may be delivered to a central counterparty clearing house as guarantees to secure compliance with operations it has accepted for clearing and settlement.	Exponentially, based on the internal rate of return calculated at the time of purchase. This procedure is performed daily.	The present value is entered as an increase in the value of the investment, and its balancing item is recorded in the earnings for the period. This procedure is performed daily. Yields that are due and pending collection are recorded as an increase in the value of the investment.
Available for sale - debt securities	One year	These are securities the Bank seriously intends to hold for at least one (1) year from the time they are classified in this category, and has the legal, contractual, financial and operational capacity to do so. On the first business day following the completion of that one-year period, these securities may be reclassified as "held for trading" or "held to maturity". If not, they will continue to be classified as "available for sale". Securities classified as investments "available for sale" may be delivered as guarantees to a central counterparty clearing house to back compliance with operations it has accepted for clearing and settlement.	Using fair values, reference rates and margins calculated and published daily by the Colombian Stock Exchange. Investments in public or private debt securities issued outside the country by foreign issuers are valued on the basis of verified information with respect to the generic dirty price published by a reputable information platform. On days when the valuation price cannot be found or cannot be estimated, the security is valued exponentially, based on the internal rate of return. This is a daily procedure.	Changes in these securities are recorded pursuant to the following procedure: - The difference between the present value on valuation day and the immediately preceding value is recorded as an increase or decrease in the value of the investment, and is credited or charged to the nominal accounts. - The difference between market value and the present value is recorded in the equity accounts as an unrealized accumulated gain or loss. This procedure is performed daily.

Classification	Term	Characteristics	Valuation	Entered on the Books
		Likewise, these investments may be used for liquidity operations, repos, simultaneous operations and securities lending.		
Available for sale – equity securities	None	Investments whereby the Bank becomes joint owner of the issuer. This category includes unlisted securities or those with high, medium, low or minimal turnover and securities held by the Bank, as controlling interest in its capacity as a parent company or head office, in or outside the country. For the purpose of their sale, these investments need not be held for one (1) year.	• Equity securities listed in the national registry of securities and issuers (RNVE – Spanish acronym): Valued according to the price published by agents authorized by the Colombian Financial Services Authority. If there are no operations that mark the price, the securities are valued by the variation in equity. Mutual funds and securitizations are valued according to the unit of value calculated by the management company on the day prior to valuation. • Equity securities quoted only on foreign stock exchanges: Valued at the closing price on valuation day or the most recent closing price in the last five (5) trading days, including the valuation day. If these securities are traded on more than one foreign stock exchange, that of the market of origin will be used. The price of the security must be converted into domestic currency. • Equity securities listed in foreign securities quotation systems authorized in Colombia: Valued at the price supplied by agents authorized by the Colombian Financial Services Authority. • Equity securities not listed on a stock exchange: Unlisted equity securities are valued monthly, with a maximum term of three months after close of the financial statements. The	In the case of low or minimum turnover or unlisted securities: - The difference between the market or updated value of the investment and the book value is recorded as follows: If greater, it is used first to reduce the provision or downward adjustment until exhausted, and the excess is recorded as an equity surplus. If less, the difference is used to reduce the equity surplus until exhausted, and the excess is recorded as a downward adjustment in value. - When dividends or profits are distributed in kind, including those from capitalization of the equity revaluation account, the portion entered on the books as an equity surplus is treated as income, chargeable to the investment, and said surplus is reversed. - When dividends or profits are distributed in cash, the amount entered as an equity surplus is recorded under income, thereby reversing that surplus. The amount of dividends that exceeds it is recorded as a decline in the value of the investment. High and Medium Turnover: The updated market value of securities with high and medium turnover or those quoted on internationally recognized foreign stock exchanges is recorded in the equity accounts as an unrealized accumulated gain or loss and credited or charged to the investment, as the case may be.

Clasificación	Plazo	Características	Valoración	Contabilización
			acquisition cost increases or decreases in proportion to the percentage of interest in subsequent variations in the issuer's equity, calculated on the basis of certified financial statements at June 30 and December 31 of each year, or the most recent ones, if known.	This procedure is performed daily. Dividends or profits distributed in cash or kind, including those from capitalization of the equity surplus account, are registered as income up to the amount pertaining to the investor with respect to profits or revaluation of the issuer's equity, as recorded by the latter from the date the investment was acquired, chargeable to accounts receivable.

Reclassification of Investments

If an investment is to remain in any of the classification categories, the respective security must be consistent with the characteristics or conditions particular to the type of investments in that category.

The Colombian Financial Services Authority may order the company to reclassify an instrument at any time, if it does not comply with the characteristics particular to the category in which it is classified or when reclassification is required for better disclosure of the financial situation.

Investments may be reclassified pursuant to the following provisions:

From investments held to maturity to investments held for trading: Reclassification is possible in any of the following circumstances:

- Significant deterioration in the conditions of the issuer, its parent company, its subsidiaries or its affiliates.
- Changes in regulations that make it impossible to maintain the investment.
- Mergers that lead to reclassification or sale of the investment to maintain the previous interest-rate risk position or to adjust to the credit risk policy established beforehand by the resulting entity.
- Other unforeseen events, subject to authorization by the Colombian Financial Services Authority.

From investments available for sale to investments held for trading or held to maturity: Reclassification is possible in any of the following circumstances:

- When the one-year period in this classification is over.
- When the investor loses its capacity as a parent or controlling company, provided this circumstance involves a decision to dispose of the investment or the primary intent is to profit from short-term price fluctuations, as of that date.
- When the conditions of the issuer, its parent company, its subsidiaries or its affiliates have deteriorated significantly.
- When changes in regulations make it impossible to maintain the investment.

- When mergers lead to reclassification or sale of the investment to maintain the previous interest rate risk position or to adjust to the credit risk policy established beforehand by the resulting entity.
- When the investment goes from low or minimum turnover or unquoted to high or medium turnover.

When investments held to maturity or available for sale are reclassified as trading investments, the rules on valuation and accounting applicable to the latter are observed. Consequently, unrealized gains or losses are treated as income or expenses on the date of reclassification.

Securities reclassified as trading investments may not be reclassified again.

Investment Repurchase Rights

This account records restricted investments that represent collateral for investment repurchase agreements.

For these investments, all economic rights and benefits associated with the value are preserved by the Bank and all rights and risks inherent in that value are retained, although legal ownership is transferred when the repo operation is carried out.

These securities continue to be valued daily and entered on the balance sheet and the statement of earnings pursuant to the method and procedure applicable to investments classified as "trading," "held to maturity" and "available for sale."

Investments Delivered as Collateral

These are investments in debt securities that are delivered as collateral for derivative operations. They may be settled in cash, as provided for in the contract or in the respective regulations of the securities trading system, the system registering securities operations, or the securities clearing and settlement system.

These securities are valued daily and entered on the balance sheet and the statement of earnings, pursuant to the method and procedure applicable to investments classified as "available for sale".

Loan-loss Provisions, by Credit Rating

Unrated Issues or Provisions:

Securities with no external rating or those issued by unrated entities are classified as follows:

Category	Risk	Characteristics	Provisions
A	Normal	They comply with the terms agreed on in the instrument, and the issuer has sufficient capacity to pay the principal and interest.	None required
B	Acceptable	This classification pertains to issues with uncertainty factors that could affect the capacity to continue to service the debt adequately. In addition, the financial statements and other available data show weaknesses that might affect the issuer's financial situation.	The net value may not exceed eighty percent (80%) of the acquisition cost, face value net amortization prior to the valuation date.

Continues

Category	Risk	Characteristics	Provisions
C	Appreciable	Issues with high or medium probability of default on prompt payment of the principal and interest. Moreover, the financial statements and other available data show weaknesses in the issuer's financial situation that could jeopardize recovery of the investment.	The net value may not exceed sixty percent (60%) of the acquisition cost. In the case of debt securities, their book value may not exceed eighty percent (80%) of the face value, net amortization prior to the valuation date.
D	Significant	Issues that default on the terms agreed in the instrument. In addition, the financial statements and other available data show serious weaknesses in the issuer's financial situation, so much so that there is very little likelihood of recovering the investment.	The net value may not exceed forty percent (40%) of the acquisition cost.
E	Uncollectible	Issuers with financial statements and other available data suggesting the investment is uncollectible. Also, if there are no financial statements at June 30 and December 31 of each year.	The value of these investments is provisioned in its entirety.

Externally-rated Issues and Issuers

Debt securities with one or more ratings and securities ranked by external credit rating agencies recognized by the Colombian Financial Services Authority may not be recorded for an amount that exceeds the following percentages of their face value net amortization prior to the valuation date.

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

The issuer's rating is used to estimate the provisions for time deposits.

The provision for investments classified as "held to maturity" and for which a fair value can be determined, as stipulated for "trading" securities or those "available for sale," is the difference between the book value and said price.

e) Loan Portfolio and Leasing Operations

These accounts record loans made pursuant to the different types of authorized lending. The funds used to extend loans come from the Bank's own capital, the public (in the form of deposits), and other external and internal sources of financing.

Loans are entered on the books at their disbursement value, except in the case of factoring operations, which are recorded at cost.

The loan portfolio is classified into four (4) types.

Commercial Lending

These are loans made to persons or legal entities to develop organized business activities. They are different from micro-loans.

Consumer Lending

These loans, regardless of the amount, are made to persons to finance the acquisition of consumer goods or the payment of non-commercial or non-business services. They are different from micro-loans.

Home Mortgages

These loans, regardless of the amount, are granted to persons for the purchase of new or used housing, or the construction of individual homes. As provided for in Law 546/ 1999, they are denominated in constant-value units (URV) or in domestic currency, and are backed by a first mortgage on the property being financed.

The payback period ranges from a minimum of five (5) years to a maximum of thirty (30). These loans may be prepaid all or in part at any time, without penalty. In the event of partial prepayments, the borrower is entitled to decide if the amount paid will go to reduce the monthly installment or the mortgage payback period. Moreover, these loans have a remunerative rate of interest, which is applied to the outstanding balance denominated in pesos or UVR. Interest is charged in arrears and may not be capitalized. The amount of the mortgage may be for as much as seventy-percent (70%) of the value of the property, as determined by the purchase price or by a professional appraisal done within six (6) months before the loan is granted. Loans to finance low-income housing may be for as much as eighty percent (80) of the value of the property. The property being financed must be insured against fire and earthquake.

Micro-lending

These are the loans referred to in Article 39 of Law 590/2000, or as amended, substituted or expanded, and those made to micro-businesses where the primary source of repayment is the income derived from their commercial activity.

The borrower's debit balance may not exceed one hundred twenty (120) times the minimum monthly wage (SMMLV: Spanish acronym) provided for by law at the time the loan is approved. The "debit balance" is understood as the sum of what the micro-business still owes on loans from the financial sector and other sectors, as registered in databases consulted by the respective lender, excluding home mortgages and adding the value of the new loan.

A micro-business is understood as a unit of economic pursuit established by a person or legal entity to engage in rural or urban business, farming, industrial, trade or service activities, with a staff of no more than ten (10) workers and total assets, housing excluded, that do not exceed five hundred (500) times the minimum monthly wage (SMMLV) in effect at the time.

Credit Risk Assessment Criteria

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

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

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

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

When assessing the creditworthiness of regional government agencies, the Bank verifies compliance with the provisions set forth in Law 358/1997, Law 550/ 1999, Law 617 / 2000 and Law 1116/ 2006.

Loan Assessment and Re-rating

The Bank evaluates the risk to its loan portfolio, making changes in the respective ratings when justified in light of new analysis or information.

The Bank fulfills this obligation by considering the borrower's credit history with other lenders, particularly if information provided by credit reporting agencies or other sources shows the borrower has restructured loans at the time of the assessment. Client credit performance is updated monthly to reflect partial payments, full payments, write-offs and the aging of loan arrears.

If loans fall into arrears after having been restructured, they must be reclassified immediately.

Credit Risk Ratings

The Bank rates loan operations based on the aforementioned criteria and classifies them according to one of the credit-risk categories listed below, taking minimum objective conditions into account.

Category	New	Existing Commercial Loans	Existing Consumer Loans
"AA"	New loans that are rated "AA" when approved.	Existing loan up to 29 days past due on contractual obligations; that is, between 0 and 29 days in arrears.	Loans rated "AA" based on the legally approved MCRO method.
"A"	New loans that are rated "A" when approved should be assigned to this category	Existing loans 30 days or more but less than 60 days past due on their contractual obligations; that is, between 30 and 59 days in arrears.	Loans rated "A" based on the legally approved MCRO method.

Continues

Category	New	Existing Commercial Loans	Existing Consumer Loans
"BB"	New loans that are rated "BB" when approved should be assigned to this category.	Existing loans 60 days or more but less than 90 days past due on contractual obligations; that is, from 60 to 89 days in arrears.	Loans rated "BB" based on the legally approved MCRO method.
"B"	New loans that are rated "B" when approved should be assigned to this category.	Existing loans 90 days or more but less than 120 days past due on their contractual obligations; that is, between 90 and 119 days in arrears.	Loans rated "B" based on the legally approved MCRO method.
"CC"	New loans that are rated "CC" when approved should be assigned to this category	Existing loans 120 days or more but less than 150 days past due on their contractual obligations; that is, between 120 and 149 days in arrears.	Loans rated "CC" based on the legally approved MCRO method. .
"Default"		Existing loans 150 days or more past due.	Consumer loans more than 90 days past due.

The following table shows the equivalent risk ratings for commercial and consumer loans used in the borrowing reports and for entries in the financial statements of the Bank.

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

When the Bank classifies its customers as in default, based on application of the reference models adopted by Colombian Financial Services Authority, the following equivalences are used:

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

Group D = All other clients rated as being "in default".

For the purpose of equivalence in consumer loans, the “current arrears” shown in the foregoing table are understood at the maximum posted by the borrower for aligned products at the evaluation date.

In the Consumer Reference Model (MRCO- Spanish acronym) and depending on the segment being rated, the Bank applies the following model to borrowers not classified as being “in default” at the time they are rated. This model produces a score, which is based on the particular characteristics of each borrower and calculated using the following equation.

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

Where Z varies according to the segment to which the borrower belongs. The score is then matched with the table established by the Colombian Financial services Authority, which is shown below.

	Score Up To:		
Rating	General – Vehicles	General – Others	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 should classify borrowers in higher risk categories when there are additional elements of risk that justify the change.

Home mortgages and micro-loans are placed in the following categories, taking “loan arrears aging” into account.

Category	Micro-loans	Home Mortgages
“A” Normal Risk	Existing loans up to one (1) month past due	With installments current or up to two (2) months past due
“B” Acceptable Risk	Loans more than one (1) and less than two (2) months past due	More than two (2) and less than five (5) months past due
“C” Appreciable Risk	Loans more than two (2) and less than three (3) months past due	More than five (5) and less than 12 months past due
“D” Significant Risk	Loans more than three (3) and less than four (4) months past due	More than 12 and less than 18 months past due
“E” Risk of Being Uncollectible	Loans more than four (4) months past due	More than 18 months past due

Restructuring Processes

Restructuring a loan is understood as any exceptional mechanism implemented through legal action to enable borrowers to discharge their obligations appropriately in the face of real or potential constraints to their ability to pay by amending the terms originally agreed on. Agreements reached under Law 550/ 1999, Law 617/ 2000 and Law 1116/ 2006, as amended or supplemented, also are regarded as restructured, as are special restructurings and novations.

Tax Reform Act 617/2000

In restructuring derived from the tax and financial reform programs subscribed under the terms of Law 617/ 2000, sovereign guarantees were provided for loans contracted by regional government agencies with financial institutions supervised by the Colombian Financial Services Authority, provided the requirements set forth in said legislation were met and the fiscal adjustment agreements were entered into before June 30, 2001. The respective guarantee could be as much as forty percent (40.0%) for loans outstanding at December 31, 1999 and up to one hundred percent (100.0%) in the case of new loans used for tax adjustment.

This restructuring reversed the provisions for the sovereign-guaranteed portion of the restructured debt. The portion not guaranteed by the government kept the rating it had at June 30, 2001.

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

To improve their rating after restructuring, borrowers must comply fully with all terms and conditions outlined in the restructuring agreement.

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

Special Restructuring

For restructuring done subsequent to Colombian Financial Services Authority External Circular 039/ 1999 and up to December 31 1999, the Bank could reverse provisions, provided the restructuring agreement enables the borrower to be classified in category “A” or provided at least two interest installments and one on principal have been paid, and the borrower has obtained a certificate indicating compliance with the Performance Agreement and the ability to pay, pursuant to the terms of the agreement.

Restructuring Agreements

For loans restructured before Law 550/1999 took effect, the Bank suspended interest accrual on existing loans and maintained the rating the loans had at the onset of restructuring negotiations. However, a client in risk category “A” had to be reclassified to at least category “B” and a provision equal to one hundred percent (100.0%) of the accounts receivable was made.

If negotiations fail, the loans are classified in category “E” as uncollectable.

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

Special Criteria for Classifying Restructured Loans

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

Loan ratings may improve or the "default" condition may be changed after loans have been restructured, but only if the borrower demonstrates a pattern of repaying principal regularly and effectively, in accordance with normal credit behavior, and provided the borrower's ability to pay is maintained or improved.

f) Write-offs

A fully provisioned loan may be written off if the management of the Bank believes it is uncollectable or offers only a remote or uncertain possibility of recovery, after having exhausted all possible means of collection, according to the opinion of the Bank's legal counsel and agencies specializing in debt collection through the courts.

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

The Board of Directors is the only body with the authority to approve writing off loans considered to be losses.

g) Provision for the Loan Portfolio and Accounts Receivable

The Bank has a system of provisions to cover credit risk. These provisions are calculated on the outstanding balance, using the reference models for the commercial loan portfolio (MRC) and the consumer loan portfolio (MRCO). Home mortgages and micro-loans are provisioned based on the client's record of arrears

Commercial and Consumer Loans

The Bank has adopted the commercial and consumer reference models established by the Colombian Financial Services Authority to estimate provisions.

Expected losses (provisions) are calculated with the following formula:

EXPECTED LOSS	=	[Probability of default] x [Exposure of the asset upon default] x [Probability of default]

The processes used to segment and discriminate the loan portfolio and potential borrowers are the basis for estimating expected losses using the Commercial Loan Reference Model (MRC). The latter is founded on segments differentiated by the level of the borrower's assets, pursuant to the following criteria:

Classification of Commercial Loans by Asset Level

Company Size	Asset Level
Large companies	More than 15,000 SMMLV*
Medium-sized companies	Between 5,000 and 15,000 SMMLV
Small companies	Less than 5,000 SMMLV

* Legal Mimimum wage in Colombia ($COP 566,700)

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

The Consumer Reference Model (MRCO) is based on segments differentiated by products and the lending institutions that grant them. The idea is to preserve the peculiarities of the market niches and the products being made available.

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

- General - Automobiles: Loans to purchase automobiles.
- General - Others: Loans to purchase consumer goods other than automobiles. Credit cards are not included in this segment.
- Credit Card: Revolving credit to purchase consumer goods with a credit card.

The commercial and consumer reference models make it possible to identify the components of expected losses according to the following parameters.

a. Probability of Default

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

Probability of default is defined pursuant to the following matrices set by the Colombian Financial Services Authority:

Commercial Loans

	Large Company		Medium-sized Company		Small Company		Persons	
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%	2.40%	6.32%	5.30%	8.64%	6.39%	9.41%
BB	9.55%	14.13%	11.65%	18.49%	18.56%	20.26%	18.72%	22.36%
B	12.24%	15.22%	14.64%	21.45%	22.73%	24.15%	22.00%	25.81%
CC	19.77%	23.35%	23.09%	26.70%	32.50%	33.57%	32.21%	37.01%
Default	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Consumer Loans

	Matrix A			Matrix B		
Rating	General Automobiles	General Others	Credit Card	General Automobiles	General Others	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	100.0%	100.0%	100.0%	100,00%	100,00%	100,00%

The probability of migrating between the current rating and "default" status within the next 12 months is calculated, in this way, for each borrower-segment of the commercial and consumer loan portfolios, based on the general credit-risk behavior cycle.

b. Loss Given Default (LGD)

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

Loan collateral must be taken into account when calculating the losses expected in the event of default and to determine the extent of provisioning.

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

To evaluate the backing offered and the possibility of realizing each guarantee, the Bank takes the following factors into account: nature, value, coverage and liquidity of the guarantees, as well as the potential cost of their realization and the legal requirements necessary to make them enforceable.

The following is the LGD by type of guarantee or collateral.

Commercial Loans

Type of Guarantee	LGD	Days after Default	New LGD	Days after Default	New LGD
Inadmissible guarantee	55%	270	70%	540	100%
Subordinated loans	75%	270	90%	540	100%
Admissible financial guarantee	0 – 12%	-	-	-	-
Commercial and residential real estate	40%	540	70%	1080	100%
Assets furnished in real estate leasing	35%	540	70%	1080	100%
Assets furnished in non-real estate leasing	45%	360	80%	720	100%
Other guarantees	50%	360	80%	720	100%
Collection rights	45%	360	80%	720	100%
Unsecured	55%	210	80%	420	100%

Consumer Loans

Type of Guarantee	LGD	Days after Default	New LGD	Days after Default	New LGD
Inadmissible guarantee	60%	210	70%	420	100%
Admissible financial guarantee	0-12%	-	-	-	-
Commercial and residential real estate	40%	360	70%	720	100%
Assets furnished in real estate leasing	35%	360	70%	720	100%
Assets furnished in leasing other than real estate	45%	270	70%	540	100%
Other guarantees	50%	270	70%	540	100%
Collection rights	45%	360	80%	720	100%
Unsecured	75%	30	85%	90	100%

To standardize the different types of collateral found in the loan agreements with the segments listed earlier, the Bank classifies them by groups, as follows:

1. Inadmissible guarantees: These include, among others, cosigners, endorsers and guarantees through payroll deductions.
2. Admissible financial guarantees are the following:
   - Cash collateral deposits: zero percent (0%) LGD
   - Stand-by letters deemed as admissible guarantees: zero percent 0% LGD
   - Loan insurance: twelve percent (12%) LGD
   - Sovereign guarantees (Law 617/2000): zero percent (0%) LGD
   - Collateral issued by guarantee funds: twelve percent (12%) LGD
   - Pledge on securities issued by financial institutions: twelve percent (12%) LGD
3. Collection rights:
   - Escrow accounts
   - Pledge of revenue from regional and decentralized agencies of all types
4. Real estate and residential property. The following classify as collateral:

   Mortgage trusts
   Collateral in the form of real estate
5. Property rented out under real estate leasing agreements. Property leased out under the following contracts is classified in this category;
   - Real estate leasing.
   - Home leasing

6. Assets rented out under non-real estate leasing agreements. Assets leased out under the following contracts are classified in this category:
    - Machinery and equipment leasing
    - Vehicle leasing
    - Leasing of furniture and fixtures
    - Leasing of ships, trains and airplanes
    - Leasing of computer equipment
    - Leasing of livestock
    - Leasing of software
7. Other collateral. The following collateral is classified in this category:
    - Pledges on processed inventories
    - Pledges on input – commodities
    - Pledges on equipment and vehicles
    - Collateral certificates or warehouse bonds
8. No guarantee: All guarantees not listed in any of the foregoing sections and all unsecured loans are classified in this category by the Bank.

Accordingly, each borrower has a different LGD, depending on the type of guarantee or collateral supporting the operation.

Because guarantees are an important factor in calculating expected loses, the policies and criteria the Bank applies to them are described below.

Policy on Admitting and Managing Guarantees

Guarantees are additional support the Bank requires from its clients to reduce the risks inherent in lending. Guarantees are not considered payment instruments.

Policy on Requiring Additional Guarantees

- When required pursuant to regulations on credit limits.
- Loans for more than three years preferably should have admissible guarantees.
- Guarantees may not be shared with any of the client's other creditors, unless shared to the same degree with subsidiaries of the Bank outside the country, with their affiliates or in syndicated loans.

Formalities for Establishing Guarantees when Granting Loans

- Guarantee incorporation documents must be written according to the instructions prepared for that purpose by the Legal Department of the Bank.
- The following applies to guarantees, when furnished:
    - In the case of guarantees furnished on non-residential property, the value at the execution date is that obtained through a professional appraisal done not more than three (3) years before.
    - For guarantees furnished on equipment, the value is determined according to its age. Specifically, if the equipment is less than one year old, the value will be the invoiced value for three years. If more than a year old, it will be the professionally appraised value at the execution date.

- In the case of guarantees on vehicles, the reference values published by Fasecolda are used or, if not available, the commercial appraisals published by the Ministry of Transport are used.
- With respect to guarantees on other goods or assets, the value of the guarantee on the execution date is the professionally appraised value.

Managing Guarantees

- It is the borrower's responsibility to maintain the guarantee appropriately. The commercial officer for the account must verify compliance with this rule, doing so by:
  - Supervising establishment of the guarantee
  - Verifying the existence and validity of insurance policies
  - Verifying all required documentation and information, and making sure it is filed properly.
- The Guarantee Control System facilitates this job by providing:
  - Information on expiration of insurance policies
  - Information on documents
- The Document Management Center is responsible for the suitable custody of guarantees.

Distribution of Guarantees

- A loan may be backed by a guarantee belonging to the borrower or by a guarantee owned by someone other than the borrower.
- Guarantees are allocated up to 100% of the balance on the loan.

Open Guarantees

- When a guarantee covers several borrowers, priority in allocation is given to those with the largest potential PD (probability of default)
- When several loans have the same PD, because they are from the same borrower, priority in allocation is given the loan with the largest outstanding balance.
- Guarantees pending allocation to the loans they secure are allocated in ascending order of LGD.
- For loans with no deferred payments, the exposed balance of the loan (principal, interest, others) is sent for distribution.
- For loans with deferred payments, the exposed balance of the loan is sent, once deferred payments have been deducted.

Closed Guarantees

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

c. Exposed Value of the Asset

In the case of commercial and consumer loans, the exposed value of the asset is understood as the outstanding balance with respect to principal, interest, receivables for interest and other accounts receivable.

Home Mortgage and Micro-loans

General Provision

The general provision is at least one percent (1%) of total gross home mortgages and micro-loans.

The Bank always maintains provisions equal to no less than the following percentages of the balance pending payment:

	Micro-loans		Home mortgages		
Category	Principal %	Interest and Other Items %	Secured Principal %	Unsecured Principal %	Interest and Other Items %
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 – Uncollectible	100	100	30	100	100

In the case of home mortgages, if the loan remains in category "E" for two (2) consecutive years, the rate of provisioning on the secured portion increases to sixty point zero percent (60.0%). If one (1) more year transpires under these conditions, the provisioning rate on the secured portion is raised to one hundred percent (100.0%).

Effect of Admissible Guarantees on the Establishment of Individual Provisions

For the purpose of establishing individual provisions, a guarantee secures only the principal of a loan. Therefore, the amortizable balance of loans secured with admissible guarantees is provisioned according to the percentage pertaining to the loan category, applied as follows:

- For home mortgages, in the unsecured portion, the percentage is applied to the difference between the unpaid balance and one hundred percent (100%) of the value of the guarantee. For the secured portion, it is applied to one hundred percent (100%) of the balance of the secured debt.
- For micro-loans, the percentage is applied to the difference between the unpaid balance and seventy percent (70%) of the value of the guarantee. In these cases, depending on the nature of the guarantee and the amount of time past due, only the percentages of the total value of the guarantee, as listed in the following tables, are considered for provisioning.

Non-mortgage Guarantee

Time Past Due	Percentage of Coverage
0 to 12 months	70%
Over 12 and less than 24 months	50%
Over 24 months	0%

Continues

Mortgage Guarantee or Admissible Mortgage Trust Guarantee	
Time Past Due	Percentage of Coverage
0 to 18 months	70%
Over 18 and less than 24 months	50%
Over 24 and less than 30 months	30%
Over 30 and less than 36 months	15%
Over 36 months	0%

Alignment Rules

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

a. Prior to making provisions and standardizing ratings, the Bank conducts a monthly internal alignment for each borrower, placing loans of the same type to the same borrower in the highest risk category.

b. Relevant legal stipulations dictate the Bank is obliged to consolidate its financial statements. For that reason, loans of the same type to the same borrower are assigned to the same risk category.

h) Recording Financial Returns and Leasing Payments

Interest income on loans and leasing is recorded when accrued.

Suspension of Interest Accrual

In the case of loans, the Bank suspends the accrual of interest, monetary correction, exchange adjustments and other income when a loan is in arrears, as per the following table:

Type of Loan	Arrears Over:
Commercial	3 months
Consumer	2 months
Home mortgage	2 months
Micro-loan	1 month

Consequently, the statement of earnings is not affected until these items are actually collected. Up to that time, the respective entry is made in the memorandum accounts.

When restructuring or other types of agreements determine that interest recorded in memorandum accounts or balances written off, including principal, interest and other proceeds, are to be capitalized, they are recorded as deferred credits under Code PUC 272035 and amortized on the statement of earnings in proportion to the amounts actually received.

Special Rule on Provisions for Receivables (Interest, Monetary Correction, Leasing Payments, Exchange Adjustment and Others)

When the Bank suspends the accrual of returns, monetary correction, exchange adjustments, leasing payments and other income from these items, a full provision is made on the total amount accrued and not collected under those headings.

i) Bankers' Acceptances, Spot Transactions and Derivative Operations

Bankers' Acceptances

These are commercial transactions in which, by signing a bill of exchange as the accepter, the Bank agrees to pay a third party (the beneficiary), within a specified period, a bill of exchange drawn by one of their clients (the requester) as a result of the purchase/sale of merchandise for a certain amount.

Bankers' acceptances have a maximum maturity of one (1) year and may be issued only in transactions involving the import or export of merchandise or the purchase/sale of movable goods within the country.

At the time these bills of exchange are accepted, their value is entered simultaneously under assets and liabilities as "current bankers' acceptances". If not presented for payment at maturity, they are classified as "non-current bankers' acceptances". If, upon payment, they have not been covered by the purchaser of the merchandise, they are reclassified to the loan account as "covered bankers' acceptances".

At maturity, bankers' acceptances are subject to the reserve requirement applicable to demand instruments payable within thirty (30) days.

Spot Transactions and Derivatives

Spot transactions are cleared and settled within three (3) business days immediately subsequent to the date on which they are agreed.

The Bank records transactions with financial derivatives. The main feature of these operations is that their fair value depends on one or more underlying factors and their clearing or settlement is done later. These transactions are carried out for various reasons, the following being the predominant ones.

- To offer products tailored to the client's needs. One such function, among others, to cover the client's financial risks.
- To structure portfolios for the Bank that take advantage of arbitrage between different curves, assets and markets and obtain high yields with limited use of equity.
- The Bank uses derivative operations to hedge asset and liability risk positions on its balance sheet, to act as an intermediary with clients or to capitalize on opportunities for arbitrage involving exchange and interest rates on local and foreign markets.

Types of Financial Derivatives

The Bank employs different strategies by combining basic derivatives (forwards, call and put options and swaps) or these and other financial instruments. These strategies can be put together and marketed as a "product," thereby creating a wide range of solutions with different functions in terms of cost and results, all within the established limits and without incurring unauthorized risk.

The different combinations and/or strategies are valued, managed, controlled and entered on the books according to their basic components.

- Forwards

  A forward contract is a tailor-made derivative drawn up between two (2) parties who agree to purchase/sell a specific quantity of an underlying instrument at a future date. The basic terms and conditions are established when the contract is entered into; namely, the price, the date the underlying instrument will be delivered and how. Forwards are settled on the due date through physical delivery of the underlying instrument or by settling any differences, depending on the underlying instrument and the agreed mode of delivery. The latter may be modified during the term of the forward contract, by mutual agreement between the parties.

Financial derivatives traded in the over the counter market (OCM) may be settled and cleared through the Central Counterpart Risk Exchange (hereinafter CRCC). In doing so, it acts as a counterpart in these operations.

- Options

  An option is a contract that gives the holder the right or option, but not the obligation, to purchase or sell a specific amount of an asset at a set price on a set date, or during a specified period of time. The other party to the contract is obliged to sell or buy the asset on the date the holder chooses to exercise the option, pursuant to the conditions established to that effect in the contract with respect to quantity, quality and price.

- Swaps

  A swap or financial exchange is an operation in which two parties agree to exchange a series of cash flows calculated according to certain contractual conditions to be settled on specific dates agreed at the onset of the operation.

  The purpose of swaps is to reduce risks generated by fluctuations in currency exchange and interest rates. Generally speaking, they are contracts for hedging long-term operations with more than one residual flow.

  Swaps may involve interest rates or cash flows paid by both parties in the same currency, or foreign exchange or currency swaps where the operational flows are denominated in different currencies.

  There are two types of interest rate swaps: fixed-for-floating and floating-for-floating.

  An interest rate swap (IRS) is a contract between two parties who want to exchange one stream of future interest rate payments for another, held at different interest rates. In this type of swap, there is no exchange of the principal, and the swap is expressed in a single currency.

  A cross-currency swap is a foreign-exchange agreement between two parties to exchange the principal of a loan in one currency for the principal of a loan in other currency, for a set period of time. During that time, each party pays the interest on the principal received in the swap. On amortization dates and when the contract matures, the principals are exchanged back into the original currencies, using the spot rate in effect at the start of the operation.

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

- Futures

  A futures contract is a standardized agreement with respect to its expiration date, size or nominal value, the characteristics of the respective underlying instrument, and where and how it is to be delivered (in cash or kind). It is negotiated on an exchange through the CRCC, with the two (2) parties being obliged to purchase or sell an underlying asset on a future date and at a price that is set when the deal is made.

Standardized financial derivatives are traded on the Colombian Stock Exchange (BVC, hereinafter), which establishes the rules for trading and participation by the different members of the market. The trading system managed by the BVC is known as X-Stream.

The CRCC manages the clearing, settlement and control of operational risks. It also acts as the central counterpart in the market for standardized derivatives, which are traded on the BVC.

Accordingly, once these operations are entered into the trading system, the CRCC comes between the participants, acting as the buyer and reciprocal seller of all open positions in the market, thereby giving Banco de Bogota better control in calculating the gross leverage position.

Banco de Bogotá acts as a General Settlement Member of the CRCC. For that reason, it is able to settle and clear its own operations and those of Non-settlement Members and Third Party Non-settlement Members with whom it has signed an agreement to that effect.

Under the operating requirements of the CRCC organized market for standardized derivatives, the Bank has structured two types of financial services:

- The first, which is designed to support its condition as an investor in its own position, deals in standardized derivatives.
- The second uses its position as a Settlement Member for persons and legal entities (Non-settlement Members) to manage guarantees and conduct clearing and settlement with the Central Counterpart Risk Exchange.

The Bank registers notional bond futures and dollar/peso exchange futures under this item, pursuant to the general terms and conditions listed below:

	Futures on Notional Bonds	Exchange Rate Futures
Underlying Asset	Fixed-rate TES in COP	TRM for the day, as calculated and certified by the Colombian Financial Services Authority
Contract Size	COP$ 250 millions	US$ 50,000
Contract Generation	Monthly and quarterly cycle In the March cycle	Quarterly cycle within the March cycle, to have maturities up to one year / six (6) maturities
Settlement Method	Physical delivery	Financial, no physical delivery
Last Day of Negotiation	Wednesday in the first week of the maturity month	Wednesday in the second week of the maturity month
Contract Expiration (Maturity) Day	Friday in the first week of the maturity month	Thursday in the second week of the maturity month

Recording and Valuing Financial Derivatives:

Financial derivatives may be traded for any of the following purposes:

- Hedging other risk positions
- Speculation for profit
- Arbitrage in the markets

How financial derivatives are entered on the books depends on why they were negotiated. In addition to derivatives for speculation, the Bank had financial derivatives to hedge assets and liabilities in foreign currency, as authorized by the Board of Directors on October 26 and December 28, 2010.

Yet, regardless of the purpose of the operation, financial derivatives that yield a positive fair value; that is, one favorable for the Bank, are registered under assets, separating the value of the right from the value of the obligation, except in the case of options, where all entries are made in a single account.Those yielding a negative fair value; that is, one unfavorable for the Bank, are entered under liabilities, with the same separation being made. Also, there is no netting between favorable and unfavorable balances from different operations, even if they are of the same type.

1. Financial Derivatives for Speculative Purposes

   These operations are listed on the balance sheet as of the date they are entered into and at their fair value. When the value of the contract is zero (0) on the initial date; that is, when no payments or physical deliveries are made between the parties, the earnings statement is not affected. In subsequent valuations, changes in the fair value are registered on the statement of earnings.

   On the date financial derivatives are settled, the balances in the balance sheet accounts are cancelled out, and any difference is entered as a profit or loss on the statement of earnings, as the case may be. If the cumulative balance of the derivative is positive on that date, it is recorded as income; if negative, it is entered as an expense. This procedure is performed independently for each instrument and for each settlement.

   The Bank values its financial derivatives daily, from the date they are negotiated. This is done using methods, parameters and sources selected by the Bank, which have been technically supported, documented and approved by the Risk Committee and to which the Colombian Financial Services Authority declared "no objection" in Letter 2008057950-002-000 dated September 26, 2008.

Type of Operation	Valuation and Accounting
Forwards on securities	In these operations, the right is calculated as the value of the security at market prices and the obligation as the present value of the agreed purchase amount. In the case of forward sales of securities, the right is calculated by obtaining the present value of the agreed sale amount, while the obligation is calculated by valuing the security at market prices.
Currency forwards	The valuation method used by the Bank for forward and spot currency operations is based on bringing the future flows (obligations and rights) in the operation to present value. Usually, one of these two flows is denominated in US dollars and the other in Colombian pesos. Each flow is brought to present value using the market discount rates for dollars and Colombian pesos for the term remaining in each operation. These present values are calculated using continuous compound rates. Once the present values of the flows are identified, they are re-expressed in Colombian pesos using the representative market rate of exchange (TRM), as calculated and certified by the Colombian Financial Services Authority. The interest rates used are the market rates, based on the average devaluations in the Colombian market.

Continues

Type of Operation	Valuation and Accounting
Options	The market value of currency options taken by the Bank is estimated by the Black and Scholes method. The data used in the model to value options are obtained from financial data systems that currently provide prices for the variables in question (volatilities, local and foreign risk-free rates). The initial entry is the premium actually paid, and the variations in fair value with respect to the initial value actually paid are recorded on the statement of earnings. The rights and obligations are entered in contingent accounts. When the Bank purchases a call or put option, the premium paid and the daily variations in the fair value are entered under assets. When the Bank sells an option, the premium received and the daily variations in the fair value are recorded under liabilities. On the contract settlement date, balances pertaining to the value of the right and the obligation are cancelled out, and any difference is entered as a profit or loss on the valuation of derivatives.
Swaps	Valuing a swap involves bringing each of the future flows to present (discounted) value, then converting them into the base accounting currency. To do so, the Bank updates the market data (interest and exchange-rate curves) and, depending on the particular features of each operation, the swap is broken down into future cash flows and the total flow on each settlement date is calculated. The sum of the present values of the flows received is recorded as a right, and the sum of the series of delivered flows is entered as an obligation. The result of valuation on the day the operation is initiated is recorded as a deferred item, which is amortized up to maturity of the swap. Amortization of that deferred item is deducted from the valuation as of the second day and up to the settlement or maturity date.
Futures	With derivatives of this type, losses and profits are settled daily. The Central Counterpart Risk Exchange (CRCC) reports daily on the results of settlement between the parties and proceeds to debit or credit the losses or gains made. In the case of notional bond futures, if the Bank has a short position, it notifies the CRCC of the security with which it wants to fulfill its obligation, according to the specifications of the basket of deliverables, and the securities are transferred through security depositories (DCV and / or DECEVAL), who confirm to the CRCC that the securities have been transferred. For dollar/peso exchange futures, settlement upon contract maturity is made against the underlying price (TRM) published on the last trading day. The value of the obligation to be recorded on the seller's balance sheet, in Colombian pesos, (a right for the buyer) is the price of each unit of the futures contract as reported by the BVC on the valuation date, multiplied by the number of contracts and by the nominal value of each one. The value of the right to be registered on the seller's balance sheet, in Colombian pesos, (an obligation for the buyer) is the price of each fixed unit of the futures contract, multiplied by the number of contracts and by the nominal value of each one.

Continues

Type of Operation	Valuation and Accounting
	Novation forwards are financial derivatives traded on the over-the-counter market, and the participants in these operations mutually agree to take them to a central counterpart risk exchange for clearing and settlement. The agreement is governed by the framework contract between the respective parties up to the date on which the risk exchange intervenes as a counterpart in the operation. As of that point, its rules apply and, as a result, the framework contract signed previously by the initial counterparts to the financial instrument shall cease to have effect. The respective central counterpart risk exchange also must ensure the Colombian Financial Services Authority has access to information on these operations, as may be required. The accumulated balance registered on the balance sheet up to the day the central counterpart risk exchange actually accepts the operation is entered that same day as an account receivable or an account payable, as appropriate, in the name of said exchange. That account is cancelled out in the process of clearing and settling these operations, pursuant to the rules of the respective central counterpart risk exchange.

2. Financial Derivatives for Hedging

Derivates used to hedge the exchange risk posed to the Bank by its investments in affiliates and agencies outside the country are handled in a special way from an accounting standpoint.

These operations are intended to protect the Bank's assets and liabilities in foreign currency from exchange risk generated by the structural positions of its affiliates and agencies abroad.

The primary position, subject to hedging, is part of the investment.

The way financial derivatives for hedging are entered on the books depends on the type of hedging involved. The following applies to hedging for assets and liabilities in foreign currency.

- Accumulated profit or loss on a financial derivative is recorded in the respective sub-account on the earnings statement, provided said amount does not exceed the value of the accumulated variation in the primary position being hedged, attributable to fluctuation in the exchange rate from the onset of hedging, which is registered in the respective exchange loss and profit accounts, as appropriate.

- When accumulated profit or loss on a financial derivative exceeds the aforementioned amount, the difference is entered in the equity account as "unrealized accumulated gain or loss on financial derivatives for hedging assets or liabilities in foreign currency," with the respective sign.

- On the date hedging ends, the accumulated result of the derivative used for this type of coverage, which appears in the equity sub-account entitled "unrealized accumulated gain or loss on financial derivatives for hedging assets or liabilities in foreign currency," is transferred to the statement of earnings, specifically to the respective sub-account for derivatives.

The primary positions hedged are registered as follows:

a. The primary position continues to be registered at its respective nominal value on each date, in the same balance sheet and earnings statement accounts, using the same method and procedure as would be the case if it were not hedged.

b. At the start of hedging with financial derivatives, the present value of the primary position is registered in memorandum accounts.

Peso/US dollar forward operations with different maturity profiles are the financial derivatives used for hedging. Although these derivatives hedge against exchange risk, they generate volatility in the statement of earnings, given the variation in other associated risk factors, such as dollar/peso devaluation curves (interest rate differential). The objective in the way hedging is treated from an accounting standpoint is to isolate the effect of the volatility on the statement of earnings produced by variations in risk factors other than the exchange risk. This is done by recording only income/losses from exchange re-expression in the statement of earnings, while the portion of the variation in fair value attributed to other factors (devaluation, the passage of time, etc.) is entered in the equity accounts.

j) Foreclosed Assets, Salable Assets, Returned Leased Assets and Assets Not Used in the Corporate Business

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

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

- The following are the conditions for registering assets received through foreclosure:
- The initial entry is based on the value decided by the courts or agreed on with the debtor.

When the asset received through foreclosure is not in marketable condition, its cost increases with the necessary expenses incurred to make it so.

If the difference between the amount for which the asset was received and the amount of the loan to be paid off represents a credit for the borrower, it is registered as an account payable. If the value of the asset does not cover the entire liability, a provision equivalent to the difference is made.

Salable assets are registered at their acquisition or production cost, which includes the direct and indirect costs and expenses incurred by the Bank to place them in condition for sale or use.

Leased assets returned to the Bank from clients or tenants who default or do not exercise their option to buy are recorded as returned assets. They are not subject to depreciation.

Assets not used in the corporate business are those the Bank has for its own use, but are no longer being employed to pursue its business activities. These assets depreciate until disposed of and are part of the fixed assets of the Bank for the effects of the limits stipulated in Heading One, Chapter Seven, Section 1.2 of the Basic Legal Circular issued by the Colombian Financial Services Authority.

k. Provision for Salable, Foreclosed and Returned Assets and Assets Not Used in the Corporate Business

Real Estate

The Bank calculates individual provisions using the model developed by the Bank and approved by the Colombian Financial Services Authority, as per an official communication received on September 8, 2003. The model estimates the maximum loss expected on the sale of foreclosed real estate, based on the history of recoveries on assets sold and including expenses incurred in the receipt, upkeep and sale of such properties, which it groups into common categories to estimate the base provision rate. This rate is adjusted by means of a factor that takes into account the time transpired since receipt of the asset and is applied over a maximum period of forty-eight (48) months until eighty point zero percent (80.0%) of the provision is reached. However, in the event an extension is not requested prior to expiration of the deadline for disposal of the property or if an extension is not granted, the Bank must establish, pursuant to its internal models, an additional provision up to 80% of the value the foreclosed asset, after two (2) years.

Movable Assets

In the case of movable assets received through foreclosure, a provision equivalent to thirty-five point zero percent (35.0%) of the acquisition cost is established within the year following receipt, and increased during the second year by another thirty-five point zero percent (35.0%) until the provision represents seventy point zero percent (70.0%) of the book value of the asset prior to provisioning. If the legal deadline for sale expires and no extension is authorized, the provision must equal one hundred point zero percent (100.0%) of the book value. If an extension is granted, the remaining thirty point zero percent (30.0%) shall be established within that extended time period.

Notwithstanding the aforementioned rules on provisions, foreclosed movable assets in the form of investment securities should be valued by applying the criteria contemplated for that purpose in Chapter I of the Basic Accounting and Financial Circular, taking into account their classification as trading securities, available for sale or held to maturity.

Provisions for assets received through foreclosure and returned leased assets may be reversed when these assets are sold for cash. If they are loaned or leased, the profits resulting from their transfer to the loan and leasing account are deferred during the term agreed on for the operation in question.

Rules on Legal Deadline for Sale

Assets received through foreclosure are to be sold within two years of the date of their acquisition. However, they may be registered on the books as fixed assets, when necessary for the normal course of business and provided the limits on investment in assets are met.

An extension in the deadline for their disposal may be requested from the Colombian Financial Services Authority. However, regardless of the situation, the request must be submitted before the legal deadline expires.

The respective request must demonstrate it has been impossible to sell the property, notwithstanding due diligence to that effect. In any case, the deadline may not be extended for more than two (2) years as of the expiration date of the initial legal deadline. During the extension period, efforts to dispose of these non-performing assets must continue.

l) Property and Equipment

This account registers tangible assets acquired, constructed or in the process of being imported, built or assembled that are employed routinely to develop the business and have a useful life of more than one (1) year. The amounts include direct and indirect costs and expenses accrued until such time as the asset is placed in working condition.

Special, non-routine additions, improvements and repairs that significantly increase the useful life of assets are entered as increased value. Outlays for maintenance and repairs made to preserve these assets are charged to expenses, as accrued.

Depreciation is recorded using the straight-line method, based on the number of years of useful life estimated for the asset. The following are the annual depreciation rates used for each item listed under assets:

Buildings	5%
Office equipment, furniture and fixtures	10%
Computer equipment	20%
Vehicles	20%

The Bank records the acquisition cost and all other expenses accrued to import assets for lease as "property, plant and equipment," even if they have yet to be received.

m) Branches and Agencies

Movement in operations between General Management and the offices, and operations between the offices and agencies outside the country, is recorded in this account.

The balances are reconciled daily and pending items are put in order within no more than thirty (30) calendar days.

Each time the accounts are closed, the net balances that reflect the sub-accounts of branches and agencies are reclassified by moving them to the asset or liability accounts, and respective income and expenses are acknowledged.

n) Prepaid Expenses and Deferred Charges

Prepaid expenses are outlays made by the Bank to develop its business, the benefits of which are received in different periods, are recoverable, and assume successive delivery of the services to be received.

Deferred charges are costs and expenses, the benefits of which are received in future periods and cannot be recovered. Amortization is recognized as of the date they help to generate income.

Accruals or amortization are done as follows:

Prepaid Expenses

- Insurance, over the life of the policy
- Rentals prepaid during the period
- Equipment maintenance, during the life of the contract
- Hardware and software updating and maintenance
- Other prepaid expenses during the period when the services are received or costs and expenses are accrued

Deferred Charges

- Remodeling is amortized during a period of no more than two (2) years.
- Computer software is amortized in no more than three (3) years.
- Stationary and office supplies are amortized when actually consumed.
- Improvements to rented property are amortized over the shorter term of the respective lease, excluding renewals and the probable useful life of the improvements.
- The discount on sale of securities in foreign currency (2011 bond issues) is amortized within a period of five (5) years.
- The deferred income tax "debit" for temporary differences is amortized upon compliance with the legal and regulatory requirements stipulated in the tax law. .
- Contributions and memberships, during the prepaid period.
- Net equity tax is paid in 48 monthly installments from 2011 to 2014.
- Advertising and publicity are amortized during a period equal to that of the accounting period. However, in the case of expenses for advertising and publicity to launch a new product or to bring about a change in image, the amortization period may be no more than three (3) years.
- Other deferred charges (commissions and fees related to the purchase of BAC) are amortized during a period of three (3) years.

o) Intangibles

The outstanding balance with respect to unamortized goodwill originating with the purchase of Banco de Crédito y Desarrollo Social MEGABANCO S.A. at of the close of September 2006 is amortized over a period of twenty (20) years, using the exponential method.

The Bank annually values, at market prices, the lines of business associated with goodwill to identify loss due to deterioration. This is done by an independent expert. In the event of loss because of deterioration, the goodwill allocated to that line of business will be amortized up to the estimated amount of the loss.

Valuation is done using the dividend discount model.

p) Assets to be Leased Out

New assets acquired by the Bank that have yet to be leased out because some requirement for their legalization is lacking are registered in this account.

q) Trust Rights

This account records rights acquired in a mercantile trust that affords the trustee or the beneficiary the possibility of exercising them in accordance with the trust agreement or the law.

The transfer of one or more assets by the trustor or the beneficiary to the trustee is registered, for accounting purposes, at the adjusted cost, so the transfer generates no profit for the trustor and profits will affect earnings only when the asset or assets placed in trust are "actually" sold to third parties.

r) Valuation Gains

- Valuation gains on investments in equity securities available for sale are recorded on the basis of variations in the issuer's equity.
- Valuation gains on real estate are determined by the difference between the net cost of the real estate and the value of commercial appraisals done by recognized, independent professional appraisers or appraisal firms. In the event of a loss in the market value, an individual provision is made for each property, based on the standard of prudence.
- Valuation gains on artistic and cultural works are recorded based on the condition of such works, their originality, size, technique and the prices quoted for similar works.

s) Income Received in Advance

The Bank use this account to record deferred income and income received in advance during the course of their business, which is amortized in period when it is accrued or the respective services are rendered.

t) Retirement Pensions

The Bank applies the provisions established by Decree 4565 of December 7, 2010, which changed the method used to determine the proportion of the calculation to be amortized. The provision is linear. Accordingly, one hundred point zero percent (100.0%) of the respective calculation will have been amortized by December 31, 2029. Thereafter, amortization will continue at that percentage level.

Retirement pension payments are charged to the established provision.

u) Estimated Liabilities and Provisions

The Bank registers provisions to cover estimated liabilities, considering:

- A right has been acquired and, consequently, an obligation;
- Payment may be demanded or probable;
- The provision is justifiable, quantifiable and verifiable.

Estimates for taxes, contributions and memberships also are registered in this account.

v) Mandatory Convertible Bonds

This account represents the nominal value of bonds issued by the Bank that give holders the right to convert them into shares of stock in the company.

The discounts granted at the time of issue will be recorded under assets, as a deferred charge-discount on the sale of MCB. Premiums or additional paid in capital are to be recorded under liabilities as a deferred credit – premium on the sale of MCB.

w) Converting Transactions in Foreign Currency

Transactions in foreign currency other than U.S. dollars are converted into U.S. dollars then restated in Colombian pesos at the representative market rate of exchange calculated on the last business day of the month and certified by the Colombian Financial Services Authority. At June 30, 2012 and December 31, 2011, the rates were $ 1784.60 and $ 1942.70, respectively.

x) Net Equity Tax

Through Tax Reform Act 1370 passed in December 2009, the national government created a net equity tax for the tax years from 2011 to 2014. It is charged to persons and legal entities at a rate of 6% on their net worth at January 1, 2011.

For accounting purposes, the Bank has made it a policy to treat the entire tax as a liability, payable in eight (8) installments during the period from 2011 to 2014, against deferred charges, which are amortized during the same period in forty-eight (48) monthly installments.

y) Deferred Tax Debit/Credit

This account lists the temporary differences between commercial income and taxable income. It is canceled out when the differences generating it are reversed.

z) Contingent Accounts

These accounts register operations in which the Bank acquires a right or assumes an obligation contingent on future events that may or may not occur, depending on future, eventual or remotely possible factors. Financial returns and the financial component of leasing payments are registered in debtor contingent accounts as of the moment accruals in the loan and leasing accounts are suspended.

Leases due to expire are an important aspect of these accounts. The current portion consists of payments and options to buy that are due to expire within the next year. The non-current portion of those agreements is the part that is due to expire after the first year.

Values transferred under repo or simultaneous operations are recorded in debtor and creditor contingent accounts.

aa) Memorandum Accounts

These asset and liability accounts record thirty-party operations that do not affect the financial situation of the Bank. They also include tax memorandum accounts registering the data required to prepare tax returns and accounts used for fiscal purposes, internal control or those containing information of interest to management.

bb) Net Earnings per Share

The Bank used the number of subscribed and paid shares outstanding at June 30, 2012 and the average number of subscribed and paid shares outstanding between July 1 and December 31, 2011 to determine net earnings per share at June 30, 2012 and December 31, 2011. Respectively, these came to 286,836,113 and 285,967,888 shares. Net profit per share is $2,154 and $2,076, in that order.

cc) Related Parties

The Bank records asset and liability balances and income and expenses accrued in each period for transactions with related parties, such as shareholders, members of its Board of Directors and senior management, subsidiaries and those who are part of the combined operation.

3. Main Differences between Special Rules and the Accounting Standards Generally Accepted in Colombia

The special rules set by the Colombian Financial Services Authority differ somewhat from the accounting standards generally accepted in Colombia. The following are examples.

Investments in Equity Securities Available for Sale

Valuation losses (a negative difference between the book value and the market or cash value) in low or medium turnover or unlisted equity securities available for sale are registered in the asset and liability sections as a reduction in their value. According to the generally accepted standard, a provision is to be made in these cases, charged to expenses. In the case of investments in high or medium turnover equity securities available for sale, updating the market value directly affects the book value listed under assets and the unrealized accumulated gain or loss in equity.

Property, Plant and Equipment

The generally accepted accounting standards indicate the net value of property, plant and equipment with an adjusted value more than twenty (20) times the minimum monthly wage (SMMLV – Spanish acronym) at the close of the accounting period must be marked to market or present value, with the necessary valuations and provisions entered. The special rules contain no such requirements for assets of this type.

Additional Paid-in Capital

The special rules require the additional paid-in capital to be entered as part of the legal reserve, while the generally accepted accounting standard calls for it to be entered separately, as part of equity.

4. Cash

Detail of cash in domestic currency and in foreign currency expressed in domestic currency:

Figures in million COP	June 30	December 31
Domestic currency:		
Cash	658,981	691,162
Banco de la República	2,260,369	1,507,424
Banks and other financial institutions	61,254	108,593
Clearing	797	618
Remittances in transit	1,124	1,034
	2,982,525	2,308,831
Foreign Currency Expressed in Domestic Currency:		
Cash	5,372	2,079
Banco de la República	17	19
Banks and other financial institutions	1,263,199	510,214
Remittances in transit	2,358	2,025
Cash provision transit	(144)	(146)
	1,270,802	514,191
	4,253,327	2,823,022

Cash Provision

Movement in the cash provision:

Figures in million COP	June 30	December 31
Opening Balance:	146	46
Expenses provision	30	119
Reversal of provisions	32	19
Closing Balance	144	146

Cash and deposits with Banco de la República in domestic currency are part of the mandatory cash reserve the Bank is required by law to maintain on deposits received from its customers.

Reconciliation items outstanding for more than thirty (30) days at June 30, 2012 and December 31, 2011 came to $144 y $146, respectively. They are provisioned in full.

There are no other restrictions on cash.

5. Asset Positions in Money Market and Related Operations

Detail of interbank funds sold and repurchase agreements (repos):

Figures in million COP	June 30		December 31	
	Balance	Average Yield	Balance	Average Yield
Domestic Currency				
Ordinary interbank funds	46,000	5.09%	187,949	4.72% *
Investment transfer commitments in simultaneous Operations	76,304	5.54%	359,629	4.32% *
Total Asset Positions in Domestic Currency	122,304		547,578	
Foreign Currency				
Ordinary interbank funds sold	58,026	0.24%	117,659	0.62% **
Total Asset Positions in Foreign Currency	58,026		117,659	
Total Positions in Market Operations	180,330		665,237	

* Pertains to the weighted average domestic currency rate for operations current at the close of the period.
** Pertains to the weighted average rate at the Miami and New York agencies for current operations.

There are no restrictions on interbank funds sold and repos.

6. Investments

In Debt Securities Held for Trading

Figures in million COP	June 30	December 31
Domestic Currency:		
Sovereign issued or guaranteed public debt	227,135	249,632
Other public debt	69,978	99,002
Mortgage loan securitization issues	35,942	30,275
Non-mortgage loan securitization issues	12,556	6,431
Securities issued, endorsed, accepted or guaranteed by institutions Supervised by the Colombian Financial Services Authority	32,391	30,100
Other securities	9,255	16,923
Total Domestic Currency	387,257	432,363
Foreign Currency:		
Other public debt	38,923	48,971
Securities issued , endorsed, guaranteed or accepted by foreign banks	28,572	0
Securities issued, endorsed or guaranteed by multilateral lenders	12,333	0
Other securities	10,098	1,343
Total Foreign Currency	89,926	50,314
	477,183	482,677

Available for Sale

Figures in million COP	June 30	December 31
Domestic Currency:		
Sovereign issued or guaranteed internal public debt	793,298	2,480,943
Other public debt	27,679	28,173
Mortgage loan securitization issues	61,857	72,488
Other Securities	5,148	5,233
Total Domestic Currency	887,982	2,586,837

Held to Maturity

Figures in million COP	June 30	December 31
Domestic Currency:		
Sovereign issued or guaranteed internal public debt	253,116	247,529
Other public debt	1,183,085	1,095,699
Total Domestic Currency	1,436,201	1,343,228

Continues

Figures in million COP	June 30	December 31
Foreign Currency:		
Sovereign issued, endorsed or guaranteed external public debt	0	10,135
Securities issued, endorsed or guaranteed by foreign governments	14,404	9,841
Total Foreign Currency	14,404	19,976
	1,450,605	1,363,204

Investment Repurchase Rights

Detail of investment repurchase rights:

Figures in million COP	June 30	December 31
Available for Sale		
Domestic Currency:		
Sovereign issued or guaranteed internal public debt	2,075,771	28,407
Total Domestic Currency	2,075,771	28,407
Pledged as Collateral or Security		
Domestic Currency:		
Sovereign issued or guaranteed internal public debt	84,108	27,022
Total Domestic Currency	84,108	27,022
	2,159,879	55,429

The Bank assessed the credit risk of investments in public debt at June 30, 2012 and December 31, 2011, apart from sovereign issued or guaranteed debt, securities issued by the Central Bank (Banco de la República) and those issued or guaranteed by FOGAFIN (Fondo de Garantías de Instituciones Financieras- Guaranty Fund for Financial Institutions). The rating, based on the assessment, was "A" - investment with normal risk.

There are no legal or economic constraints on investments, apart from investment repurchase rights and securities pledged as collateral, which were delivered to the counterparties in repo or reverse repo operations and to the Central Counterparty Clearing House, in that order.

Equity Securities Available for Sale

Company Name	Capital Stock US$	Capital Stock COP$	% Held	Adjusted Cost	Equity Value	Valuation (Deprec.)	Provision	Unrealized Gain (Loss)	Rating
	June 30								
Low and minimal turnover or unlisted shares									
Investments Abroad									
Banco de Bogotá S.A. Panamá	49,395	0	100.00	88,151	94,431	6,280	0	0	A
Bogotá Finance Corporation	50	0	100.00	89	148	59	0	0	A
Corporación Financiera Centroamericana S.A FICENTRO	779	0	49.78	692	28	0	691	0	E
Leasing Bogotá S.A. Panama *	1,751,395	0	100.00	3,130,022	3,218,021	87,999	0	0	A
	1,801,619	0		3,218,594	3,312,628	94,338	691	0	
Investments in Colombia									
Almacenes Generales de Depósito ALMAVIVA S.A.	$ 0	349	94.92	29,741	140,490	110,749	0	0	A
Fiduciaria Bogotá S.A.	0	21,449	94.99	87,955	135,201	47,246	0	0	A
A Toda Hora S.A.	0	333	20.00	264	1,362	1,098	0	0	A
Casa de Bolsa S.A.	0	15,223	22.79	3,940	6,358	2,418	0	0	A
Sociedad Administradora de Fondos de Pensiones y Cesantías Porvenir S.A.	0	754,244	35.28	204,223	310,015	105,792	0	0	A
ACH Colombia S.A.	0	6,595	11.91	1,138	2,294	1,156	0	0	A
Pizano S.A.	0	69,812	16.85	23,244	40,378	28,787	0	0	A
Deceval S.A. Depósito Centralizado de Valores de Colombia	0	12,051	1.61	554	850	296	0	0	A
Cámara de Compensación de Divisas	0	2,500	3.19	80	111	31	16	0	B
Megalínea	0	111	94.90	1,476	2,069	593	0	0	A
Redebán Multicolor S.A.	0	10,119	2.44	966	1,594	628	0	0	A
Cámara de Riesgo Central de Contraparte S.A.	0	40,000	1.14	456	334	(122)	0	0	A
Gestión y Contacto	0	868	2	142	168	91	0	0	A
	1,801,619	933,654		3,573,133	3,953,852	393,101	707	0	
Low and minimal turnover or unlisted shares									
Investments in Colombia									
Corporación Financiera Colombiana S.A.	0	1,931	37.72%	2,207,147	2,207,147	0	0	1,419,619	A
Total	$ 0	935,585		5,780,280	6,161,000	393,101	707	1,419,619	

Company Name	December 31 Capital Stock US$	Capital Stock COP$	% Held	Adjusted Cost	Equity Value	Valuation (Deprec.)	Provision	Unrealized Gain (Loss)	Rating
Low and minimal turnover or unlisted shares									
Investments Abroad									
Banco de Bogotá S.A. Panamá	49,395	0	100.00	95,960	106,684	10,723	0	0	A
Bogotá Finance Corporation	50	0	100.00	97	161	64	0	0	A
Corporación Financiera Centroamericana S.A FICENTRO	779	0	49.78	753	30	0	753	0	E
Leasing Bogotá S.A. Panama *	1,751,395	0	100.00	3,407,314	3,407,529	212	0	0	A
	1,801,619	0		3,504,124	3,514,404	10,999	753	0	
Investments in Colombia									
Almacenes Generales de Depósito ALMAVIVA S.A.	$ 0	349	94.92	29,741	136,257	106,516	0	0	A
Fiduciaria Bogotá S.A.	0	20,277	94.99	80,567	121,004	40,438	0	0	A
A Toda Hora S.A.	0	333	20.00	264	1,387	1,123	0	0	A
Casa de Bolsa S.A.	0	15,223	22.79	3,940	6,053	2,114	0	0	A
Sociedad Administradora de Fondos de Pensiones y Cesantías Porvenir S.A.	0	73,456	35.28	189,919	279,020	89,100	0	0	A
ACH Colombia S.A.	0	6,595	11.91	1,139	2,296	1,158	0	0	A
Pizano S.A.	0	648	16.85	11,592	36,474	24,882	0	0	A
Deceval S.A. Depósito Centralizado de Valores de Colombia	0	12,051	1.61	553	1,051	498	0	0	A
Cámara de Compensación de Divisas	0	2,500	3.19	80	98	18	16	0	B
Megalínea	0	111	94.90	1,476	1,781	306	0	0	A
Redebán Multicolor S.A.	0	10,119	2.44	965	1,629	664	0	0	A
Cámara de Riesgo Central de Contraparte S.A.	0	40,000	1.14	456	335	(121)	0	0	A
Gestión y Contacto	0	868	2.04	77	147	70	0	0	A
	0	182,530		320,769	587,532	266,766	16	0	
Low and minimal turnover or unlisted shares									
Investments in Colombia									
Corporación Financiera Colombiana S.A.	0	1,902	37.50%	2,413,296	2,413,296	0	0	1,678,234	A
	$ 0	0		6,238,189	6,515,232	277,765	769	1,678,234	

Stocks with low turnover were valued at June 30, 2012 and December 31, 2011 using the equity variation method based on certificates issued by the Statutory Auditor, Chief Accountant and/or Legal Representative. In no case were they dated prior to May 31, 2012 and October 31, 2011, respectively, other than the certificate from Pizano, which is dated March 2012. As part of its internal policy, that company only issues certificates quarterly.

Investment Maturity

	June 30				
Figures in million COP	Up to 1 year	1 to 3 years	3 to 5 years	Over 5 years	Total
Trading investments, debt securities	49,525	58,809	90,377	278,472	477,183
Held to maturity, debt securities	1,237,743	158,562	54,300	0	1,450,605
Available for sale, debt securities	87,936	133,608	893,987	1,932,330	3,047,861
Equity securities	0	0	0	5,780,280	5,780,280
	1,375,204	350,979	1,038,664	7,991,082	10,755,929

	December 31				
Figures in million COP	Up to 1 year	1 to 3 years	3 to 5 years	Over 5 years	Total
Trading investments, debt securities	77,179	71,971	34,195	299,332	482,677
Held to maturity, debt securities	1,036,799	221,789	104,616	0	1,363,204
Available for sale, debt securities	0	423,834	556,741	1,661,691	2,642,266
Equity securities	0	0	0	6,238,189	6,238,189
	1,113,978	717,594	695,552	8,199,212	10,726,336

* Includes securities recorded as repurchase rights and pledged as collateral that are part of the investment portfolio available for sale in the form of debt securities.

Investment Provision

Figures in million COP	June 30	December 31
Equity Securities		
Available for sale	(707)	(769)
Total	(707)	(769)

Detail of the movement in investment provisions:

Figures in million COP	June 30	December 31
Opening balance	769	719
Provision charged to operating expenses	36	91
Write-offs	0	17
Reversal of investment provision	98	24
Closing balance	707	769

Qualitative Information

Objectives

Banco de Bogotá conducts its treasury operations pursuant to the policies and limits set by its Board of Directors. These are consistent with prevailing regulations and with the aim of maximizing the risk-return ratio on portfolios and/or managed assets and taking advantage of the opportunities that arise in the markets where it operates.

Permanent follow-up on internal and external economic variables, as well as constant monitoring and control by the risk management unit with respect to the way investments are handled, constitute the backbone of efforts by the Treasury of the Bank to achieve these objectives.

Markets where the Treasury operates:

- Internal public debt
- Private debt
- Public and private fixed income in F/C
- Foreign exchange
- Over-the-counter market (OTC) derivatives
- Standard derivatives
- Money market

Risk Philosophy:

The active involvement of the Bank's senior management and its Board of Directors in the area of investment and risk, supported by a range of tools and the existence of well-defined processes and qualified personnel, ensures the risks to which the organization is exposed are managed adequately.

Moreover, continuous follow-up and control with respect to the limits on risk and treasury management, accompanied by coordination and effectiveness in decision-making on investments, facilitates implementing strategies that are coherent with the Bank's objectives, the approved budget and the general policies on management of assets and liabilities.

Strategy

The first part of the year was marked by the global economic slowdown, the worsening crisis in Europe and the impact on its banking system, low commodity prices and the subsequent decline in inflation, the new rounds of monetary stimulus in the developed countries and the considerable degree of optimism about the impact they would have on the economy, and an end to the upward interest rate cycle in the emerging market economies.

In terms of economic growth, history seems to have repeated itself. After a great deal of hopefulness about the economy's performance in the early months of the year, the latest figures confirm the slowdown in global growth (as in 2011). In the case of the United States, its economic activity continues to be affected by a weak job market, which has caused households to rein in their consumption, while business expectations have been affected by the current uncertainty in international markets.

In the Euro zone, the economy probably contracted during the second quarter, insofar as growth in the German and French economies did not manage to offset the slowdown on the rest of the continent. Moreover, uncertainty about the elections in Greece and nervousness about the situation of Spanish banks, which ended with a bailout, had repercussions for the performance of the economy.

The lack of concrete solutions to the problems facing the Euro zone, coupled with slowing growth, even in China, led to stock market devaluations, higher risk premiums and sharp declines in commodity prices.

Lower prices for raw materials favored a generalized reduction in global inflation, with even larger declines in the emerging economies. Reduced price pressures paved the way for central bankers in the developed countries to expand their monetary stimulus and, in the case of emerging markets, to culminate or reverse their upward rate cycles. In the United States, the Federal Reserve extended operation twist, a monetary policy operation that involves the purchase of long-term bonds with resources from the sale of short-term securities. In England, the central bank increased the amount of quantitative easing and, in the Euro zone, the interest rate was reduced to an all-time low.

Meanwhile, China cut its interest rate and reserve requirements repeatedly, Brazil reduced its interest rate to a new record low, and other economies ended their cycle of rate hikes ahead of time. In Colombia, the consensus has begun to discount lower growth, a more pronounced decline in inflation, and subsequent reductions in the interest rate before the end of the year.

Markets – Fixed Income

Treasury activity during the first half of 2011 remained focused on time deposits, in search of added funding stability. Investors have shown more interest in DTF and IBR indexed securities, in that order, with little appetite for securities indexed to inflation, given the downward trend in this indicator.

The money market showed broad liquidity during the first quarter of the year, thanks to transfers from the government at the end of 2011. However, by the second quarter, the government's balances with the Central Bank (Banco de la República) had increased substantially, thereby reducing liquidity in the market. The Central Bank responds to the liquidity needs of the market by increasing the resources available through OMOs.

The second half of the year is expected to see a market with better liquidity conditions, given anticipated government transfers for coupon payments, payments on TES principal (due in August), and the budget performance usually concentrated at the end of the year.

Activity in the money market was maintained, not only to manage the Bank's liquidity, but also as a way to hedge shorts through simultaneous operations.

The demand for loans in foreign currency during the first half of 2012 was channeled through the Bank's branches and agencies abroad. Accordingly, the current balances with foreign correspondent banks declined. On the other hand, new possibilities for term funding continue to be explored, given a latent demand for loans to finance infrastructure projects in the country.

The fixed income portfolios were managed in conjunction with hedging operations, such as notional bond futures, short selling and NDF on TES. Sales were made at the short end of the curve and the duration of the portfolio available for sale was extended.

In Banco de Bogotá Colombia, there were partial sales of global bonds denominated in pesos and payable in dollars, taking advantage of the price increases in these bonds. However, the portfolios continued to include a portion of them, in the hope of additional appreciation.

Some of the positions in dollars at agencies outside the country were liquidated to take advantage of the low interest rates. Profits were taken on positions in Colombian corporate bonds payable in dollars and denominated in pesos, given the expectation that implicit hedge devaluations will reach even lower levels. Moreover, purchases were made on the short end of the curve, as an agency liquidity management strategy.

Foreign Currency and Derivatives

Within the role of the Treasury at the Bank, the Foreign Exchange and Derivatives Desk works closely with the sales force, offering their products to all segments, supporting training and guidance, as well as innovating and renovating products to give customers added value.

Banco de Bogota performs derivative transactions to hedge against risks posed by the asset and liability positions on its balance sheet and to serve as an intermediary for customers. It also conducts them to capitalize on arbitrage opportunities involving exchange rates and / or interest rates on local and external markets.

During 2012, Banco de Bogotá's Foreign Exchange and Derivatives Desk has worked to deepen financial structures based on derivatives. The goal, in this respect, is to give the Bank's customers ways to optimize their financing strategies. Sales of cross-currency swaps to customers have increased as a result. Combined with financing in dollars tied to the LIBOR rate, these generate synthetic financing at rates in Colombian pesos (COP) that are attractive to customers.

On the other hand, the sale of structures based on options such as "collars" continues, especially for export customers who want to cover their income at term, particularly when the level of the peso against dollar is at rates above COP $ 1,800.

The derivative portfolios combine basic types of contracts such as forwards, options or swaps, whose original risk is covered with money market instruments or with another type of derivative. For example, an options contract on an exchange rate generates exposure to factors such as internal and external exchange and interest rates, which are covered with forward transactions and money market instruments, in addition to exposure to other factors such as exchange rate volatility, which can be covered only with spot transactions.

The Foreign Exchange and Derivatives Desk also is responsible for exchange hedging on assets in dollars. Given the significant increase in the number of subsidiaries outside the country, following the acquisition of BAC, special accounting treatment has been afforded since 2010 to hedging operations intended to cover the exchange exposure the investments in agencies and subsidiaries outside the country represent for the balance sheet. This isolates the statement of earnings from movement in the devaluation curve when marking to market, leaving only the exchange effect of both the investment and the instruments used to hedge it.

The Bank has policies and procedures to manage the risks generated by operations of this type. It is those policies and procedures that define the framework within which business can be conducted.

The limits on maximum exposure to market risks or value at risk (VaR), by type of operation and risk associated with each of the instruments that make up the different portfolios (sensitivities or effects on portfolio the value due to movement in interest rates or related factors - impact of changes in fair prices and specific risk factors: interest rate (Rho), exchange Rate (Delta) and volatility (Vega)) are defined in this way.

Credit risk also is a key consideration when dealing in financial derivatives. Consequently, models have been developed to calculate credit exposure by taking potential future exposure into account.

The result of the Bank's portfolio management strategies is assessed by comparing the sources of income to the sources of risk for each portfolio to determine if profits come from taking positions (on exchange or interest rates), brokerage activities, or from the structure of the portfolios (over time).

Maximum, Minimum and Average Portfolio Values

Figures in million COP	June 30 Average Balance	June 30 Maximum Balance	June 30 Minimum Balance
Held for Trading			
Debt securities	2,209	37,201	1
Equity securities	304,225	3,130,022	80
Available for Sale, Debt Securities			
Debt securities	8,373	93,464	7
Held to Maturity			
Debt securities	6,121	54,672	0

Figures in million COP	December 31 Average Balance	December 31 Maximum Balance	December 31 Minimum Balance
Held for Trading			
Debt securities	2,002	40,456	0
Available for Sale, Debt Securities			
Debt securities	8,663	92,142	7
Held to Maturity			
Debt securities	5,784	54,681	0

7. Loan Portfolio and Leasing Operations

Detail of the loan portfolio, by type:

Figures in million COP	June 30	December 31
Ordinary loans	23,895,450	22,624,713
Loans made with resources of other entities	863,494	939,322
Non-recourse factoring	81,184	85,916
Letters of credit, covered	118,476	180,025
Bank overdrafts, checking account	447,706	140,839
Discounts	159,271	137,290
Credit cards	1,248,760	1,120,043
Reimbursements, in advance	258,958	295,559
Loans to micro-enterprises and SMEs	210,603	189,483
Micro-loans	242,475	240,657
Home mortgage portfolio	36,303	20,201
Foreign loans, repaid	504	551
Leased-out goods and movable assets	326,212	205,080
Leased-out real estate	801,084	675,313
Total Loan Portfolio, by Type	28,690,480	26,854,992

Detail of the loan portfolio, by economic sector:

	June 30						
Figures in million COP	Commercial	Consumer	Micro-loans	Home Mortgages	Leasing	Total	% Held.
Sector							
Agriculture, livestock, hunting, forestry and fishing	812,236	120,152	8,430	102	34,779	975,699	3.40%
Capital investor	58,144	182,967	667	1,188	8,453	251,419	0.88%
Salaried persons	359,645	3,959,813	26,595	28,756	25,419	4,400,228	15.34%
Mining and quarrying	607,036	5,857	91	0	49,047	662,031	2.31%
Manufacturing industries	4,116,018	83,510	20,186	820	146,482	4,367,016	15.22%
Supply of electricity, gas, steam & air conditioning	1,215,321	347	44	0	8,589	1,224,301	4.27%
Water distribution; waste water evacuation and treatment, waste management and environmental sanitation activities	113,665	2,451	681	0	5,915	122,712	0.43%
Construction	2,610,188	45,886	1,856	412	313,240	2,971,582	10.36%
Wholesale and retail sale; automotive and motorcycle repair	3,997,852	395,348	141,081	1,633	181,098	4,717,012	16.44%
Transport, storage	1,565,088	164,705	9,026	161	119,592	1,858,572	6.48%
Accommodation and food services	102,826	38,221	14,586	213	10,616	166,462	0.58%
Information and communications	795,279	12,371	1,650	90	13,631	823,021	2.87%
Financial and insurance activities	1,374,491	7,169	672	0	9,018	1,391,350	4.85%
Real estate activities	570,367	18,686	255	6	41,524	630,838	2.20%
Professional, scientific and technical activities	1,251,584	323,110	7,250	1,999	52,738	1,636,681	5.70%
Administrative services and support activities	399,470	12,745	935	0	38,545	451,695	1.57%
Public administration and defense; social security plans with mandatory affiliation	904,644	1,188	33	0	357	906,222	3.16%
Education	198,086	8,769	675	0	7,657	215,187	0.75%
Human health care and social assistance activities	440,489	35,162	615	637	42,537	519,440	1.81%
Artistic, entertainment and recreational activities	33,971	5,847	868	0	3,168	43,854	0.15%
Other service activities	295,471	37,661	6,275	286	14,891	354,584	1.24%
Activities of individual households as employers	21	228	4	0	0	253	0.00%
Activities of extraterritorial organizations and entities	288	33	0	0	0	321	0.00%
Total by economic use	21,822,180	5,462,226	242,475	36,303	1,127,296	28,690,480	100.00%

Figures in million COP	December 31 Commercial	Consumer	Micro-loans	Home Mortgages	Leasing	Total	% Held.
Sector							
Agriculture, livestock, hunting, forestry and fishing	838,053	106,492	7,602	0	30,420	982,567	3.66%
Capital investor	56,974	170,571	579	31	8,427	236,582	0.88%
Salaried persons	322,404	3,653,133	26,475	19,252	17,071	4,038,335	15.04%
Mining and quarrying	590,024	4,764	72	0	34,160	629,020	2.34%
Manufacturing industries	4,062,375	73,475	18,766	9	121,398	4,276,023	15.92%
Supply of electricity, gas, steam and air conditioning	1,052,106	290	34	0	11,181	1,063,611	3.97%
Water distribution; waste water evacuation and treatment, waste management and environmental sanitation activities	73,313	1,820	459	0	5,778	81,370	0.30%
Construction	2,368,262	40,176	1,686	0	280,336	2,690,460	10.02%
Wholesale and retail trade; automotive and motorcycle repair	3,758,897	346,669	145,156	29	106,984	4,357,735	16.23%
Transport, storage	1,475,300	145,937	8,431	34	82,751	1,712,453	6.38%
Accommodation and food services	91,773	32,446	13,345	0	2,993	140,557	0.52%
Information and communications	692,213	10,559	1,644	0	15,149	719,565	2.68%
Financial and insurance activities	1,360,122	6,691	612	0	9,335	1,376,760	5.13%
Real estate activities	505,717	18,211	206	76	40,630	564,840	2.10%
Professional, scientific and technical activities	1,304,534	301,387	6,862	612	49,299	1,662,694	6.19%
Administrative services and support activities	329,522	11,095	882	0	19,131	360,630	1.34%
Public administration and defense; social security plans with mandatory affiliation	953,573	1,223	36	0	1,603	956,435	3.56%
Education	190,927	7,822	661	0	1,034	200,444	0.75%
Human health care and social assistance |activities	441,150	33,723	598	158	23,743	499,372	1.86%
Artistic, entertainment and recreational activities	31,017	5,101	819	0	3,739	40,676	0.15%
Other service activities	215,482	27,920	5,715	0	15,231	264,348	0.98%
Activities of individual households as employers	4	175	4	0	0	183	0.00%
Activities of extraterritorial organizations and entities	265	54	13	0	0	332	0.00%
Total by economic use	20,714,007	4,999,734	240,657	20,201	880,393	26,854,992	100.00%

The Bank assessed one hundred point zero percent (100.0%) of its loan portfolio, interest and other items at June 30, 2012 and December 31, 2011.

Detail of the loan portfolio, by rating:

Figures in million COP	June 30						
				Provisions [2/]			
	Principal	Interest and Financial Component	Other Items [1/]	Principal	Interest and Financial Component	Others	Admissible Guarantee
Commercial							
A - Normal	20,333,326	211,564	53,617	301,393	3,794	988	9,002,576
B - Acceptable	811,654	12,311	281	33,740	3,053	60	244,818
C - Appreciable	380,092	7,840	347	41,503	4,583	277	207,753
D- Significant	172,477	6,148	2,198	101,369	6,166	2,187	48,694
E - Uncollectible	124,631	9,218	5,024	118,624	8,845	5,024	8,181
	21,822,180	247,081	61,467	596,629	26,441	8,536	9,512,022
Consumer							
A - Normal	5,178,219	64,260	21,621	133,926	3,666	645	1,301,229
B - Acceptable	95,192	2,629	394	9,610	967	127	11,709
C - Appreciable	62,583	1,666	379	10,955	1,352	332	6,028
D- Significant	98,896	3,217	1,427	76,249	3,180	1,420	14,260
E - Uncollectible	27,336	1,028	28,457	27,246	1,026	28,815	1,844
	5,462,226	72,800	52,278	257986	10,191	31,339	1,335,070
Micro-lending							
A - Normal	220,869	4,493	315	2,209	190	65	85,319
B - Acceptable	6,913	132	42	221	129	43	2,440
C - Appreciable	3,301	78	29	660	78	29	1,191
D- Significant	2,682	63	26	1,341	63	26	924
E - Uncollectible	8,710	231	226	8,708	230	226	3,523
	242,475	4,997	638	13,139	690	389	93,397
Home Mortgage							
A - Normal	35,178	219	10	352	11	2	27,753
B - Acceptable	432	4	0	26	4	0	419
C - Appreciable	430	4	3	59	4	3	413
D- Significant	106	2	1	26	1	1	100
E - Uncollectible	157	1	5	93	1	5	91
	36,303	230	19	556	21	11	28,776
Leasing							
A - Normal	1,072,666	5,441	2,198	17,119	104	41	0
B - Acceptable	45,848	518	65	1,667	20	3	0
C - Appreciable	4,884	139	19	625	56	14	0
D- Significant	2,490	108	25	1,596	99	23	0
E - Uncollectible	1,408	148	214	1,408	148	214	0
	1,127,296	6,354	2,521	22,415	427	295	0
General Provision	0	0	0	2,788	0	0	0
Total Loan Portfolio by Rating	28,690,480	331,462	116,923	893,513	37,770	40,570	10,969,265

Figures in million COP	December 31						
				Provisions [2/]			
	Principal	Interest and Financial Component	Other Items [1/]	Principal	Interest and Financial Component	Others	Admissible Guarantee
Commercial							
A - Normal	19,381,787	171,457	43,431	302,186	3,409	2,006	8,757,871
B - Acceptable	792,134	8,633	187	31,598	968	59	261,161
C - Appreciable	283,448	8,747	413	45,114	4,352	300	148,731
D- Significant	157,907	5,576	2,549	97,284	5,496	2,533	59,249
E - Uncollectible	98,731	8,598	5,076	93,818	8,105	5,077	8,670
	20,714,007	203,011	51,656	570,000	22,330	9,975	9,235,682
Consumer							
A - Normal	4,760,688	55,186	32,735	125,048	2,411	339	1,294,856
B - Acceptable	62,970	1,427	236	6,799	497	89	8,251
C - Appreciable	45,324	1,043	315	8,101	826	272	6,664
D- Significant	75,222	2,258	1,265	58,383	2,221	1,269	16,780
E - Uncollectible	55,530	1,911	27,028	55,532	1,911	27,028	2,373
	4,999,734	61,825	61,579	253,863	7,866	28,997	1,328,924
Micro-lending							
A - Normal	230,008	4,377	422	2,300	154	67	87,344
B - Acceptable	2,333	50	20	75	50	20	785
C - Appreciable	1,457	37	16	292	37	16	498
D- Significant	1,395	29	17	698	29	17	390
E - Uncollectible	5,464	207	199	5,461	206	199	2,202
	240,657	4,700	674	8,826	476	319	91,219
Home Mortgage							
A - Normal	19,048	131	2	197	8	1	20,327
B - Acceptable	683	7	1	49	7	1	735
C - Appreciable	240	2	1	30	2	1	265
D- Significant	69	1	1	16	1	1	80
E - Uncollectible	161	1	4	89	1	4	103
	20,201	142	9	381	19	8	21,510
Leasing							
A - Normal	837,405	8,072	381	12,926	159	12	0
B - Acceptable	36,217	437	12	1,202	18	1	0
C - Appreciable	2,916	73	6	309	38	4	0
D- Significant	2,723	107	18	1,572	115	24	0
E - Uncollectible	1,132	137	203	1,133	138	202	0
	880,393	8,826	620	17,142	468	243	0
General Provision	0	0	0	2,609	0	0	0
Total Loan Portfolio by Rating	26,854,992	278,504	114,538	852,821	31,159	39,542	10,677,335

1/ "Other Items" include payments on behalf of clients, fees, commissions, staff advances and other sundry accounts receivable.

2/ The portfolio showed $ 23,225 and $ 19,315 in principal and interest at June 30, 2012 and December 31, 2011. These items are entered as a deferred payment and, therefore, do not require provisioning.

Detail of the loan portfolio by geographic area:

Figures in million COP	June 30						
				Provisions [2/]			
	Principal	Interest and Financial Component	Other Items [1/]	Principal	Interest and Financial Component	Others	Admissible Guarantee
Corporate banking	6,877,991	67,897	2,849	129,813	6,409	709	2,688,218
Corporate banking - Antioquia	2,610,044	28,595	308	51,450	2,386	189	889,537
Corporate banking – West	1,914,491	17,178	389	49,249	1,341	73	712,180
Business banking	1,680,232	13,814	1,151	54,294	1,655	644	475,011
Official banking – institutional	874,814	8,578	828	14,353	224	755	444,646
Social banking	443,537	9,875	3,406	13,331	529	10	447,460
East central	2,564,551	36,802	415	53,306	3,319	262	557,376
Official banking	640,591	5,969	366	13,726	263	160	214,956
SME banking I	1,070,518	11,978	1,193	47,898	1,997	782	414,113
SME banking II	1,010,516	12,613	1,143	57,039	2,322	457	427,293
PMP banking – Antioquia	830,061	9,369	6,952	48,417	2,393	4,046	309,635
PMP banking – North Bogota	771,856	8,254	6,336	41,854	1,988	4,257	219,146
PMP banking –South Bogota	927,892	9,502	8,199	48,341	2,228	4,602	214,533
PMP banking – Central	736,547	10,785	6,898	41,855	2,131	3,673	523,522
PMP banking – Coast	548,697	7,316	7,803	38,057	2,127	4,904	234,368
PMP banking – West	793,264	7,939	7,628	50,136	2,480	4,911	505,320
PMP banking – East	714,665	9,028	6,169	41,170	1,910	3,398	489,448
Specialized units	2,029,444	22,901	4,639	70,696	1,582	1,427	1,147,039
Units or sections reporting to general management (GM)	1,650,769	33,069	50,251	25,740	486	5,311	55,464
	28,690,480	331,462	116,923	890,725	37,770	40,570	10,969,265
General Provision	0	0	0	2,788	0	0	0
Total Portfolio by Geographic Area	28,690,480	331,462	116,923	893,513	37,770	40,570	10,969,265

Figures in million COP	December 31 Principal	Interest and Financial Component	Other Items [1/]	Provisions [2/] Principal	Interest and Financial Component	Others	Admissible Guarantee
Corporate banking	6,501,139	59,116	1,040	129,239	4,793	398	2,857,452
Corporate banking -Antioquia	2,763,203	19,219	268	50,204	2,920	200	794,207
Corporate banking –West	1,734,733	16,137	327	49,934	566	89	501,832
Business banking	1,469,364	11,929	722	51,856	1,688	291	485,562
Official banking – institutional	898,938	7,863	706	11,480	203	687	435,404
Social banking	297,762	6,750	218	5,918	389	9	335,713
East central	2,259,422	29,950	375	48,883	2,199	238	568,357
Official banking	234,112	2,018	273	4,827	59	190	226,087
SME banking I	828,661	8,068	1,191	39,346	1,420	795	367,792
SME banking II	769,472	8,877	617	46,151	1,919	391	406,630
PMP banking – Antioquia	870,623	8,855	7,060	50,897	2,008	4,206	312,150
PMP banking – North Bogota	812,369	7,924	6,142	44,719	1,743	4,086	216,692
PMP banking –South Bogota	941,063	8,953	7,165	52,139	1,945	4,549	223,196
PMP banking – Central	803,218	10,845	6,493	40,575	1,855	3,630	527,556
PMP banking – Coast	604,412	7,923	7,525	40,412	1,910	4,970	258,281
PMP banking – West	810,358	7,843	7,690	54,956	2,319	5,088	474,938
PMP banking – East	819,583	8,980	5,877	41,754	1,578	3,363	476,152
Specialized units	2,153,905	21,963	7,690	65,218	1,233	1,223	1,172,875
Units or sections reporting to general management (GM)	1,282,655	25,291	53,159	21,704	412	5,139	36,459
	26,854,992	278,504	114,538	850,212	31,159	39,542	10,677,335
General Provision	0	0	0	2,609	0	0	0
Total Portfolio by Geographic Area	26,854,992	278,504	114,538	852,821	31,159	39,542	10,677,335

Detail of the loan portfolio, by monetary unit:

Figures in million COP	June 30 Domestic Currency	Foreign Currency	Total	December 31 Domestic Currency	Foreign Currency	Total
Commercial	18,939,319	2,882,861	21,822,180	17,822,692	2,891,315	20,714,007
Consumer	5,462,226	0	5,462,226	4,999,734	0	4,999,734
Micro-lending	242,475	0	242,475	240,657	0	240,657
Home Mortgage	36,303	0	36,303	20,201	0	20,201
Leasing	1,080,444	46,852	1,127,296	839,008	41,385	880,393
	25,760,767	2,929,713	28,690,480	23,922,292	2,932,700	26,854,992

Detail of the loan portfolio, by maturity:

	June 30				
Figures in million COP	Up to 1 year	1 to 3 years	3 to 5 years	Over 5 years	Total
Commercial	12,351,435	5,959,182	2,446,179	1,065,384	21,822,180
Consumer	2,289,621	2,306,485	746,687	119,433	5,462,226
Home Mortgage	10,304	6,425	6,391	13,183	36,303
Micro-lending	148,203	85,396	8,812	64	242,475
Leasing	300,446	499,218	190,118	137,514	1,127,296
Total Loan Portfolio	15,100,009	8,856,706	3,398,187	1,335,578	28,690,480

	December 31				
Figures in million COP	Up to 1 year	1 to 3 years	3 to 5 years	Over 5 years	Total
Commercial	11,307,678	6,015,988	2,419,350	970,991	20,714,007
Consumer	2,273,140	1,909,799	713,954	102,841	4,999,734
Home Mortgage	5,759	4,764	4,277	5,401	20,201
Micro-lending	93,717	125,271	21,634	35	240,657
Leasing	181,742	426,688	189,993	81,970	880,393
Total Loan Portfolio	13,862,036	8,482,510	3,349,208	1,161,238	26,854,992

Detail of restructured loans:

	June 30								
Figures in million COP						Provisions [2/]			
	No. of Loans	Principal	Interest	Other Items	Total	Principal	Interest	Other Items	Guarantee
Commercial									
A -Normal	611	$ 190,099	4,606	23	194,728	5,754	25	12	61,423
B -Acceptable	493	335,681	2,371	29	338,081	15,586	551	26	64,929
C -Appreciable	872	180,965	4,958	76	185,998	19,903	3,341	65	118,399
D -Significant	1,229	91,551	2,556	850	94,956	57,589	2,504	848	29,122
E -Uncollectible	1,024	108,386	7,963	850	117,199	102,380	7,471	850	8,607
	4,229	906,682	22,454	1,828	930,964	201,212	13,892	1,801	282,480
Consumer									
A -Normal	7,269	37,698	445	70	38,213	1,942	55	44	2,736
B -Acceptable	2,038	8,374	119	21	8,514	1,183	37	17	373
C -Appreciable	3,070	17,179	249	85	17,513	3,172	142	73	896
D -Significant	2,553	15,820	354	169	16,343	12,393	350	168	1,816
E -Uncollectible	819	5,747	196	158	6,101	5,658	196	158	241
	15,749	84,818	1,363	503	86,684	24,348	780	460	6,062

Continues

June 30									
Figures in million COP						Provisions 2/			
	No. of Loans	Principal	Interest	Other Items	Total	Principal	Interest	Other Items	Guarantee
Micro-lending									
A -Normal	357	2,008	23	6	2,037	20	10	5	663
B -Acceptable	43	266	3	2	271	9	3	2	76
C -Appreciable	29	145	1	2	148	29	1	2	59
D -Significant	19	87	1	1	89	43	1	1	28
E -Uncollectible	62	562	17	18	597	563	17	18	199
	510	3,068	45	29	3,142	664	32	28	1,025
Home Mortgage									
A -Normal	26	159	1	0	160	2	0	0	81
B -Acceptable	2	4	0	0	4	4	0	0	0
C -Appreciable	7	44	0	1	46	14	1	1	40
D -Significant	1	3	0	0	3	3	0	0	0
E -Uncollectible	6	41	0	2	43	40	0	2	0
	42	251	2	3	256	63	1	3	121
Leasing									
A -Normal	6	820	1	0	821	9	0	0	0
B -Acceptable	15	2,456	10	1	2,467	53	0	0	0
C -Appreciable	11	642	25	7	674	87	19	7	422
D -Significant	10	1,189	54	9	1,252	884	51	9	217
E -Uncollectible	15	340	73	40	453	340	73	40	0
	57	5,447	163	57	5,667	1,373	143	56	639
Totals									
A -Normal	8,269	230,784	5,076	99	235,959	7,727	90	61	64,903
B -Acceptable	2,591	346,781	2,503	53	349,337	16,835	591	45	65,378
C -Appreciable	3,989	198,975	5,233	171	204,379	23,205	3,504	148	119,816
D -Significant	3,812	108,650	2,965	1,029	112,644	70,912	2,906	1,026	31,183
E -Uncollectible	1,926	115,076	8,249	1,068	124,393	108,981	7,757	1,068	9,047
	20,587	$1,000,266	24,026	2,420	1,026,712	227,660	14,848	2,348	290,327

December 31									
Figures in million COP						Provisions 2/			
	No. of Loans	Principal	Interest	Other Items	Total	Principal	Interest	Other Items	Guarantee
Commercial									
A -Normal	780	$ 224,696	5,992	26	230,714	7,297	257	20	101,485
B -Acceptable	645	302,961	2,009	32	305,002	13,438	268	30	41,751
C -Appreciable	944	167,739	6,039	144	173,922	30,499	3,102	138	70,588
D -Significant	1,320	92,913	2,213	930	96,056	59,776	2,172	925	24,096
E -Uncollectible	854	84,468	7,486	787	92,741	79,546	6,994	787	10,656
	4,543	872,777	23,739	1,919	898,435	190,556	12,793	1,900	248,576

Continues

Figures in million COP	December 31								
						Provisions [2/]			
	No. of Loans	Principal	Interest	Other Items	Total	Principal	Interest	Other Items	Guarantee
Consumer									
A -Normal	5,275	29,758	285	54	30,097	1,731	29	38	1,674
B -Acceptable	1,899	7,872	107	23	8,002	1,214	30	19	256
C -Appreciable	2,697	14,520	249	83	14,852	2,700	152	77	464
D -Significant	2,197	13,175	322	166	13,663	10,584	319	181	916
E -Uncollectible	2,548	12,185	382	251	12,818	12,185	382	251	175
	14,616	77,510	1,345	577	79,432	28,414	912	566	3,485
Micro-lending									
A -Normal	366	2,215	20	5	2,240	22	3	4	596
B -Acceptable	22	150	0	1	151	5	0	1	37
C -Appreciable	14	58	0	1	59	12	0	1	12
D -Significant	22	108	1	1	110	54	1	1	44
E -Uncollectible	60	552	29	30	611	552	28	30	162
	484	3,083	50	38	3,171	645	32	37	851
Home Mortgage									
A -Normal	39	179	0	0	179	2	0	0	29
B -Acceptable	4	15	0	0	15	7	0	0	9
C -Appreciable	3	28	0	0	28	6	0	0	24
D -Significant	2	3	0	0	3	3	0	0	0
E -Uncollectible	4	38	0	2	40	31	0	2	9
	52	263	0	2	265	49	0	2	71
Leasing									
A -Normal	10	983	4	2	989	10	0	0	0
B -Acceptable	15	2,771	10	0	2,781	72	0	0	0
C -Appreciable	5	536	19	3	558	64	18	3	50
D -Significant	6	916	38	7	961	574	38	7	217
E -Uncollectible	16	363	76	40	479	363	76	40	0
	52	5,569	147	52	5,768	1,083	132	50	267
Totals									
A -Normal	6,470	257,831	6,301	87	264,219	9,062	289	62	103,784
B -Acceptable	2,585	313,769	2,126	56	315,951	14,736	298	50	42,053
C -Appreciable	3,663	182,881	6,307	231	189,419	33,281	3,272	219	71,138
D -Significant	3,547	107,115	2,574	1,104	110,793	70,991	2,530	1,114	25,273
E -Uncollectible	3,482	97,606	7,973	1,110	106,689	92,677	7,480	1,110	11,002
	19,747	$ 959,202	25,281	2,588	987,071	220,747	13,869	2,555	253,250

Restructured loans, by economic sector:

Figures in million COP	June 30					
	Ordinary and Extraordinary	Approved Debtor Restructuring Plans	Liquidation	Law 550/99	Law 1116/06	Law 617/00
Artistic, entertainment and recreational activities	12,291	54	274	23,755	13,006	0
Human health care and social assistance activities	64,330	134	72	5	587	0
Administrative services and support activities	4,612	68	0	0	123	0
Financial and insurance activities	2,080	0	9	496	14	0
Real estate activities	299,208	648	8,617	22,935	93,842	0
Professional, scientific and technical activities	941	0	0	0	0	0
Public administration and defense; social security plans with mandatory affiliation	1,589	0	0	0	131	0
Agriculture, livestock, hunting, forestry and fishing	8,341	0	10,958	1,619	20,073	0
Accommodation and food services	85,322	18	3,821	2,190	40,352	0
Salaried persons	7,612	0	657	31,913	834	0
Wholesale and retail trade: automotive and motorcycle repair	2,385	0	0	27	527	0
Construction	7,909	0	40	264	14,271	0
Water distribution; waste water evacuation and treatment; waste management; environmental sanitation activities	420	0	0	0	4,213	0
Education	3,474	0	0	2,005	8	0
Mining and quarrying	17,982	213	494	2,281	1,211	0
Manufacturing industries	2,009	0	200	0	2,527	0
Information and communications	26,889	0	0	20,959	0	94,430
Other service activities	24,884	0	0	0	0	0
Capital investors	2,467	0	0	1,929	0	0
Supply of electricity, gas, steam and air conditioning	219	0	0	0	520	0
Transport, storage	1,798	1	0	0	179	0
	576,762	1,136	25,142	110,378	192,418	94,430

Figures in million COP	December 31					
	Ordinary and Extraordinary	Approved Debtor Restructuring Plans	Liquidation	Law 550/99	Law 1116/06	Law 617/00
Artistic, entertainment and recreational activities	16,989	54	2,754	21,952	11,318	0
Human health care and social assistance activities	59,144	129	75	4	440	0
Administrative services and support activities	4,295	68	0	0	123	0
Financial and insurance activities	2,050	0	9	494	14	0
Real estate activities	262,766	560	5,498	20,325	89,021	0

Continues

Figures in million COP	December 31 Ordinary and Extraordinary	Approved Debtor Restructuring Plans	Liquidation	Law 550/99	Law 1116/06	Law 617/00
Professional, scientific and technical activities	1,163	0	0	0	0	0
Public administration and defense; social security plans with mandatory affiliation	1,181	0	0	0	131	0
Agriculture, livestock, hunting, forestry and fishing	8,404	0	10,785	1,506	17,438	0
Accommodation and food services	91,796	18	2,632	2,433	41,862	0
Salaried persons	8,396	0	657	32,054	927	0
Wholesale and retail trade: automotive and motorcycle repair	2,690	0	0	16	387	0
Construction	20,211	0	15	284	2,607	0
Water distribution; waste water evacuation and treatment; waste management; environmental sanitation activities	466	0	0	0	4,213	0
Education	3,871	0	0	2,005	0	0
Mining and quarrying	18,093	199	425	1,975	951	0
Manufacturing industries	2,136	0	200	0	2,509	0
Information and communications	26,643	0	0	24,844	0	90,537
Other service activities	26,639	0	0	0	0	0
Capital investors	2,649	0	0	1,938	0	0
Supply of electricity, gas, steam and air conditioning	351	0	0	0	515	0
Transport, storage	2,188	1	0	0	179	0
	562,121	1,029	23,050	109,830	172,634	90,537

Restructured loans by geographic area:

Figures in million COP Region	June 30 Ordinary and Extraordinary	Approved Debtor Restructuring Plans	Liquidation	Law 550/99	Law 1116/06	Law 617/00
Corporate banking	227,817	0	12,747	46,295	77,713	0
Corporate banking -Antioquia	91,071	0	0	4,430	36,725	0
Corporate banking –West	6,718	88	0	20,116	15,312	51,650
Business banking	13,625	0	3,029	7,176	17,271	0
Official banking	10,543	0	0	3,683	0	2,040
Official banking – institutional	448	0	0	0	4,199	0
Social banking	0	0	112	0	1,151	0
East central	68,075	0	376	4,904	7,403	39,684
SME banking I	19,188	435	4,039	1,732	10,986	0
SME banking II	10,766	560	601	17,508	12,623	0

Continues

Figures in million COP Region	June 30 Ordinary and Extraordinary	 Approved Debtor Restructuring Plans	 Liquidation	 Law 550/99	 Law 1116/06	 Law 617/00
PMP banking - Antioquia	22,730	16	97	806	967	0
PMP banking – North Bogota	18,110	4	294	72	374	0
PMP banking –South Bogota	18,856	0	156	5	203	0
PMP banking – Central	13,069	2	879	1,662	1,389	0
PMP banking – Coast	15,551	0	326	192	1,125	1,056
PMP banking – West	22,965	28	991	782	2,643	0
PMP banking – East	12,949	0	839	538	762	0
Specialized units	3,509	0	656	367	862	0
Units or sections reporting to general management (GM)	772	3	0	110	710	0
	576,762	1,136	25,142	110,378	192,418	94,430

Figures in million COP Region	December 31 Ordinary and Extraordinary	 Approved Debtor Restructuring Plans	 Liquidation	 Law 550/99	 Law 1116/06	 Law 617/00
Corporate banking	182,654	0	10,599	44,644	63,227	0
Corporate banking -Antioquia	90,330	0	15	1,281	36,888	0
Corporate banking –West	8,252	0	0	650	16,703	55,623
Business banking	33,112	0	5,510	7,838	16,186	0
Official banking	621	0	0	1,078	0	0
Official banking – institutional	450	0	0	0	4,199	0
Social banking	0	0	112	0	1,151	0
East central	69,924	0	200	5,293	5,285	31,655
SME banking I	20,864	435	2,860	1,649	9,957	0
SME banking II	10,208	560	344	17,962	10,178	0
PMP banking - Antioquia	24,077	0	529	545	846	0
PMP banking – North Bogota	17,793	3	184	696	311	0
PMP banking –South Bogota	18,108	0	153	4	450	0
PMP banking – Central	15,509	1	326	1,723	1,071	0
PMP banking – Coast	16,438	0	0	25,178	1,053	3,259
PMP banking – West	25,429	27	1,007	432	2,615	0
PMP banking – East	23,338	0	558	372	1,024	0
Specialized units	4,172	0	653	367	781	0
Units or sections reporting to general management (GM)	842	3	0	118	710	0
	562,121	1,029	23,050	109,830	172,635	90,537

Restructured loans, by monetary unit:

Restructured loans, agreements with creditors, bankruptcy proceedings, liquidations, Law 550/ 1999, Law 1116/ 2006 and Law 617/2000, by monetary unit:

	June 30			December 31		
Figures in million COP	Foreign Domestic	Foreign Currency	Total	Foreign Domestic	Foreign Currency	Total
Commercial	902,613	4,069	906,682	872,736	41	872,777
Consumer	84,818	0	84,818	77,510	0	77,510
Micro-lending	3,068	0	3,068	3,083	0	3,083
Home Mortgage	251	0	251	263	0	263
Leasing	5,447	0	5,447	5,569	0	5,569
	996,197	4,069	1,000,266	959,161	41	959,202

Loan Portfolio Purchase and Sale

Detail of loans purchased and sold (cash and binding).

Figures in million COP	Principal		Average terms negotiated at June 30	
Company	From January 1 to June 30	From July 1 to December 31	Rate	Time Frame
Purchases				
Acerías Paz del Río S.A.	37,378	37,585	8.60	Up to 3 months
Banco BBVA	1,104	0	10.64	Up to 120 months
Banco Caja Social	282	0	11.43	Up to 120 months
Banco Colpatria	649	0	11.00	Up to 84 months
Banco Davivienda	1,672	0	10.92	Up to 156 months
Banco de Bogotá Nassau	574	5,869	Libor+1.8%	Up to 2 months
Banco de Bogotá S.A. - Panamá	19,456	0	Libor+1.8%	Up to 20 months
Banco Santander	1,075	0	10.67	Up to 120 months
Bancolombia	1,743	0	11.00	Up to 157 months
C. I. Denim Factory	5,846	7,800	2.80	Up to 10 months
Cales y Derivados Calcáreos	133	217	5.46	Up to 3 months
Canal Digital	149	0	12.51	Up to 1 month
Catalina Acevedo Moreno	0	302		
Centrogal	124	0	16.32	Up to 2 months
Disco S.A	6,583	5,572	15.20	Up to 2 months
Fabric de Chocolates Triumph	55	118	3.85	Up to 1 month
Fines S.A.	64,872	46,429	DTF + 4.5%	Up to 72 months
Giovanna Andrea Escobar Attention	0	62		
Glormed	635	0		
Icollantas	239	481	15.29	Up to 4 months
Invergrupo S.A.	0	244		
Lenovo	0	566		
Liliana Maria Cabeza Peña	0	248		

Continues

Figures in million COP Company	Principal From January 1 to June 30	From July 1 to December 31	Average terms negotiated at June 30 Rate	Time Frame
Metrokia	6,316	20,625	8.59	Up to 1 month
Minas Paz del Río S.A.	28,111	17,324	8.59	Up to 3 months
Newell Sanford	0	94		
Pabsa	312	192	14.56	Up to 3 months
Pelikan	0	150		
Polisiun	0	196		
Propal	8,702	11,764	8.59	Up to 7 months
Propilco	1,494	1,252	10.15	Up to 2 months
Quest International S.A.	92	129	Libor+3.5%	Up to 1 month
Sofasa	2,870	0	7.65	Up to 1 month
Synthes	100	0	10.61	Up to 4 months
Tech Data	323	586	8.87	Up to 2 months
Total Purchases	190,889	157,805		
Sales				
Office				
Banco de Bogotá Miami Agency	0	37,967		
Banco de Bogotá New York Agency	37,449	0	Libor+2.5	Up to 15 months
Banco de Bogotá S.A. - Colombia	10,376	27,176	Libor+1.5	Up to 1 month
Total Sales	47,825	65,143		

Loans Written Off

Detail of loans written off:

Figures in million COP	June 30 Principal	Interest	Total	December 31 Principal	Interest	Total
Commercial	17,478	2,521	19,999	31,492	3,678	35,170
Consumer	89,208	6,254	95,462	59,030	4,397	63,427
Micro-lending	4,179	541	4,720	4,639	868	5,507
Home Mortgage	0	0	0	1	0	1
Leasing	52	17	69	51	3	54
Total Write-offs	110,917	9,333	120,250	95,213	8,946	104,159

Loan Portfolio Provision

Movement in the loan portfolio provision, by loan type :

Figures in million COP	Commercial	Consumer	Micro-lending	Home Mortgage	Leasing	General Provision	Total
Balance at June 30, 2011	560,113	217,866	8,962	350	11,375	2,254	800,920
Expensed provision	206,461	150,632	6,962	156	8,042	444	372,697
Increase through additions or mergers [1/]	1,194	0	0	0	0	0	1,194
Write-offs charged to the provision	(31,492)	(59,029)	(4,639)	(1)	(52)	0	(95,213)
Reversed provisions	(166,275)	(55,607)	(2,460)	(123)	(2,223)	(89)	(226,777)
Balance at December 31, 2011	570,001	253,862	8,825	382	17,142	2,609	852,821
Expensed provision	211,407	164,398	10,701	259	9,868	386	397,019
Increase through additions or mergers	5,486	0	0	0	0	0	5,486
Write-offs charged to the provision	(17,477)	(89,208)	(4,179)	0	(53)	0	(110,917)
Reversed provisions	(172,788)	(71,066)	(2,208)	(84)	(4,544)	(206)	(250,896)
Balance at June 30, 2012	596,629	257,986	13,139	557	22,413	2,789	893,513

1/ Megabanco third-party portfolio transferred to Banco de Bogotá.

Public Sector

The portfolio of loans to the public sector at June 30, 2012 and December 31 came to $ 1,298,324,6 and $ 1,376,835,8 and accounted for 4.53% and 5.8% of the Bank's total portfolio. The loan provisions were $ 26,819.0 and $ 37,559.2 million, which amounts to 2.07% and 2.73% of the portfolio loaned to entities in this sector, respectively.

Loan Portfolio: New York and Miami Agencies

Loans by the Bank's agencies in New York and Miami are classified at June 30, 2012 and December 31, 2011 according to Circular 100/1995 from the Financial Superintendence of Colombia, and amount to:

Figures in million COP	June 30	December 31
New York Agency	748,076	475,400
Miami Agency	824,147	730,450
	1,572,223	1,205,850
Provision New York Agency	(9,329)	(6,556)
Provision Miami Agency	(11,615)	(9,845)
	1,551,279 [1/]	1,189,449 [(2)]

1/ Equivalent to USD $869,258,657.4 at a TRM of COP$1,784.60
2/ Equivalent to USD $612,266,107.71 at a TRM of COP$1,942.70

8. Bankers' Acceptances, Spot Transactions and Financial Derivatives

Detail of bankers' acceptances, spot transactions and financial derivatives:

	June 30			December 31		
Figures in million COP	Assets	Liabilities	Net	Assets	Liabilities	Net
Forwards						
Bankers' acceptances	60,592	60,665	(73)	62,632	67,932	(5,300)
Spot Transactions						
Foreign exchange sale rights	2,643	0	2,643	0	0	0
Foreign exchange purchase rights	61,513	0	61,513	62,554	0	62,554
Foreign exchange sale obligations	(2,642)	0	(2,642)	0	0	0
Foreign exchange purchase rights	(61,506)	0	(61,506)	(62,565)	0	(62,565)
	8	0	8	(11)	0	(11)
Speculative Forwards						
Foreign exchange sale rights	3,675,499	(1,373,428)	5,048,927	1,301,756	(3,382,329)	4,684,085
Foreign exchange purchase rights	1,108,789	(2,840,833)	3,949,622	3,086,333	(921,963)	4,008,296
Foreign exchange sale obligations	(3,596,286)	1,378,911	(4,975,197)	(1,292,645)	3,486,211	(4,778,856)
Foreign exchange purchase obligations	(1,103,461)	2,902,498	(4,005,958)	(2,995,815)	929,048	(3,924,863)
Securities sale rights	0	(123,765)	123,765	4,222	0	4,222
Securities sale obligations	0	123,957	(123,957)	(4,170)	0	(4,170)
	84,541	67,340	17,201	99,681	110,967	(11,286)
Forward Contracts – F/E Hedge						
Foreign exchange sale rights	1,321,099	(191,471)	1,512,571	222,883	(1,539,524)	1,762,407
Foreign exchange purchase rights	73,145	(41,041)	114,186	301,032	0	301,032
Foreign exchange sale obligations	(1,265,523)	192,142	(1,457,665)	(221,168)	1,570,165	(1,791,333)
Foreign exchange purchase obligations	(72,947)	41,560	(114,507)	(295,994)	0	(295,994)
	55,774	1,190	54,585	6,753	30,641	(23,888)
Futures Contracts:						
Currency sale rights	521,375	0	521,375	9,689	421,205	411,516
Currency purchase rights	8,936	(670,757)	679,693	459,402	(9,689)	469,091
Securities sale rights	0	226,748	226,748	41,651	7,048	34,603
Securities purchase rights	5,718	0	5,718	3,420	0	3,420
Currency sale obligations	(521,375)	0	(521,375)	(9,689)	(421,205)	(411,516)
Currency purchase obligations	(8,936)	670,757	(679,693)	(459,402)	9,689	(469,091)
Securities sale obligations	0	(226,748)	(226,748)	(41,651)	(7,048)	(34,603)
Securities purchase obligations	(5,718)	0	(5,718)	(3,420)	0	(3,420)
	0	0	0	0	0	0
Swaps						
Assets						
Foreign currency sale rights	458,010	(226,533)	684,543	253,821	(349,885)	603,706
Rights on interest rate	571,320	(594,843)	1,166,163	626,712	(650,794)	1,277,506
Foreign exchange obligations	(422,109)	253,234	(675,343)	(220,770)	385,571	(606,341)
Interest rate obligations	(560,605)	606,978	(1,167,583)	(615,978)	663,225	(1,279,203)
	46,616	38,836	7,780	43,785	48,117	(4,332)

Continues

Figures in million COP	June 30 Assets	Liabilities	Net	December 31 Assets	Liabilities	Net
Options						
Assets						
Foreign exchange call options	14,614	883	13,731	38,692	4,182	34,510
Foreign exchange put options	2,528	32,189	(29,661)	1,593	20,256	(18,663)
	17,142	33,072	(15,930)	40,285	24,438	15,847
	264,672	201,103	63,570	253,125	282,095	(28,970)

* Banco de Bogotá delivered $84,108 and $27,022 in TES to the Central Counterparty Clearing House at June 30, 2012 and December 31, 2011, respectively, as collateral to perform these operations in the standard derivatives market of the Bogota Stock Exchange (BVB) (Note 6).

The Banco de Bogota performs derivative transactions as an intermediary with clients or to capitalize on opportunities for arbitrage and hedging with respect to both exchange and interest rates in local and external markets.

The derivative portfolios feature combinations of the basic types of contracts, such as forwards, futures, spot transactions or swaps. Their original risk is covered with money market instruments or with another type of derivative. For example, an options contract on an exchange rate generates exposure to factors such as internal and external exchange and interest rates, which are covered with forward transactions and money market instruments, and exposure to other factors such as exchange rate volatility, which can be covered only with spot transactions.

The Bank has policies and procedures to manage the risks generated in negotiating these types of operations. It is those policies and procedures that define the framework within which business can be conducted.

The limits on maximum exposure to market risks or value at risk (VaR), by type of operation and risk associated with each of the instruments that make up the different portfolios (sensitivities or effects on the value of the portfolio as a result of movement in interest rates or related factors - impact of changes in the fair prices and specific risk factors: interest rate (Rho), exchange Rate (Delta) and volatility (Vega)) are defined in this way.

Credit risk is a key consideration when dealing in financial derivatives. Therefore, models have been developed to calculate credit exposure taking into account the potential future exposure.

The result of the Bank's portfolio management strategies is assessed by comparing the sources of income to the sources of risk for each portfolio to determine if the profits come from taking positions (on exchange or interest rates), brokerage activities, or from the structure of the portfolios (over time).

The Bank arranges synthetic hedging for its derivative portfolios, using money market instruments and foreign currency debt instruments.

It manages a "Delta Neutral" options portfolio, using the spot market to hedge delta risk and exercising strict follow-up on the Gamma, Rho, Theta and Vega risks.

Operations at June 30, 2012 and December 31, 2011 were as follows.

Speculative Forwards

	June 30		December 31		Objective
	Dollar Balance (US$)	Peso Balance (COP$)	Dollar Balance (US$)	Peso Balance (COP$)	
Currency Purchase Rights (Peso/Dollar)	2,180	$ 3,891,085	2,009	$ 3,901,963	Hedging through forward sales contracts with customers and Bank book positions (Dollar/ Peso).
Currency Purchase Rights (Other than Peso/Dollar)	33	58,537	55	106,333	Hedging through forwards with customers (currency/peso and foreign currency/foreign currency) and other Bank Book positions
	2,213	**$ 3,949,622**	**2,064**	**$ 4,008,296**	
Currency Purchase Obligations (Peso/Dollar)	0	$ (3,947,027)	0	$ (3,818,894)	Peso flows from purchase forwards for USD 2.180 millions (Dollar/Peso) and USD 2.008 millions (Dollar Peso), respectively
Currency Purchase Obligations (Other than Peso/Dollar)	(33)	(58,931)	(55)	(105,969)	Hedging through forwards with customers (foreign currency foreign currency) and other Bank Book positions.
	(33)	**$ (4,005,958)**	**(55)**	**$ (3,924,863)**	
Currency Sale/Purchase Rights (Peso/Dollar)	0	$ 4,988,862	0	$ 4,576,322	Peso flows from forward sales contracts for USD2.755 million and USD 2.404 million, respectively.
Currency Sale Rights (Other than Peso/Dollar)	0	4,873	0	0	Peso flows from forward sales contracts (Foreign Currency Pesos)
	31	55,192	53	107,763	Hedging through forwards with customers (foreign currency /foreign currency) and other Bank book positions
	31	**$ 5,048,927**	**53**	**$ 4,684,085**	
Currency Sale Obligations (Peso/Dollar)	(2,755)	$ (4,915,745)	(2,405)	$ (4,671,549)	Hedging through forwards with customers and other Bank Book positions (Dollar /Peso).
Currency Sale Obligations (Other than Peso/Dollar)	(33)	(59,452)	(55)	(107,307)	Hedging through forwards with customers (foreign currency /foreign currency) and other Bank Book positions.
	(2,788)	**$ (4,975,197)**	**(2,460)**	**$ (4,778,856)**	

	June 30		December 31		Objective
	Dollar Balance (US$)	Peso Balance (COP$)	Dollar Balance (US$)	Peso Balance (COP$)	
Securities Sale Rights	0	$ 123,765	2	$ 4,222	Peso flows from forward sales contracts - BVC traded securities with CRCC
Securities Sale Obligations	0	(123,957)	0	(4,170)	Hedging at December – securities forwards on USD 2.173
	0	**$ (192)**	**2**	**$ 52**	

Forward Hedges

	June 30		December 31		Objective
	Dollar Balance (US$)	Peso Balance (COP$)	Dollar Balance (US$)	Peso Balance (COP$)	
Foreign Exchange Purchase Rights (Peso/Dollar)	64	$ 114,186	155	$ 301,032	Flow to hedge a USD 9 million active position.
Foreign Exchange Purchase Obligations (Peso/Dollar)	0	(114,507)	0	(295,994)	Peso flow to hedge USD 155 million
	64	**$ (321)**	**155**	**$ 5,038**	
Foreign Exchange Sale Rights (Peso/Dollar)	0	$ 1,512,571	0	$ 1,762,407	Peso flow to hedge a USD 748 million active position
Foreign Exchange Sale Obligations (Peso/Dollar)	(817)	(1,457,665)	(922)	(1,791,333)	Peso flow to hedge USD 922.084 million
	(817)	**$ 54,905**	**(922)**	**$ (28,926)**	

Futures

	June 30		December 31		Objective
	Dollar Balance (US$)	Peso Balance (COP$)	Dollar Balance (US$)	Peso Balance (COP$)	
Foreign Exchange Purchase Rights	378	$ 679,693	242	$ 469,091	Futures contracts TRM USD 24.4 million and TRM USD 2 million, novations for USD 353.5 million and USD 240 million, respectively
Foreign Exchange Sale Rights	0	521,375	0	411,516	Peso flow futures contracts TRM USD33.05 million and TRM USD 5 million, novations for USD 255.75 million and novations for USD 217.05 million, respectively
	378	**$ 1,201,068**	**242**	**$ 880,607**	

	June 30		December 31		Objective
	Dollar Balance (US$)	Peso Balance (COP$)	Dollar Balance (US$)	Peso Balance (COP$)	
Currency Purchase Obligations	0	$ (679,693)	0	$ (469,091)	Peso flow futures contracts TRM USD24.4 million, TRM USD 2 million, novations USD 353.5 million and USD 240 million
Currency Sale Obligations	(289)	(521,375)	(222)	(411,516)	Futures contracts TRM USD 33.05 million and TRM USD20.7 million, novations USD 255.75 million and USD 201.9 million
	(289)	**$ (1,201,068)**	**(222)**	**$ (880,607)**	
Securities Purchase Rights	0	$ 5,718	0	$ 3,420	Peso flow in CRC securities contracts
Securities Purchase Obligations	0	(5,718)	0	(3,420)	Peso flow in CRC securities contracts
	0	**$ 0**	**0**	**$ 0**	
Securities Sale Rights	0	$ 226,748	0	$ 34,603	Peso flow CRC securities contracts
Securities Sale Obligations	0	(226,748)	0	(34,603)	Peso flow CRC securities contracts
	0	**$ 0**	**0**	**$ 0**	

Swaps

	June 30		December 31		Objective
	Dollar Balance (US$)	Peso Balance (COP$)	Dollar Balance (US$)	Peso Balance (COP$)	
Currency Rights	113	$ 200,748	104	$ 201,511	Cross currency swaps where the Bank receives a rate of interest in dollars or euros and pays a rate of interest in pesos. Hedging other swap book positions and bank book operations
	0	483,795	0	402,195	Peso flows pertaining to cross currency swaps where the Bank receives a rate of interest in pesos and pays a rate of interest in dollars or euros.
	113	**$ 684,543**	**104**	**$ 603,706**	

	June 30		December 31		Objective
	Dollar Balance (US$)	Peso Balance (COP$)	Dollar Balance (US$)	Peso Balance (COP$)	
Currency Obligations	(247)	$ (440,913)	(195)	$ (379,419)	Cross currency swaps where the Bank receives a rate of interest in dollars or euros and pays a rate of interest in pesos. Hedging other swap book positions and Bank Book operations
	0	(234,431)	0	(226,922)	Peso flows from cross currency swaps where the Bank receives a rate of interest in pesos and pays a rate of interest in dollars or euros
	(247)	**$ (675,343)**	**(195)**	**$ (606,341)**	
Interest Rate Rights	395	$ 704,464	456	$ 885,259	Dollar interest rate swaps (IRS) where the Bank receives a fixed/floating rate of interest in dollars and pays a fixed/floating rate of interest dollars, whose fair price is positive
	0	333,724	0	357,783	Peso interest rate swaps (IRS) where the Bank receives a fixed/floating rate of interest and pays a fixed/floating rate of interest
	0	127,975	0	34,463	Peso interest rate swaps where the Bank receives a fixed rate and pays a floating rate (Bank Reference Indicator -IBR).
	395	**$ 1,166,163**	**456**	**$ 1,277,506**	
Interest Rate Obligations	(396)	$ (705,781)	(456)	$ (886,617)	Cross currency swaps where the Bank receives a rate of interest in pesos and pays a rate of interest in dollars or euros. Hedging other swap book positions and bank book operations
	0	(333,847)	0	(358,348)	Peso interest rate swaps (IRS) where the Bank receives a fixed/floating rate of interest and pays a fixed/floating rate of interest
	0	(127,955)	0	(34,238)	Peso interest rate swaps where the Bank receives a floating rate (IBR) and pays a fixed rate.
	(396)	**$ (1,167,584)**	**(456)**	**$ (1,279,203)**	

The Bank arranges synthetic hedging for its derivative portfolios, using money market instruments and foreign currency debt instruments.

Detail of the options portfolio (dollar/peso) with customers at June 30, 2011 and December 31, 2011:

Forward Hedges

	June 30		December 31		Objective
	Dollar Balance (US$)	Peso Balance (COP$)	Dollar Balance (US$)	Peso Balance (COP$)	
Call Option- Issue or Sale	121	$ 228,521	196	$ 387,681	Plain vanilla CALL and PUT options (dollar/peso) issued. (The value in pesos pertains to the face value of each option at its strike rate, as per External Circular 042/ 2008.)
Issue of Caps, Floors, Collars and Others on Foreign Currency	288	533,828	391	724,126	CALL and PUT options (dollar/peso) issued as part of a structure. (The value in pesos pertains to the face value of each option at its strike rate, as per External Circular 042/ 2008.)
Total Obligations in Options	**409**	**$ 762,350**	**587**	**$ 1,111,806**	
Put Option Purchases	186	$ 348,202	205	$ 385,312	Plain vanilla CALL and PUT options (dollar/peso) issued. (The value in pesos pertains to the face value of each option at its strike rate, as per External Circular 042/ 2008.)
Purchases of Other Options	288	556,127	391	761,777	CALL and PUT options (dollar/peso) issued as part of a structure. (The value in pesos pertains to the face value of each option at its strike rate, as per External Circular 042/ 2008.)
Total Obligations in Options	**474**	**$ 904,329**	**596**	**$ 1,147,089**	

The Bank manages a "Delta Neutral" options portfolio, using the spot market to hedge delta risk and exercising strict follow-up on the Gamma, Rho, Theta and Vega risks.

9. Accounts Receivable

Detail of interest and other accounts receivable:

Figures in million COP	June 30	December 31
Interest:		
Interbank funds sold and repos	122	133
Loan portfolio	316,930	269,206
Other interest from advances on contracts	8,170	5,016
	325,222	274,355
Other accounts receivable:		
Dividends	35,426	44,686
Promissory notes from sellers of movable assets	12,775	10,395
Prepayments – contracts and suppliers (*)	327,337	273,934
Staff advances	294	608
Cash shortfalls	152	245

* Advances from contracts and suppliers, increase from growth in leasing operations.

Continues

Figures in million COP	June 30	December 31
Clearing shortfalls	902	30
Insurance claims	956	665
Uncollectibles –unknown debtors – D/C	1,253	1,345
Sundry – Credibanco	3,674	1,688
Checks in transit received under agreements	121	334
ATM shortfalls, withdrawals and advances	543	386
Leasing operations	1,763	498
Cash & platform transactions, purchase of cashier's check and others	2,257	1,571
Foreign exchange trading	906	34
Compliance NDF forward bank abroad	15,625	0
Credit card vouchers	1,468	8,467
Transfers to the National Treasury	25,828	25,264
Savings account shortfalls	11,525	11,041
Unhedged foreign currency forward	9	5,232
Banco República	2,645	2,645
Megabanco third-party portfolio– D/C	527	1,539
Sundry	9,425	19,814
	455,411	410,421

Accounts Receivable Provision

Movement in provisions, by type of loan:

Figures in million COP	Commercial	Consumer	Micro-lending	Home Mortgage	Total
Balance at June 30, 2011	31,298	35,223	959	112	67,593
Expensed provision	19,797	10,985	957	14	31,753
Write-offs	(7,313)	(5,460)	(891)	0	(13,664)
Reversals	(10,790)	(3,862)	(230)	(99)	(14,981)
Balance at December 31, 2011	32,992	36,886	795	27	70,701
Expensed provision	13,008	16,813	1,094	16	30,931
Increase from additions or mergers	272	0	0	0	272
Write-offs	(2,538)	(6,254)	(541)	0	(9,333)
Condoned	(1,571)	(1,135)	(7)	0	(2,712)
Reversals (*)	(6,464)	(4,781)	(262)	(11)	(11,518)
Balance at June 30, 2012	35,698	41,529	1,079	32	78,340

10. Salable Assets, Foreclosed Assets, Returned Assets and Assets Not Used for the Corporate Business

Detail of foreclosures:

Figures in million COP	June 30	December 31
Salable assets:		
Land	13	13
Foreclosed assets:		
Real estate	62,312	61,563
Movable assets	11,654	11,705
	73,966	73,268
Assets returned from leasing contracts:		
Real estate 1/	8,359	0
Movable assets	1,039	674
	9,398	674
Assets not used for the corporate business:		
Land	1,440	1,517
Buildings	48	49
Minus depreciation	(6)	(5)
	1,482	1,561
Provision Salable Assets, Foreclosed Assets, Returned Assets and Assets Not Used in the Corporate Business		
Real estate	(44,909)	(42,745)
Moveable property	(11,654)	(11,672)
Returned assets	(4,118)	(428)
Assets not used in the corporate business	(1,482)	(1,484)
	(62,163)	(56,329)
	22,696	19,187

1/ The variation pertains to real estate returned from the client known as Quality Control Ltd. At a value of $8,359.

Foreclosed assets at June 30, 2012 and December 31, 2011 accounted for zero point zero five percent (0.05%) and zero point zero four percent (0.04%) of the Bank's total assets, in that order. The Bank believes the fixed nature and materiality of these assets will have no significant negative effects on the financial statements.

Detail of foreclosed and returned assets, by duration of tenure:

Figures in million COP	Under 1 year	1 to 3 years	3 to 5 years	Over 5 years	Total	Provision
June 30						
Foreclosed assets:						
Real estate	20,322	15,561	1,180.5	25,248	62,312	44,909
Movables	104	39	170	11,341	11,654	11,654
	20,426	15,600	1,351	36,589	73,966	56,563
Returned assets						
Real estate	8,359	0	0	0	8,359	3,321
Movables	401	638	0	0	1,039	797
	8,760	638	0	0	9,398	4,118

Continues

Figures in million COP	Under 1 year	1 to 3 years	3 to 5 years	Over 5 years	Total	Provision
December 31						
Foreclosed assets:						
Real estate	32,840	3,009	824	24,890	61,563	42,745
Movables	170	193	549	10,793	11,705	11,672
	33,010	3,202	1,373	35,683	73,268	54,417
Returned assets						
Movables	37	637	0	0	674	428

Movable assets consist mainly of shares received in out of the group of foreclosed assets the majority have been appraised within the last two years.

The Banks takes the following steps to sell foreclosed assets.

- The manager of the office receiving the foreclosed asset is responsible for its management and for controlling any costs that might arise.
- The Bank has hired a sales force specializing in real estate to promote sales, to help the commercial area manage proposals, to visit the regions regularly to strengthen real estate marketing, to support efforts intended to obtain and apply rules and regulations on urban development, to support the standardization managers and the office in marketing assigned foreclosures, and to call committee meetings to follow up on and attend to ongoing business.
- Regular visits are made to real estate throughout the country to familiarize the sales force and management with the properties the Bank has for sale. The strengths of each property are identified, along with their potential for sale and state of preservation, so as to guide sales efforts effectively.
- The commercial area is trained to market foreclosures, making an average of two visits per year to each of the Bank's regional offices. The topic of marketing foreclosed assets also is included in the training provided to managers, operations chiefs, SENA apprentices and all other employees. This results in a strong commitment and excellent results.
- Sales are promoted through advertisements in the country's leading national newspapers and in the Bank's real estate magazine. An associative advertising contract was signed with the daily newspaper *El Tiempo* to publish information on these properties. The result has been quite satisfactory in terms of the volume of customers contacted through these media. *El Tiempo* also publishes information on the Bank's real estate offers in *Portafolio* and *ADN*, which are daily newspapers, and in the magazine *Cambio*. *El Tiempo* earns a commission of 1% on the sale of published properties.
- Regular meetings are held with real estate companies throughout the country to encourage them to promote our foreclosures. The commission offered to these firms is from 1% to 3% on actual sales.
- The Bank's real estate magazine contains information on the inventory nationwide. Each edition of the magazine is sent to the Bank's offices, where employees are invited to play an active role in the sales process. The magazine also is sent to potential clients via email.
- Information is sent directly to potential clients and a list of property is published on the Bank's website, www.bancodebogota.com.co

- Signs and billboards are posted on all properties the Bank and third-party portfolios have listed for sale. This is done to guide interested parties, and there are special telephone lines dedicated exclusively to serve them.
- The neighbors of our properties are contacted and encouraged to promote their sale. They are offered a commission of 1% as an incentive to bring in interested customers. This commission is payable on actual sales.
- There is an ongoing search for information on special situations, such as land use plans (POT in Spanish) for the locality where the property is situated, urban development requirements, definitions of use and density, as well as partial plans, inclusion within the so-called local sanitation line for access to the network of public utilities, topographical surveys and concepts on zoning, among others, which give the Bank firsthand, relevant information for selling the properties.
- The Bank has an incentive program to encourage employees to bring in customers who are interested in purchasing these properties. The incentive is delivered when the sale is made.
- The Bank has an attorney to handle any legal problems that might arise with respect to foreclosed assets and to keep them free of encumbrances and in legal condition for sale.
- The Bank constantly maintains, fixes and repairs these properties, as required to keep them in good condition and, hence, to attract the market of potential customers.

Movable assets at June 30, 2012 and December 31, 2011 includes mostly shares and is detailed below:

Company	No. of Shares	Adjusted Delivery	Provision
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
Zona Franca de Bogotá S.A.	7,043,754	23	23
Hilacol S.A.	116,967	216	216
Inversiones Furatena S.A	25	201	201
Promotora La Alborada	434,866,324	139	139
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

These foreclosed shares are investments available for sale as equity securities and are assessed at their intrinsic value.

Provision for Foreclosed Assets and Assets Not Used in the Corporate Business

Movement in the provision for foreclosed assets and those not used in the corporate business:

Figures in million COP	Salable, Foreclosed and Returned Assets	Assets Not Used in the Corporate Business	Total
Balance at June 30, 2011	47,673	1382	49,055
Expensed provision	2,084	103	2,187
Write-offs	14,053	0	14,053
Provision used in sales	(800)	0	(800)
Reversals	(8,165)	(1)	(8,166)
Balance at December 31, 2011	54,845	1,484	56,329
Expensed provision	6,437	0	6,437
Provision used in sales	(320)	(1)	(321)
Reversals	(281)	(1)	(282)
Balance at June 30, 2012	60,681	1,482	62,163

11. Property and Equipment

There were insurance policies at June 30, 2012 and December 31, 2011 covering risk of theft, fire, earthquake, violent protest, riot, explosion, volcanic eruption, power failure, loss or damage to real estate, offices and vehicles.

There are no mortgages or reservations of title on these assets, nor have they been furnished as

mortgage collateral.

Real estate valuation is supported by appraisals done in 2012, 2011, 2010 and 2009.

Depreciation charged to expenses in the periods ended June 30, 2012 and December 31, 2011 came to $22,391 and $22,106 respectively.

Detail of Property and Equipment

Figures in million COP

Asset	June 30	December 31
Land		
Cost	28,042	26,784
Provision	(6)	(6)
Net	28,036	26,778
Ongoing Constructions		
Historic cost	8,334	5,646
Buildings		
Cost	190,801	194,068
Accumulated depreciation	(60,577)	(65,119)
Provision	(84)	(94)
Net	130,140	128,855

Continues

Figures in million COP Asset	June 30	December 31
Office Equipment, Furniture and Fixtures		
Cost	128,120	124,628
Accumulated depreciation	(57,965)	(53,797)
Net	70,155	70,831
Computer Equipment		
Cost	111,390	109,821
Accumulated depreciation	(50,732)	(46,711)
Net	60,658	63,110
Vehicles		
Cost	0	20
Accumulated depreciation	0	(18)
Net	0	2
Imports in Transit		
Cost	12,317	25,301
	309,640	320,523
Assets Leased Out Under Operational Agreements		
Cost	942	0
Accumulated depreciation	(73)	0
Provision	(9)	0
Net	860	0

Movement in Property and Equipment

Figures in million COP Asset	Balance at June 30, 2012	Additions	Withdrawals	Balance at December 31, 2011
Land	28,042	1,267	9	26,784
Buildings	190,801	6,488	9,755	194,068
Furniture and Fixtures	128,120	6,037	2,545	124,628
Computer Equipment	111,389	8,759	7,191	109,821
Vehicles	0	0	20	20
Total Assets	458,352	22,551	19,520	455,321

Movement in the provision for property and equipment:

Figures in million COP	June 30	December 31
Opening balance	100	113
Expensed provision	9	0
Repayment of interest – recoveries	10	13
Closing balance	99	100

12. Other Assets

Permanent Contributions

There were $473 and $470 in permanent contributions to cooperatives, social clubs, non-profit organizations and other entities at June 30, 2012 and December 31, 2011, in that order.

Prepaid Expenses and Deferred Charges

Detail of prepaid expenses and deferred charges:

Figures in million COP	June 30	December 31
Prepaid expenses		
Insurance	1,746	1,139
Rent	607	825
Equipment maintenance	717	887
Software and hardware updates and maintenance	0	107
Others	248	302
	3,318	3,260
Deferred charges		
Remodeling	1,546	2,444
Computer software	24,820	25,056
Office supplies and stationary	7,472	3,898
Improvements to property taken on lease	4,456	5,841
Discount on sale of investment securities	10,598	12,808
Deferred income tax debit	11,687	24,121
Advertising and publicity	940	2,120
Taxes (includes net equity tax)	172,194	205,690
Contributions and memberships	186	0
Commissions and fees paid to acquire BAC	25,808	20,987
Other deferred charges	7,874	7,371
	267,581	310,336
	270,899	313,596

Movement in prepaid expenses and deferred charges during the period ended June 30, 2012:

Figures in million COP	Balance at June 30	Charges	Credit Entries	Balance at December 31
Prepaid Expenses				
Insurance	1,746	2,362	1,755	1,139
Rent	607	2,445	2,663	825
Equipment maintenance	717	183	353	887
Software and hardware updates and maintenance	133	226	218	107
Others	115	508	677	302
	3,318	5,724	5,666	3,260

Continues

Figures in million COP	Balance at June 30	Charges	Credit Entries	Balance at December 31
Deferred Charges				
Remodeling	1,546	242	1,140	2,444
Computer software	24,820	9,273	9,509	25,056
Office supplies and stationary	7,472	15,515	11,941	3,898
Improvements to property taken on lease	4,456	2,859	4,244	5,841
Discount on sale of investment securities	10,598	1,638	3,848	12,808
Taxes (includes net equity tax) [2/]	172,194	12,473	45,969	205,690
Advertising and publicity	940	197	1,377	2,120
Deferred income tax debit [1/]	11,687	21,827	34,261	24,121
Contributions and memberships	187	5,034	4,847	0
Commissions and fees paid to acquire BAC	25,711	10,903	6,179	20,987
Others	7,970	16,323	15,724	7,371
	267,581	96,284	139,039	310,336
	270,899	102,008	144,705	313,596

1/ The following is the detail of the deferred tax debit/credit at June 30, 2012 and December 31, 2011:

Figures in million COP	June 30	December 31
Deferred Tax Assets:		
Fixed Assets	10	0
Valuation gains on forwards, futures and swaps	5,257	20,641
Deferred charges	2,607	821
Industry and commerce tax	0	2,659
Others	3,813	0
Net Deferred Tax Assets	11,687	24,121
Deferred Tax Liabilities:		
Unrealized gains on investment securities	0	859
Valuation on forwards, futures, swaps and investments	25,346	5,230
Employee benefits (retirement reserve)	5,427	5,426
Others (Exchange difference)	1,339	1,339
Total deferred tax liabilities	32,112	12,854
Deferred tax assets (liabilities), net	(20,425)	11,267

2/ The following are the details of amortization on net equity tax and the tax surcharge at June 30, 2012 and December 31, 2011:

Figures in million COP	June 30	December 31
Declared net equity tax	274,253	274,253
Amount amortized	(102,845)	(68,563)
Unamortized balance	171,408	205,690

Goodwill

Intangibles

Goodwill: Banco de Crédito y Desarrollo Social – MEGABANCO S.A.

Goodwill was derived from the acquisition of ninety-four point ninety-nine percent (94.99%) of the shares in Banco de Crédito y Desarrollo Social - Megabank S. A. Authorized by the Colombian Financial Services Authority through Resolution No. 917 issued on June 2, 2006, this acquisition cost $ 613,294,000. Said amount is payable in twenty (20) years.

Detail of amortization:

Figures in million COP	June 30	December 31
Opening balance for the period	510,799	521,267
Amortization in the period	(10,509)	(10,468)
Closing balance for the period	500,290	510,799

The following shows the allocation of goodwill initially determined for each business line, accumulated amortization and the balance at June 30, 2012.

Business Line	% Held	Book Value of Goodwill	Accumulated Amortization	Balance
Commercial	32.7%	$ 200,794	36,998	163,797
Consumer	30.8%	188,616	34,754	153,862
Payroll installment lending	27.0%	165,774	30,545	135,229
Vehicles	6.7%	41,207	7,593	33,614
Micro-lending	2.8%	16,903	3,114	13,788
TOTAL	100.0%	$ 613,294	113,004	500,290

The latest valuation update of the business lines to which goodwill was allocated was done by Management Consultants PricewaterhouseCoopers on February 3, 2012, based on the Bank's financial statements at closing on November 30, 2011. It indicates there are no shortfalls whatsoever that might point to possible deterioration, since the market value (or fair value) exceeds the book values for each line of business. Therefore, no additional amortization for deterioration is required.

The following are highlights of opinions expressed by the experts who valued the business lines to which the goodwill derived from the acquisition of Megabanco was allocated.

- The goodwill value was allocated to the following five lines of business: commercial loans, micro-lending, consumer loans, payroll installment lending and vehicle loans. The general criteria for determining these lines included their relative share of the firm, their business approach, profitability, and potential for creating value.

- The business lines were valued using the dividend discount model. Experts consider it to be the most appropriate method for valuing financial institutions and it is used widely by first-tier investment banks. It projects the flow of available dividends over a period of 10 years, plus an end value, and discounts them at an appropriate rate.

- The calculated intangible value, defined as the difference between the valuation at market prices and the book value of each line of business, is compared to the respective book value of goodwill, net amortization, to determine if there is a loss in the value of goodwill allocated to each business line. .
- Initial allocation and valuation on the acquisition date (June 2006), plus valuation at the merger date (November 2006) and the first valuation update (November 2007) were done by the firm Estrategias Corporativas. The second (November 2008), third (November 2009), fourth (November 2010) and fifth (November 2011) valuation updates were done by PricewaterhouseCoopers Asesores Gerenciales.

Other Assets – Others

Detail:

Figures in million COP	June 30	December 31
Permanent contributions	473	470
Trust rights [1/]	9,490	6,957
Staff loans [2/]	59,868	55,675
Unconfirmed remittances in transit	0	28
Deferred payment letters of credit	14,891	4,835
Deposits in guarantee and legal	5,745	7,171
Tax withholding	29,657	0
Artistic and cultural goods	3,890	4,055
Furniture and fixtures in store	4,642	91
Petty cash	3	2
Prepaid income tax	172,993	0
Prepaid industry and commerce tax	4,880	0
VAT deductible in income tax	10,905	10,897
Others	7,658	7,630
	325,095	97,811

1/ Trust Rights

These are third-party portfolios established to manage non-performing and productive assets from 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:

Figures in million COP	June 30	December 31
Banco de Bogotá S. A.		
Merger with Megabanco S.A.		
Foreclosed assets - San Jerónimo del Yuste	2,702	2,702
Third-party portfolio - Sol del Río Claro	37	37
LIH Compensation – Low income housing		
Foreclosed asset – Guayuriba	6,751	4,218
	9,490	6,957

The value of provisions and valuation gains on trust rights was adjusted in line with the information certified by Fiduciaria Bogota S.A., which is responsible for applying the respective accounting policies and preparing the financial statements for escrows, pursuant to the accounting principles general accepted in Colombia and to the instructions imparted by the Colombian Financial Services Authority.

2/ Staff Loans

The Bank assessed one hundred point zero percent (100.0%) of all staff loans. The following is the respective rating at June 30, 2012 and December 31, 2011:

	June 30				December 31			
Rating	Consumer	Home Mortgage	Total	Provision	Consumer	Home Mortgage	Total	Provision
A	15,618	44,205	59,823	881	15,680	39,958	55,638	845
B	20	0	20	3	0	0	0	0
C	1	0	1	1	0	0	0	0
D	12	0	12	6	23	0	23	19
E	12	0	12	16	14	0	14	9
	15,663	44,205	59,868	907	15,717	39,958	55,675	873

Staff loans for housing and automobiles are secured with admissible guarantees.

Provision for Other Assets

Detail of the provision for other assets at June 30, 2012 and December 31, 2011:

Figures in million COP	June 30	December 31
Staff loans	907	873
Artistic and cultural works	301	301
Other provisions	4,775	3,656
	5,983	4,830

Movement in the provision for other assets:

Figures in million COP	June 30	December 31
Opening balance for the period	4,830	4,781
Expensed provision for the period	1,374	209
Reversal of provision for other assets	221	160
Closing balance for the period	5,983	4,830

13. Deposits and Demand Accounts

Time Certificates of Deposit

Time certificates of deposit are classified by maturity, as follows:

Figures in million COP	June 30	December 31
Domestic Currency		
Issued for under 6 months	1,167,350	1,476,850
Issued for 6 months to under 12 months	814,329	1,002,011
Issued for 12 months to under 18 months	463,571	456,534
Issued for 18 months or more	5,853,640	4,302,213
	8,298,890	7,237,608
Foreign Currency		
Issued for under 6 months	1,212,927	836,165
	9,511,817	8,073,773

An ordinary cash reserve on deposits in domestic currency was established at June 30, 2012 and December 31, 2011 pursuant to the following percentages.

Deposits and demand accounts under 30 days	11.0%
Deposits of official agencies	11.0%
Deposits and demand accounts over 30 days	11.0%
Time certificates of deposits:	
Under 180 days	4.5%
180 to under 360 days	4.5%
360 to under 540 days	4.5%
Ordinary savings deposits	11.0%
Term savings deposits	11.0%
Trust deposits and creditors	11.0%
Trading investment repurchase agreements	11.0%

Others

Detail of other deposits and demand accounts:

Figures in million COP	June 30	December 31
Domestic Currency		
Trust funds and special accounts	255	243
Banks and correspondents	81,469	153,706
Special deposits	11,294	5,395
Demand accounts for banking services	63,036	176,573
Bank collection services	22,040	23,817
Total domestic currency	178,094	359,734
Foreign Currency		
Banks and correspondents	1,678	11,364
Special deposits	29,036	247
Demand accounts for banking services	23,302	26,016
Total Foreign Currency	54,016	37,627
Total Other Deposits and Demand Accounts	232,110	397,361

14. Liability Positions in Money Market and Related Operations

Detail:

	June 30		December 31	
	Balance	Average Yield	Balance	Average Yield
Domestic Currency:				
Ordinary interbank funds purchased	8,000	5.08%	16,000	4.77% *
Transfer commitments in closed repo operations	1,910,536	5.05%	0	0.00%
Investment transfer commitments in simultaneous repo operations	98,300	5.24%	28,382	4.72% *
	2,016,836		98,778	
Foreign Currency:				
Ordinary interbank funds purchased	0		54,396	0.67% **
	2,016,836		98,778	

* Weighted average domestic currency rate for operations current at the close of the period
** Weighted average foreign currency rate for current transfer commitments

15. Bank Loans and Other Financial Obligations

Detail in domestic currency and foreign currency reduced to domestic currency:

	June 30					
Entity	US Millions	Short Term (1 year)	Medium Term (1-3 years)	Long Term (3-5 years)	Long Term (Over 5 Years)	Total
Domestic Currency						
Banco de Comercio Exterior D/C	0	$ 54,819	127,914	25,404	3,458	211,595
Banco de Comercio Exterior F/C 1/	0	456	8,532	1,955	0	10,943
Fondo para el Financiamiento de Sector Agropecuario – FINAGRO	0	43,765	159,202	111,285	53,273	367,525
Financiera de Desarrollo Territorial S.A –FINDETER	0	18,385	84,141	67,093	119,471	289,090
Banks Abroad 2/ & 3/						
Banco de Crédito del Perú 4/	80	0	142,768	0	0	142,768
Bank of America - Miami	10	17,846	0	0	0	17,846
Bank of Tokyo	60	17,846	89,230	0	0	107,076
Citibank, NA- LBF	65	17,846	98,153	0	0	115,999

1/ Equivalent to US$ 6,131,906.31
2/ Equivalent to US$ US$ 937,253,542.33. The average monthly accrued financing cost is $3,338.
3/ These loans have personal collateral.
4/ Includes the balance of the US$500,000,000 loan acquired to purchase BAC, which is equivalent to $892,300 payable at maturity.

Continues

		June 30				
Entity	US Millions	Short Term (1 year)	Medium Term (1-3 years)	Long Term (3-5 years)	Long Term (Over 5 Years)	Total
Cobank -CCC	96	14,384	156,794	0	0	171,178
Commerzbank AG, Luxembourg 4/	65	0	115,999	0	0	115,999
Corp Interamericana de Inversiones	27	0	0	48,184	0	48,184
Corpbanca, New York Branch 4/	15	0	26,769	0	0	26,769
Deutsche Bank – CCC	199	0	355,731	0	0	355,731
Helm Bank (Panamá) S.A 4/	20	0	35,692	0	0	35,692
HSBC Bank USA, NA 4/	90	35,692	124,922	0	0	160,614
Israel Discount Bank New York 4/	5	0	8,923	0	0	8,923
JP Morgan Chase Bank, NA 4/	55	0	98,153	0	0	98,153
Standard Chartered Bank 4/	70	35,692	89,230	0	0	124,922
Sumitomo Bank	30	53,538	0	0	0	53,538
Wells Fargo Bank, NA 4/	50	0	89,230	0	0	89,230
	937	$ 310,269	1,811,383	253,921	176,202	2,551,775

4/ Includes the balance of the US$500,000,000 loan acquired to purchase BAC, which is equivalent to $892,300 payable at maturity.

The interest paid on these loans comes to $ 25,027 in local currency and $ 20,886 in foreign currency.

		December 31				
Entity	US Millions	Short Term (1 year)	Medium Term (1-3 years)	Long Term (3-5 years)	Long Term (Over 5 Years)	Total
Domestic Currency						
Banco de Comercio Exterior D/C	0	$ 25,741	137,906	53,668	9,770	227,085
Banco de Comercio Exterior F/C 1/	0	1,616	13,469	777	0	15,862
Fondo para el Financiamiento del Sector Agropecuario FINAGRO	0	30,043	76,429	123,869	167,577	397,918
Financiera de Desarrollo Territorial S.A FINDETER	0	6,851	59,630	21,149	240,886	328,516
Banks Abroad 2/ & 3/						
Banco Crédito – Helm	10	19,427	0	0	0	19,427
Banco de Crédito del Perú 4/	80	0	155,416	0	0	155,416
Banco Itau	5	9,714	0	0	0	9,714
Banco Latinoamericano de Comercio Exterior	20	38,854	0	0	0	38,854

1/ Equivalent to US$ 8,164,977.54
2/ Equivalent to US$ 1,414,488,810.71. The average monthly accrued financing cost is $4,353
3/ These loans are backed by personal guarantees.
4/ Includes the balance of the US$500,000,000 loan acquired to purchase BAC, which is equivalent to $971,350 payable at maturity.

Continues

Entity	US Millions	December 31 Short Term (1 year)	Medium Term (1-3 years)	Long Term (3-5 years)	Long Term (Over 5 Years)	Total
Banesco Panamá	10	19,427	0	0	0	19,427
Bank of America	48	93,250	0	0	0	93,250
Bank of America – Miami	13	24,284	0	0	0	24,284
Bank of Montreal	10	19,427	0	0	0	19,427
Bank of Nova Scotia	4	7,771	0	0	0	7,771
BB&T	1	2,667	0	0	0	2,667
Bladex, Panamá	40	77,708	0	0	0	77,708
Citibank, NA	108	102,963	106,849	0	0	209,812
Cobank – CCC	57	46,975	64,030	0	0	111,005
Commerzbank AG, Luxembourg 4/	80	58,281	97,135	0	0	155,416
Corp. Interamericana de Inversiones	30	0	0	58,281	0	58,281
Corpbanca, New York	20	38,854	0	0	0	38,854
Corpbanca, New York Branch 4/	15	0	29,141	0	0	29,141
Deutsche Bank – CCC	212	0	411,611	0	0	411,611
Fifth Third Bank	15	29,140	0	0	0	29,140
Helm Bank (Panamá) S.A. 4/	20	0	38,854	0	0	38,854
HSBC Bank USA, NA 4/	76	40,797	106,849	0	0	147,645
Israel Discount Bank New York 4/	5	0	9,714	0	0	9,714
JP Morgan Chase Bank, NA 4/	86	60,612	106,849	0	0	167,461
Mercantil Commerce Bank NA 4/	15	0	29,141	0	0	29,141
Standard Chartered Bank 4/	108	111,705	97,135	0	0	208,840
Sumitomo Bank	25	48,567	0	0	0	48,567
The Bank of Tokyo - Mitsubishi 4/	55	9,713	97,135	0	0	106,848
Toronto Dominion Bank	43	82,565	0	0	0	82,565
Wells Fargo Bank NY 4/	170	233,901	97,135	0	0	331,036
Wells Fargo Bank Miami	34	66,052	0	0	0	66,052
	1,415	$ 1,306,905	1,734,429	257,744	418,233	3,717,309

4/ Includes the balance of the US$500,000,000 loan acquired to purchase BAC, which is equivalent to $971,350 payable at maturity.

At the end of 2011, the Bank replaced the bridge loan acquired for USD 1 billion to cover the exchange risk derived from the purchase of BAC Credomatic with a syndicated loan of USD 500 million, at three years, and a bond issue on international markets for USD 600 million, at five years.

The interest paid on these loans comes to $22,068 in domestic currency and $26,117 in foreign currency.

The balance of foreign lending is due to the turnover in those loans, which are paid at maturity with the organization’s own resources, through transfers to the accounts of creditor banks, as is customary in the market.

16. Accounts Payable

Detail of payable interest:

Figures in million COP	June 30	December 31
Deposits and demand accounts	73,024	54,885
Interbank funds purchased and repo agreements	3	63
Bank loans and other financial obligations	8,389	11,033
Bonds outstanding	37,791	27,513
Convertible bonds	1	98
Other interest	57	57
	119,265	93,649

Others

Detail of other accounts payable:

Figures in million COP	June 30	December 31
Dividends and surpluses	148,455	136,830
Rent	163	58
Bank transaction tax	17,471	18,160
Sales tax payable (VAT)	10,573	9,134
Purchase commitments	4,151	478
Suppliers	58,462	77,462
Contributions and memberships	1	3
Employee withholding and contributions	44,967	58,430
Insurance premiums	123	43
Payroll - bonuses	589	663
Uncashed drawn checks	5,518	4,394
Collections on taxes	132,983	87,281
Peace bonds	28,552	28,433
Security bonds	7,152	6,996
Clearing overages – Grupo Aval 1/	59,831	115,413
Credit card vouchers - D/C	14,508	13,543
Debit card use	901	959
ATM overages	524	329
CDs, matured	27,732	32,230
Loan collections for third parties	6,708	10,772
Provision for electronic purse used by coffee growers 2/	71,387	42,793
Lien and payroll installment funds distribution 3/	86,438	57,516
Sundry	38,694	25,053
	765,883	726,973

1/ Items for ACH processes and AVAL transactions
2/ Funds credited to the smart-card based electronic purse used by coffee growers
3/ Distribution of funds applicable to loan contracts of the Payroll Installment Lending Unit on seized accounts

17. Bonds, Outstanding

Detail of bonds outstanding at June 30, 2012 and December 31, 2011:

Figures in million COP	June 30	December 31
Second Issue, Subordinated Bonds - 2008		
Series "A"	110,283	110,283
Series "B"	83,009	81,177
Series "C"	18,500	18,500
	211,792	209,960
Third Issue, Subordinated Bond - 2010		
Series "AS1"	45,470	45,470
Series "AS4"	50,250	50,250
Series "BS1"	53,463	52,283
Series "BS2"	59,863	58,541
	209,046	206,544
Ordinary Bonds Abroad– 2011		
Series "A"	1,070,760	1,165,620
	1,491,598	1,582,124

The following are the particular features of the bonds:

June 30

	Type of issue	Series	Term-Years	Initial Value of the Loan Contract	Nominal Value (in pesos & real value units-UVR)		Interest Rate	Issue Date	Date Subscribed	Form of Payment	Collateral Provided
Issue 2008	Subordinated Bonds	"A" (IPC)	7	110,283	$	1,000	IPC + 7.00% AV	15-Apr-08	15-Arp-08	Series A & B Interest annually in arrears and quarterly in arrears for Series C. Principal at maturity	None
		"B" (UVR)	7	83,009	Un.	10,000	UVR + 7.00% AV				
		"C" (DTF)	7	18,500	$	1,000	DTF + 3.00% AV				
				211,792							
Issue 2010	Subordinated Bonds	"AS1" (IPC)	7	45,470	$	1,000	IPC + 5.33% AV	23-Feb-10	23-Feb-10	Interest annually in arrears and principal at maturity	None
		"AS4" (IPC)	10	50,250	$	1,000	IPC + 5.45% AV				
		"BS1" (UVR)	7	53,463	Un.	10,000	UVR + 5.29% AV				
		"BS4" (UVR)	10	59,863	Un.	10,000	UVR + 5.45% AV				
				209,046							
Issue 2011	Ordinary Bonds Abroad	Single Series (Fixed rate)	5	1,070,760	USD	600,000	5.00%TV	19-Dec-11	19-Dec-11	Interest half-yearly in arrears and principal at maturity	None
				1,070,760							
				1,491,598							

	Type of issue	Series	Term-Years	Initial Value of the Loan Contract	Nominal Value (in pesos & real value units-UVR)		Interest Rate	Issue Date	Date Subscribed	Form of Payment	Collateral Provided
				December 31							
Issue 2008	Subordinated Bonds	"A" (IPC)	7	110,283	$	1,000	IPC + 7.00% AV	15-Apr-08	15-Apr-08	Series A & B Interest annually in arrears and quarterly in arrears for Series C. Principal at maturity	None
		"B" (UVR)	7	81,177	Un.	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 annually in arrears and principal at maturity	None
		"AS4" (IPC)	10	50,250	$	1,000	IPC + 5.45% AV				
		"BS1" (UVR)	7	52,283	Un.	10,000	UVR + 5.29% AV				
		"BS4" (UVR)	10	58,541	Un.	10,000	UVR + 5.45% AV				
				206,544							
Issue 2011	Ordinary Bonds Abroad	Single Series (Fixed Rate)	5	1,165,620	USD	600,000	5.00%TV	19-Dec-11	19-Dec-11	Interest quarterly in arrears and principal at maturity	None
				1,165,620							
				1,582,124							

18. Other Liabilities

Consolidated Labor Liabilities

Detail of consolidated labor liabilities:

Figures in million COP	June 30	December 31
Consolidated severance pay	22,598	28,137
Interest on severance pay	1,343	3,327
Consolidated vacation time	20,610	18,967
Other employment benefits	16,319	10,048
	60,870	60,479

Movement in Labor Liabilities

Figures in million COP	Severance Pay	Interest on Severance Pay	Vacation Time	Vacation Bonus	Legal Bonus	Voluntary Bonus	Total
Balance at June 30, 2011	20,441	1,218	18,444	9,870	25	4,434	54,432
Accrued during the period	10,068	2,301	7,234	4,588	7,832	18,761	50,784
Paid during the period	(2,372)	(192)	(6,711)	(4,435)	(7,832)	(23,195)	(44,737)
Balance at December 31, 2011	28,137	3,327	18,967	10,023	25	0	60,479
Accrued during the period	11,683	1,431	8,267	4,889	8,484	19,630	54,384
Paid during the period	(17,223)	(3,414)	(6,624)	(4,303)	(8,484)	(13,945)	(53,993)
Balance at June 30, 2012	22,597	1,344	20,610	10,609	25	5,685	60,870

Income Received in Advance

Movement in income received in advance during the period ended June 30, 2012:

Figures in million COP	Balance at June 30	Credits	Charges	Balance at December 31
Interest	802	2,368	2,564	998
Commissions	5,287	21,522	21,597	5,362
Rent	287	28,318	28,250	219
Income originating in discount on rent paid in advance	250	0	76	326
Others	101	1,204	1,277	174
	6,727	53,412	53,764	7,079

Deferred Credits

Detail of deferred credits:

Figures in million COP	June 30	December 31
Profits from sale of assets	70	79
Interest originating in restructuring processes	23,225	19,315
Others *	2,572	1,434
	25,867	20,828

* The balance pertains to the valuation on the day swaps were contracted during the six-month period, which is deferred over the life of each operation.

Retirement Pensions

Movement of the retirement pension liability:

Figures in million COP	Actuarial Estimate	Pensions to Amortize	Total Amortized
Balance at June 30, 2011	97,387	11,084	86,303
Amortization during the period *	0	(3,330)	3,330
Payments made during the period	(4,621)	0	(4,621)
Adjustment to the actuarial estimate	8,690	8,690	0
Balance at December 31, 2011	101,456	16,444	85,012
Amortization – First half of 2012 **	0	(5,626)	5,626
Payments made in first half of 2012	(4,727)	0	(4,727)
Balance at June 30, 2012	96,729	10,818	85,911

* Includes $1,290 in reversal for surplus actuarial provision.

The latest actuarial estimate for pensions pertains to June 30, 2012.

The actuarial estimate was done in accordance with Decrees 2984/ 2009 and 2783/ 2001, and Resolution 1555 published on June 30, 2010. It includes one thousand one hundred thirty-seven (1,137) persons; namely, six hundred seventy two (672) retirees, four hundred eighteen (418) substitute pensioners, thirty-two (32) voluntary retirees and fifteen (15) active employees. The benefits covered are those provided for by law.

At June 30, 2012 and December 31, 2011, the Bank had paid eighty-eight point eighty-two percent (88.82%) and eighty-three point seventy-nine percent (83.79%) of the actuarial estimate, in that order.

Others

Detail of other liabilities during the half-year periods ended June 30, 2012 and December 31,2011:

Figures in million COP	June 30	December 31
Deferred payment letters of credit	14,892	4,835
Deferred income tax (Note 12)	32,112	12,854
Cancelled accounts	15,337	15,346
Credits applicable to collections	7,209	12,181
Cash overages	14	15
Clearing overages	110	267
Others	2,408	2,004
	72,082	47,502

19. Estimated Liabilities and Provisions

Detail of estimated liabilities and provisions:

Figures in million COP	June 30	December 31
Labor liabilities		
Service bonus	980	980
Social Security	7,213	7,519
Other employment benefits	166	277
	8,359	8,776
Taxes		
Income tax payable	170,534	150,158
Industry and commerce tax and others	11,555	8,057
Others	9,929	12,061
	192,018	170,276
Others		
Contributions and memberships	121	89
Fines and penalties, litigation, compensation and claims	8,526	8,481
Credit cards	4,580	2,879
Cash custody and storage	115	231
Suppliers	3,634	3,676
Credivesa contract	3,668	4,990
Various human resource activities	19,817	18,652
Sundry	10,989	6,326
	51,450	45,324
Total Estimated Liabilities and Provisions	251,827	224,376

Service Bonus

This is an appropriation to pay five-year service bonuses to employees.

Social Security

These are amounts payable for contributions corresponding to the last month of each period, which are paid during the first eight (8) working days of the following month.

Industry and Commerce Tax

This is an appropriation to pay the industry and commerce tax for the 2010, 2011 and 2012 tax years.

Sundry Items

This is an appropriation to cover expenses for public utilities, savings lottery prizes, regular services, janitorial services, technological services, suppliers and others.

Fines, Penalties, Litigation, Compensation and Claims

Figures in million COP	June 30	December 31
Administrative litigation	4,005	4,005
Labor claims	2,087	2,072
Civil and enforcement claims	2,434	2,404
	8,526	8,481

20. Capital Stock

The Bank had $5,000.0 in authorized capital at June 30, 2012 and December 31, 2011. This amount is represented by 500 million shares at a nominal value of $10.00 (pesos) each. Subscribed and paid capital came to $2,868 on the same dates, represented by 286,836,113 shares, respectively.

Figures in million COP	June 30	December 31
Number of common shares	287	287
Total shares outstanding	287	287
Balance subscribed and paid capital	2,868	2,868

21. Reserves

Legal

By law, all lending establishments are required to set up a mandatory reserve by appropriating ten percent (10%) of net profits from each accounting period to do so, until the reserve equals fifty percent (50%) of subscribed capital. The reserve may be reduced to less than fifty percent (50%) of subscribed capital, if necessary to cancel out losses in excess of undistributed profits. It may not be used to pay dividends or to cover expenses or losses, as long as the company has undistributed profits.

The additional paid-in capital; that is, the difference between the value paid per share and its face value, also is registered in this account as a legal reserve.

Figures in million COP	June 30	December 31
Legal Reserve		
Through appropriation of net profits	1,603,487	1,603,487
Through additional paid-in capital	2,922,065	2,922,065
	4,525,552	4,525,552

Statutory and Voluntary (Occasional)

At the disposal of the Board of Directors

Figures in million COP	June 30	December 31
Voluntary (Occasional) Reserves		
Available to the Board of Directors to maintain dividend stability	737,039	398,175
Reserve for tax provisions	3,089	6,580
Voluntary (occasional) reserves – permanent investments 1/	44,998	44,998
Fractions of Megabanco shares 2/	0	3
	785,126	449,756

1/ Profit from equity surplus capitalization by Corporación Financiera Colombiana S.A., which may be disposed of only when shares are sold or to the extent that the sale price confirms their profit.

2/ Use of reserves set up through the issue of shares in the merger with Megabanco.

22. Surplus – Unrealized Accumulated Gains on Investments Available for Sale

Detail of unrealized gains on investments available for sale:

Figures in million COP	June 30	December 31
Accumulated Unrealized Gains or Losses on Investments Available for Sale		
Debt securities	53,482	7,465
Equity securities with high or medium turnover: Corporación Financiera Colombiana (Note 6)	1,419,619	1,678,234
	1,473,101	1,685,699
Accumulated Unrealized Gains or Losses on Hedging Operations with Derivatives		
From hedging investments in lending and deposit operations in foreign currency	4,425	23,041
	1,477,526	1,708,740

23. Contingent Accounts

Detail of operations that represent ten point zero percent (10.0%) or more of the total for each subaccount:

Item	Date of Maturity	June 30	December 31
Securities received in repo and Central Bank operations (Banco de la República):	03/07/2012	$ 29,827	324,592
Asesores en Valores	Various	20,937	0
Interbolsa	03/07/2012	5,663	0
Serfinco	Various	14,816	0
		71,243	324,592
Bank guarantees:			
Emgesa S.A. ESP	Various	152,882	0
Empresa de Energía de Bogota	Various	67,815	73,823
Other guarantees	Various	196,551	398,324
		417,248	472,147
Letters of credit:			
Arturo Calle S.A.	15/10/2011	0	31,480
NY Agency	Various	34,768	38,854
Others	Various	164,049	36,314
		198,817	106,648
Undisbursed approved loans:			
Suramericana de Inversiones	02/01/2012	0	190,000
Fiduciaria Popular Fideicomiso Concesión Aburra Oriente	18/11/2015	35,000	0
ISAGÉN S.A.	25/08/2020	225,000	225,000
		260,000	415,000

Continues

Item	Date of Maturity	June 30	December 31
Loans opened and in process of awarding:			
Odinsa	04/06/2012	0	200,000
Emgesa S.A.	03/01/2015	0	162,000
Balance available limits on credit cards	Various	1,827,017	0
Balance available limits on Crédito Rotativo (revolving credit) and Crediservice	Various	2,888,824	0
		4,715,842	362,000
Obligations under options:			
Agro inversiones Bananeras del Caribe S.A.S.	Various	79,441	0
C. I. Granada	Various	79,949	0
C. I. La Samaria S.A.	Various	46,240.00	0
Caribbean World Wide Shipping	Various	29,024.00	0
Cia. de Époques S.A..	10/12/2012	11,349.00	0
Hocol	Various	0	163,800
HSBC BANK USA N.A.	31/01/2011	0	134,453
Meta Petroleum Ltda.	Various	126,292	420,828
Operations of lesser value	Various	56,015	115,395
		428,310	834,476
Litigation:			
Delta negative options	Various	68,231	0
Secretaría de Hacienda de Cartagena	Various	130,393	130,393
HSBC Bank USA N.A.	Various	0	38,511
Legal action related to civil claims	Various	141,991	0
Others	Various	396	141,540
		$ 341,011	310,444

Detail of contingent accounts:

Figures in million COP	June 30	December 31
Debtor contingent accounts:		
Securities delivered in repo and simultaneous operations	2,075,771	28,407
Loan interest	96,359	84,370
Leasing interest	533	418
Monetary correction on the loan portfolio	32	20
Rights under speculative options	904,329	1,147,089
Rents receivable	1,306,109	1,918,633
Receivable options to buy	80,361	129,176
Other debtor contingent accounts	595,157	772,854
	5,058,651	4,080,967
Creditor contingent accounts:		
Securities received in repo and simultaneous operations	$ 76,283	359,929
Bank guarantees	995,919	749,694
Letters of credit	589,593	259,894
Undisbursed approved loans	260,000	450,000
Unused lines of credit	4,715,842	4,268,645
Obligations under options – speculative	762,350	1,111,806
Other creditor contingent accounts	371,064	387,928
	7,771,051	7,587,896

24. Memorandum Accounts

Detail of the memorandum accounts:

Figures in million COP	June 30	December 31
Debtor accounts:		
Assets and securities delivered in custody	3,813,906	3,442,591
Fair price of primary asset positions	1,406,222	871,655
Assets and securities delivered in guarantee	1,643,669	21,649
Valuation gains on foreclosed assets	91,661	92,311
Remittances and other outward collections	12	3
Checks negotiated and pending payment	207	29
Assets written off	1,301,282	1,203,777
Undrawn loans to the Bank	134,462	134,462
Exchange adjustment due to re-expression of loans	2,966	3,014
Asset inflation adjustments	24,765	28,120
Liquidity fund	36,475	26,464
Loans to the Bank, affiliates and subsidiaries	54	927
New farm loans	66,745	60,683
Dividends rights in kind from equity revaluation	59,970	59,970
Property and equipment, fully depreciated	310,634	296,476
Tax value of assets	42,660,828	37,003,036
Provisions for persons in agreement with creditors (moratorium)	168,653	160,720
Trading investments in debt securities	387,257	432,364
Investments held to maturity	1,436,201	1,353,362
Investments available for sale in debt securities	3,047,861	2,642,266
Reciprocal asset operations with parent companies and subsidiaries	6,467,365	6,746,890
Reciprocal operations that affect costs and expenses with parent companies and		
Subsidiaries	14,266	5,782
Other debtor memorandum accounts (*)	55,044,830	48,545,136
	118,120,291	103,131,687

* There is a percentage on the books at June 30, 2012 and December 31, 2011 calculated by the Tax Area on the portfolio funded with $10,285,364 and $9,915,151 in savings, $26,248,868 and $23,069,376 in loans, and $15,963,504 and $13,154,225 from other sources. This account was created for tax purposes.

Figures in million COP	June 30	December 31
Creditor accounts:		
Assets and securities received in custody	1,669,433	3,687,597
Assets and securities received in guarantee for future loans	3,649,013	3,565,811
Guarantees pending cancellation	82,342	79,654
Assets and securities received as admissible guarantees	10,983,706	10,690,825
Other assets and securities received in guarantee	974,043	962,389
Inward collections	707,339	690,617
Recovery of assets written-off , domestic currency	19,874	27,109
Equity inflation adjustments	413,183	413,183
Equity surplus capitalization	413,183	413,183
Yield on trading investments in debt securities	896,196	1,057,474

Continues

Figures in million COP	June 30	December 31
Equity securities	19	19
Tax value of equity	7,718,314	4,952,714
Classification of leasing operations	1,133,651	884,675
Classification of operational leasing agreements	891	0
Classification of home mortgages – admissible guarantee	36,119	19,841
Classification of home mortgages – other guarantees	441	542
Classification of consumer loans- admissible guarantee	853,496	868,650
Classification of consumer loans – other guarantees	4,690,048	4,200,314
Classification of micro-loans – admissible guarantee	137,932	130,712
Classification of micro-loans – other guarantees	110,332	115,256
Classification of commercial loans – admissible guarantee	4,677,636	4,694,176
Classification of commercial loans – other guarantees	17,390,294	16,228,898
Liability operations with parent companies and subsidiaries	611,508	502,806
Reciprocal operations affecting equity, with parent companies and subsidiaries	2,089,924	2,137,527
Reciprocal operations affecting income, with parent companies and subsidiaries	14,692	7,300
Other creditor memorandum accounts	590,848	516,491
	59,864,457	56,847,763

25. Related-party Transactions

Shareholders, managers and members of the Board of Directors who hold ten point zero percent (10%) or more ownership interest in the Bank and the companies where it has controlling interest are regarded as related parties.

	June 30					
Figures in million COP	With Grupo Aval	Managers or directors with Legal Representation	Members of the Board of Directors	Companies Part of the Combination	Related Companies (Consolidation)	Companies Related to Managers or Directors
ASSETS						
Cash	0	0	0	188	9,060	0
Investments	0	0	0	0	5,776,823	0
Investment provision	0	0	0	0	692	0
Loans	1	243	1,528	54	42,360	477,745
Accounts receivable	0	0	0	2,499	34,053	0
Valuation gains	0	0	0	0	361,227	0
LIABILITIES						
Deposits	737,258	3,265	1,231	1,906	604,429	130,620
Accounts payable	83,728	0	0	11,436	2,670	0
Bonds	0	0	0	892	4,771	0
Other liabilities	0	0	0	109	0	0
EQUITY						
Unrealized gain or loss	0	0	0	0	1,419,619	0
INCOME						
Interest	0	0	0	11,608	1,496	0
Commissions	0	0	0	1,622	1,170	0
Rent	0	0	0	368	162	0
Other income	0	0	0	12	54	0

Continues

Figures in million COP	June 30					
	With Grupo Aval	Managers or directors with Legal Representation	Members of the Board of Directors	Companies Part of the Combination	Related Companies (Consolidation)	Companies Related to Managers or Directors
OUTLAYS						
Interest	0	0	0	133	10,277	0
Commissions	179	0	0	163	1,574	0
Fees	7,130	0	0	0	0	0
Rent	0	0	0	0	336	0
Other expenses	0	0	0	3,444	3,859	0

Figures in million COP	December 31					
	With Grupo Aval	Managers or directors with Legal Representation	Members of the Board of Directors	Companies Part of the Combination	Related Companies (Consolidation)	Companies Related to Managers or Directors
ASSETS						
Cash	0	0	0	10,554	10,079	0
Investments	0	0	0	264	6,234,732	0
Investment provision	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
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						
Unrealized gain or loss	0	0	0	0	1,678,234	0
INCOME						
Interest	4,550	22	3	0	1,849	0
Commissions	0	0	0	5,983	946	0
Rent	0	0	0	357	194	0
Other expenses	0	0	0	37	328	0
OUTLAYS						
Interest	0	2	0	0	2,600	0
Commissions	0	0	0	0	2,355	0
Rent	0	0	0	0	47	0
Other expenses	0	0	0	2,963	4,121	0

The rate on loans to members of the Board of Directors and Bank managers fluctuates between DTF + 3.5 and DTF + 6.

26. Other Operating Expenses

Detail of other operating expenses:

Figures in million COP	June 30	December 31
Fees	24,472	15,066
Taxes	95,479	88,174
Rent	19,281	19,374
Contributions and memberships	23,944	21,520
Other insurance	4,095	3,954
Maintenance and repairs	11,896	20,903
Remodeling	1,140	1,773
Computer software	9,050	7,225
Improvements to property taken on lease	3,151	3,465
Computer software – leased out	3	0
Acquisition Bac Credomatic	1,433	1,412
Office adaptation	3,937	3,965
Janitorial and surveillance services	11,366	10,403
Temporary services	22,505	26,826
Advertising and publicity	12,641	19,846
Public relations	253	536
Public utilities	27,390	25,766
Electronic data processing	3,481	4,361
Travel expenses	2,536	3,233
Transportation	23,693	21,429
Stationary and office supplies	10,662	8,696
Operating risk	847	1,082
Software service and development – D/C	4,178	3,385
Readiness of statements – D/C	625	841
Legal and notary expenses	433	337
Reimbursement Grupo Aval – special services rendered	7,130	3,453
Other sundries – Various expenses in F/C	541	472
Outsourcing expenses	26,538	23,804
Costs- SNR D/C bar codes	56	12
Incentives, prizes and promotion of financial products	12,158	8,686
Databases	6,481	4,914
Expenses for signaling and security elements	1,767	1,576
Reversals operating income –outlays closed periods	1,143	1,717
Building management	4,180	3,954
Cash custody and storage	1,731	1,953
Others	14,588	17,849
	394,803	381,962

27. Other Provisions

Detail of the amounts carried over to expenses for other provisions:

Figures in million COP	June 30	December 31
Cash	31	119
Investments	36	91
Operational leasing	9	0
Salable, foreclosed and returned assets and assets not used in corp. business	6,437	2,187
Other assets	1,374	209
	7,887	2,606

28. Non-operating Income and Expenses

Detail of non-operating income:

Figures in million COP	June 30	December 31
Profit on sale of:		
Foreclosed assets	237	516
Property and equipment	242	509
	479	1,025
Recoveries:		
Reversal other provisions	4,548	2,734
Returns	348	846
Recovery on damage claims	1,586	1,957
Other recoveries	34,583	11,480
	41,065	17,017
Rent	932	926
Assets written off	19,874	27,109
Reversal of provisions for property and equipment	10	12
Reversal of provisions for salable, foreclosed and returned assets	282	8,166
Reversal of investment provisions	98	25
Reversal of provisions for other assets	221	160
Income from foreclosures	31	27
Creditors declared abandoned	2,151	2,206
Income from Megabanco equity management and control	0	4,846
Pizano shares received as dividend	1,120	0
Others	1,685	371
	26,404	43,849
	67,948	61,891

Detail of non-operating expenses:

Figures in million COP	June 30	December 31
Loss on sale of foreclosed assets	6	6
Loss on sale of property and equipment	18	0
Loss on claims – operating risk 1/	6,060	5,537
Fines, penalties and litigation	1,548	1,939
Interest on fines and penalties – operating risk	24	39
Expenses on foreclosed and returned assets	2,033	672
Acknowledgement to customers- D/C	318	286
Publications and advertisements – D/C	56	31
Reversal non-operating income	14	87
Assumed taxes and withholding	398	0
Sundry	372	791
	10,847	9,388

1/ Losses on claims came to $6,060 million in all at June 30, 2012. Seventy-three percent (73%) were registered in operating risk accounts in the amount of $4,415,7 million, for a total of 1,576 claims. The remaining 27 % originated with losses due to the death of loan customers or credit card holders, in the amount of $ 1,644.3 million.

Detail of non-operating income without reversals or reimbursements:

Figures in million COP	June 30	December 31
Non-operating income	67,948	61,891
Reclassifications		
Assets written-off	(19,874)	(27,109)
Reversal of provision on property and equipment	(10)	(12)
Reversal of provisions for salable, foreclosed and returned assets	(282)	(8,166)
Reversal of investment provision	(98)	(25)
Reversal of provision for other assets	(221)	(160)
	(20,485)	(35,472)
	47,463	26,419

29. Income Tax

The following is the reconciliation between book profit before income tax and estimated taxable income for the half-year periods ended June 30, 2012 and December 31, 2011

Figures in million COP	June 30	December 31
Profit before income tax	819,918	763,310
Plus (minus) items that increase (decrease) profit for tax purposes:		
Financial transaction tax	11,001	8,484
Fines, penalties and litigation	1,548	1,939
Net effect of non-deductible reversals and provisions	3,984	674
Other non-deductible expenses	12,164	13,800
Net wealth tax	34,282	34,282
Non-deductible taxes	589	440
Income difference between book valuation of investments and valuation for tax purposes	935	(1,482)
Tax-free dividends and holdings	(156,936)	(161,357)
Yield on peace and security bonds	(5)	(17)
More (less) fiscal income from forward valuation	(125,578)	133,635
Increased tax profit from income-exempt securitization trust	(673)	(774)
(More) less amortization of deferred tax charges	5,413	(2,999)
Unrealized book valuation for tax effects concerning swap and options contracts	19,667	6,047
Reversal previous year income tax provision	(2,062)	0
Other untaxed income	(654)	(144)
Tax base	623,593	795,838
Regular tax - 33%	205,786	262,627
Tax discount from Leasing Panamá dividends	(35,251)	(48,467)
Deferred tax	31,692	(44,590)
Total tax	202,226	169,570

Deferred Tax

The following temporary differences originated movement in the deferred tax for the half-year periods ended June 30, 2012 and December 31, 2011:

Figures in million COP	June 30	December 31
More (less) amortization of deferred tax charges	(1,786)	990
Labor compensation and reserve for retirement pensions	0	(330)
Industry and commerce tax provision	(1,154)	357
Difference between fiscal income and book income from valuation of investments, forwards and options	34,642	(45,607)
Others	(10)	0
	31,692	(44,590)

Difference between book equity and tax equity at December 31, 2011:

Figures in million COP	2011
Book equity	8,100,301
More (less) items that increase (decrease) equity for tax purposes:	
Tax adjustments to foreclosures	22,361
Tax readjustments on fixed assets	113,593
Deferred tax payable	12,854
Provisions from assets that do not constitute tax reduction	17,695
Estimated liabilities and provisions	(6,150)
Asset book valuations	(541,880)
Derivative contract book valuation	23,660
Deferred taxes receivable	(24,121)
Taxable equity (net worth)	7,718,314

The income tax return for the 2008 tax year is under review by DIAN. However, it has indicated no action with respect to the income tax returns for the 2010 and 2011 tax years.

30. Contingencies

Legal Action against the Bank

The administrative and legal proceedings pending against the Bank it at June 30, 2012 and December 31, 2011 were handled pursuant to the instructions given in External Circular 066 of 2001, as amended by External Circular 002 of 2003, both from the Colombian Financial Services Authority. The respective claims were valued on the basis of analysis and the opinions of the attorneys in charge.

Labor Cases

The labor claims pending at June 30, 2012 and December 31, 2011 came to $4,696 and $4,700, in that order. Respective provisions for $2,087 and $2,072 were made to cover probable contingencies. Historically speaking, most of claims of this type have been resolved in favor of the Bank.

Civil Cases

Claims in civil court cases at June 30, 2012 and December 31, 2011 were valued respectively at $142,299 and $141,539 (including $111,831 in contingencies inherited from MEGABANCO, most of which are covered by FOGAFÍN under the assumption agreement on contingent liabilities entered into on June 21,2006 by the Bank and FOGAFIN). Respective provisions for probable contingencies were registered in the amounts of $2,434 and $2,404.

- Action for revocation brought by COOPERADORES (in liquidation) against Megabanco S.A. (now Banco de Bogotá S.A.) for $12 billion in damages is being heard, in the first instance, by the Civil Division of the Sixth Circuit Court of Cali and is now in the discovery phase. A decision is pending on a motion for reconsideration filed by the Bank. (This contingency is covered by FOGAFIN). The plaintiff seeks contractual revocation of the thirteen (13) real estate foreclosure agreements entered into between COOPERADORES and BANCOOP in July and August 1998; contractual revocation of one (1) foreclosure agreement for seventy-eight (78) properties pertaining to the real-estate development known as Portales de Comfandi II, contained in Public Instrument 2258 signed on May 29, 1998 at the offices of Notary Public No. 11 in the city of Cali between COOPERADORES and BANCO COOPDESARROLLO; and revocation of Public Instrument No. 3693 signed on July 17, 1998 at the offices of Notary Public No. 7 in the city of Cali whereby 1,102,551 shares of ownership interest in SERCOFUN LTDA. belonging to COOPERADORES and valued at $3,000 were delivered through foreclosure. In the event those shares have been disposed of, the plaintiff is asking for their value to be refunded, plus all dividends, profits and interest. These acts were performed six (6) months before COOPERATDORES was taken over by DANCOOP (August 3, 1998).
- At June 30, 2021, the contingency derived from the class action suit filed by Rafael María Leaño Camacho and others seeking $23,427 million in equity compensation from the former associates of CUPOCREDITO for damages suffered as a result of the decline in the value of their investment. This case is in the discovery phase and is being heard in the first instance. Although the contingency is covered by FOGAFIN, the risk is regarded as remote because the action has expired, there are no grounds for the alleged liability, and MEGABANCO S.A. is a third party foreign to the situation being claimed.
- The Bank has no remaining contingency in the civil suit brought by JOREPLAT (in liquidation) seeking $20,000 million in compensation from the Bank for damages allegedly leading to the company's bankruptcy as a result of the foreclosures on Joreplat in favor of Bancoop and Coopdesarrollo. That contingency ceased for the Bank, since the Cali Court of Appeals, in a ruling on November 25, 2010, declared null and void all action taken subsequent to the resolution issued on November 19, 2007 by the Office of the Second Prosecutor Delegate before the Cali Court of Appeals, and upheld the decision reached on the merits of the case by Regional Prosecutor 83 on October 11, 2006, given the absence of proof of criminal responsibility on the part of the accused, the absence of atypical behavior, and lack of congruence between the alleged conduct and the definition of a crime, thereby dismissing the action. This decision is entirely favorable to the interests of the Bank. As a result of the nullity declared on January 14, 2011, the prosecutor's office ordered removal of the lien that had been placed on various properties as a cautionary measure. However, the operative portion of the judgment neglected to order removal of the lien on three properties belonging to the Bank, identified respectively by real estate registration numbers 370-293402, 370-293403 and 370-108202. In response to the motion for reconsideration filed by the Bank, the prosecutor's office, in a resolution issued on February 20, 2011, rectified the errors in question and proceeded to include in the omitted property in the order lifting the lien. The civil party appealed, asking the court to revoke the resolution dated January 14, 2011. The appeal was resolved by the prosecution on appeal favorable to the Bank, through a procedural decision dated December 13, 2011, whereby the order to remove and cancel all cautionary measures levied against real estate on which property rights were manifest prior to its seizure is declared enforceable and upheld. To date, all that is pending is issue of the orders cancelling those cautionary measures.

Administrative Cases and Others

Tax-related administrative and legal claims brought by national and local tax authorities establish penalties in some cases for irregularities allegedly committed by the Bank in exercise of its activity as a national and regional tax collection agent. In others, higher taxes are determined for the Bank in its capacity as a taxpayer. These claims totaled $155,750 and $154,524, respectively, at June 30, 2012 and December 31, 2011. The balance of the provisions, to date, is $4,005 and $4,005, in that order.

31. Ratio of Risk Weighted Assets to Technical Capital

Technical capital may be no less than nine point zero percent (9.0%) of risk-weighted assets in domestic and foreign currency, as stipulated in Article 2.1.1.1.2 of Decree 2555/ 2010, formerly Article 2 of Decree 1720/2001. Individual compliance is verified monthly and consolidated compliance is verified every six months to include the Colombian subsidiaries subject to supervision by the Colombian Financial Services Authority and financial subsidiaries abroad.

The risk assets in each category are rated by applying the percentages set by the Colombian Financial Services Authority to each of the asset items, contingent creditor accounts, businesses and trust mandates provided for in the Single Plan of Accounts. Additionally, market risks have been included since January 30, 2011 as part of risk-weighted assets.

The Bank's capital adequacy ratio was fifteen point forty-five percent (15.44%) at June 30, 2012 and fifteen point seventy-four percent (15.74%) at December 31, 2011. In addition, computable equity on those dates was $6,844,961.0 and $ 6,600,603.0, respectively.

32. Risk Management

The risk management process implemented by the Bank adheres to the guidelines designed by Senior Management. These, in turn, are consistent with the general rules for management and administration approved by the Board of Directors.

The Bank has a Credit and Treasury Risk Committee comprised of members of the Board of Directors. It meets regularly to discuss, gauge, control and analyze credit-risk (SARC) and treasury risk management (SARM). There also is the Technical Committee on Assets and Liabilities, which decides on the management of assets, liabilities and liquidity through the Liquidity Risk Management System (SARL). Analysis and follow-up with respect to the Operational Risk Management and Business Continuity System (SARO-PCN) are handled by the Auditing Committee of the Board of Directors.

Credit and Counterparty Risk

The Bank assumes credit risk daily on two fronts: credit that includes commercial, consumer mortgage and micro-lending;, and treasury activity, which includes interbank operations, investment portfolio management, operations with derivatives, and foreign currency trading, among other things. Although these are two separate lines of business, the nature of the risk of counterpart insolvency is equivalent and, therefore, the criteria used to manage risk on both these fronts are the same.

The principles and rules on loan and credit risk management at the Bank are outlined in the Loan Manual, which is designed for traditional retail banking as well as for treasury operations. The criteria used to evaluate and measure credit risk follow the principal guidelines imparted by the Credit and Treasury Risk Committee.

The Board of Directors is the senior authority on matters of credit. It provides general guidance on policy and has the authority to grant the largest amount of credit permitted. In banking operations, the authority to afford limits and credit depends on the amount, maturity and collateral offered by the customer. The Board of Directors has delegated lending authority to different departments and officers, who process applications and are responsible for their analysis, follow-up and the result.

In treasury operations, it is the Board of Directors that approves operational and counterpart limits. There are essentially three means of risk control: annual allocation of operational limits and daily control, quarterly assessment of capital adequacy by issuer, and reports on the concentration of investments by economic group.

Loan approval also takes other considerations into account, such as the likelihood of default, the counterpart's limits or lines of credit, the rate of recovery on received collateral, the life of the loans, and concentration by economic sectors.

The Bank's Credit Risk Management System (SARC) is operated by the Credit and Treasury Risk Department. Among other duties, it provides for the design, implementation and evaluation of risk policies and tools defined by the Credit and Treasury Risk Committee and the Board of Directors. The progress made in SARC has brought important accomplishments in terms of integrating credit-risk measurement tools into the Bank's loan approval processes.

Market Risk

The Bank uses the standard model to measure, control and manage market risk from interest rates, exchange rates and share prices in the Treasury Book and the Bank Book, pursuant to the requirements of the Colombian Financial Services Authority, as outlined in Chapter XXI of the Basic Accounting Circular. This is done daily in each area of exposure to risk for the Bank. Currently, asset and liabilities positions in the Treasury Book are mapped within zones and bands, depending on portfolio duration, the investments in equity securities and the net position (assets minus liabilities) in foreign currency, consistent with the standard model recommended by the Basel Committee.

The Bank also has parametric and non-parametric internal management models based on the value-at-risk (VaR) method. These enable it to supplement market risk management by identifying and analyzing the variations in risk factors (interest rates, exchange rates and price indexes) in relation to the value of the different instruments comprising the portfolios. These models are the JP Morgan Risk Metrics method and the historical simulation method.

The methods used to measure VaR are assessed regularly and subject to back-testing as a way to ensure their effectiveness. In addition, the Bank has tools for portfolio stress and/or sensitivity tests with simulations of extreme scenarios.

Both the Board of Directors and senior management know the risks implied by the Bank's involvement in money, exchange and capital markets and how those risks combine with the overall strategy of the organization. In addition, there are tools and reports to communicate the global and individual treasury risk map on a daily basis, thereby making it possible to hedge risks, either all or in part. Moreover, the Bank is committed to achieving efficient organization and control of its treasure operations.

The policies and limits on treasury operations are studied and designed by senior management and approved by the Board of Directors. They appear in the Manual on International and Treasury Products, n the Market Risk Management System Manual (SARM) and the Manual on Policies and Procedures Applicable to OTC Securities Trading. The Product Manual outlines the rules and standards to be followed by personnel involved in treasury activities; the manuals on duties and responsibilities; the procedures by areas and products; and the technological applications that support trading activities, registration accounting, control and operational compliance. The SARM Manual outlines the limits per type of risk, market, product or business unit and the authorization level, the processes for identifying, measuring, controlling and monitoring market risk, as well as the models developed for risk control and monitoring and the reports on position control, performance measurement and results. The Manual on Policies and Procedures Applicable to OTC Securities

Trading indicates the policies and procedures for dealing with OTC clients and, in general, all securities trading.

Once the Bank's position risks are identified and quantified, particularly for the Treasury, limits to positions in the different instruments are set. Distribution of the risk in treasury operations, in accordance with the organization's general philosophy, seeks diversification in both products and markets, pursuant to conservative criteria reflected in moderate levels of value at risk. Consequently, there are minimum requirements in terms of knowledge about products, interpreting markets and trading discipline that are compatibilities with the culture of the institution. Additional limits per type of risk are established for the different portfolios; therefore, the limit assigned to each business unit and/or strategy may be used up to 100% on any of the risks comprising the portfolio, without exceeding the overall assigned limit.

Market risk is measured in two ways: first, by gauging the impact on the earnings statement and, secondly, by determining the economic value of positions, which indicates, in turn, the capital required to cover the risk being assumed. The VaR method makes it possible to estimate profits and capital at risk, thus facilitating allocation of resources to the different business units, as well as a comparison of activities in various markets and identifying the positions that contribute the most risk in treasury business. VaR also is used to set limits on the positions of its traders and to revise positions and strategies quickly, as market conditions change.

In addition, there are "risk-type limits" associated with each of the instruments in the different portfolios (sensitivity or effect on portfolio value due to movement in interest rates or respective factors – impact of variations in specific risk factors: interest rate (Rho), exchange rate (Delta) and volatility (Vega), among others).

To avoid improper dealings in the market, the Bank has established counterpart and trading limits per operator for each of the trading platforms in the markets where it operates. These limits are controlled daily by the back office and the middle office of the Bank. Likewise, the trading limits per operator are assigned at different levels of authority within the Treasury, based on the officer's experience in the market, in dealing with particular types of products and in portfolio management.

Finally, as part of the effort to monitor operations, control is exercised over the different aspects of trading such as levels of authority, agreed conditions, compliance with limits and policies, unconventional or off-market transactions with related parties, etc.

Liquidity Risk

The Bank has a liquidity risk management system (SARL) approved by the Board of Directors to identify, measure, control and monitor the liquidity risk to which it is exposed through the positions taken in authorized asset, liability and off-balance-sheet operations.

Liquidity risk is measured using the short-term liquidity risk indicators (LRI) for seven (7), 15 and 30 days established in the standard model approved by the Colombian Financial Services Authority. The liquidity gaps or 90-day accumulated gap method is used to measure medium-term liquidity.

Liquidity risk analysis should enable the Bank obtain an satisfactory measurement of volatility of deposits, indebtedness levels, the structure of assets and liabilities, the extent of liquidity in assets, the availability of financing, and the general effectiveness of the way assets and liabilities are being managed. Liquidity risk management also allows the Bank to keep enough liquidity on hand (including liquid assets, guarantees and collateral) to deal with possible scenarios involving own or systemic stress.

Quantification of funds obtained in the money market is an integral part of the Bank's measurement of liquidity. With the support of technical studies, primary and secondary sources of liquidity are identified to diversity funding suppliers. The objective, in that regard, is to ensure stable and sufficient funding and to minimize concentrations of sources. Once sources of funding are identified, they are assigned to the different portfolios in line with the budget and the nature and depth of the markets.

The availability of funding is monitored daily to comply with cash reserve requirements and to cover possible shortfalls originating with banking operations, strategic decisions or changes in the organization's risk and liquidity profile.

Through the Technical Committee on Assets and Liabilities, senior management is made aware of the Bank's liquidity situation and decides as required, taking into account high-quality liquid assets that must be maintained, tolerance in liquidity management or minimum liquidity, the strategies for loan placement and deposit-taking, the policies on placement of surplus liquidity, changes in the features of existing products and new ones, diversification of funding sources to avoid concentration of deposit-taking in a few investors or savers, hedging strategies, the Bank's earnings, and changes in the structure of its balance sheet.

Operating Risk

The Bank has designed an operating risk management system (SARO) to understand and control risk better in processes, activities, products and business lines; to reduce errors and to optimize processes through risk assessments and the identification of opportunities for improvement; to support the development and operation of new products and/or services; to integrate operating risk management into all the organization's activities; to achieve a sustainable risk management system through self-management (involving every member of the Bank); to help identify, record and manage risk events; to allow the level of tolerance to risk (appetite for risk) to be measured properly, and to develop a uniform management language and culture to identify and deal with risk.

This system (SARO) is managed by the Operating Risk Office (GRO in Spanish) based on three mainstays: the Strategic Mainstay: elements comprising the system (policies, organizational structure, governing bodies, dissemination, recording of events, technological platform, training and documentation); the Methodological Mainstay: procedures required to identify, measure, control and monitor operating risks; and Control and Self-Control: regular review of risk profiles, the operation of controls, compliance with action plans (opportunities for improvement and treatment plans), training, use of a common language, and identification of opportunities for improving the system.

GRO participates in the organization's activities as a member of the claims, fraud and "know your customer" committees and supports the efforts of the Financial Customer Service System (SACF) through risk identification, measurement and control regarding observance of the Sarbanes – Oxley Act (SOX). It also takes part in the Information Security Committee, which analyzes operating risk associated with the information assets generated in the Bank's processes.

In the Operating Risk Manual, the Board of Directors has defined the policies, rules and procedures to ensure business is managed within the defined levels of appetite for risk and to identify, measure, control and monitor the operating risks inherent in processes, persons, infrastructure, technology and outside events. The same manual also covers every aspect of business continuity management (PCN: Spanish acronym).

The Bank has a log of operating risk events (RERO: Spanish acronym), which is updated with reports on sources of risk and entries in assigned expense accounts. This is done to ensure proper book management.

Legal Risk

The Legal Division supports risk management in the Bank's operations. Specifically, it defines and establishes the procedures required to exercise adequate control over the legal risk in operations by making sure they adhere to legal standards and are documented and analyzed. It also draws up the contracts supporting operations in the various business units.

With respect to copyrights, the Bank uses only software and licenses that have been acquired legally. It does not allow its equipment to be operated with software that has not been officially approved.

Risk of Money Laundering and Terrorist Financing

The Money Laundering and Terrorist Financing Risk Management System (SARLAFT: Spanish acronym) was developed and implemented by the Bank as part of its organizational culture. SARLAFT is structured in keeping with the instructions in the Basic Legal Circular issued by the Colombian Financial Services Authority. It is based on the four stages outlined in that regulation and adopted by the Bank; on the elements and instruments circulated through policies and procedures designed to prevent, detect and report transactions suspected of being used to launder money or to finance terrorists, and on the understanding that these materialize through associated risks (reputational, legal, contagion and operating risks), which require more attention from senior management and the entire staff of the Bank.

The Bank's SARLAFT allows ML/TF risks to be identified, measured, assessed, controlled and monitored, using a risk-mapping method that considers probability of occurrence and impact of the risk in order to establish a consolidated risk profile broken down by risk factors and associated risk.

Money laundering and terrorist financing (ML/TF) risks are handled in accordance with international recommendations and Colombian law on SARLAFT, pursuant to the goal of constant improvement and reasonably minimizing the risks to the Bank.

The Bank has the technological tools to implement its policy on "know your customer," know the market," and user control, among others, to identify unusual transactions, and to report suspicious operations to the Financial Information and Analysis Unit (UIAF: Spanish acronym), doing so under the terms provided for by law.

Moreover, the Bank has developed a corporate training program for its officers to impart guidelines regarding the regulatory framework and mechanisms for control that are available to prevent ML / FT within the organization, thereby promoting the SARLAFT culture.

As part of SARLAFT, the Bank also has an identification, measurement, control and monitoring system for each risk factor; namely, customer-user, channel, product and jurisdiction, as indicated in Colombian law, including management for correspondents, which the Bank regards as a distribution channel. This risk management system is reinforced by the segmentation developed for each risk factor, which makes it possible to identify risk and to detect unusual operations based on the profile of each segment.

In accordance with law and the amounts and characteristics stipulated in the Basic Legal Circular issued by the Colombian Financial Services Authority, the Bank sends institutional reports to the Financial Information and Analysis Unit (UIAF: Spanish acronym), just as it provides the competent authorities with the information required by law, seeing as the Bank's policies include an established procedure for supporting and cooperating with the authorities, under the law.

Given the foregoing, the Bank's operations and business are conducted pursuant to the highest ethical standards and controls. Healthy banking practices and observance of the law are a priority, above and beyond the accomplishment of business goals. From a practical standpoint, these aspects translate into the application of SARLAFT risk management criteria, policies and procedures, which are available for the purpose of mitigation by extending them to the lowest possible level of the organization, as is customary.

This ML/TF risk management system operates in a way that complements the Bank's commercial activities, since control is part of business management and these processes are taken advantage of to satisfy the customer's needs or requirements promptly and in the best possible way.

A number of control instances and officers within the Bank participate in ML/TF risk management; namely, the Compliance Control Unit (a work team led by the Compliance Officer), the Chief Accountant and the Statutory Auditor. Their purpose is to make sure SARLAFT is implemented properly.

The Bank uses the results of the various stages related to SARLAFT and the reports from the control instances, the Chief Accountant and the Statutory Auditor, as well as comments from the Board of Directors on the quarterly reports presented by the Compliance Officer, to manage ML/TF risk adequately.

33. Corporate Governance

The Bank's provisions on corporate governance are contained in "Corporate Governance Practices," a document that includes the Code of Good Governance, the Ethics and Conduct Code and the Regulations for the Auditing Committee of the Board of Directors. The Internal Regulations for the Shareholders' Meeting and the Internal Regulations for the Board of Directors are part of the Code of Good Governance.

Pursuant to External Circular 028/2007 from the Colombian Financial Services Authority, the Bank also publishes an annual report on the corporate governance practices contained in the Country Code Recommendations.

Board of Directors and Senior Management

The Board of Directors and senior management are conscious of the responsibility involved in managing the different types of risk found in the banking business and are fully aware of how they relate to the general strategy of the organization. They also are informed about the processes, business structure and nature of the activities in question.

Senior management has made it a policy to support and follow up constantly on the Bank's business activities, to impart guidelines on granting loans, to determine policies and limits on action for each type of market, product or business unit, to define the organization's risk profit, to adopt the measures necessary to deal with new financial risks, to establish the necessary organizational structure, and to evaluate the methods being used to manage risk.

The Board of Directors is responsible for approving the method, procedures and bounds for allocating credit and counterpart limits. There is a reporting protocol for this body to keep its members constantly informed about credit risk management.

In addition, through its Auditing Committee, the Board of Directors oversees compliance with internal control policies and the Operating Risk Management System (SARO in Spanish). Through the Credit and Treasury Risk Committee, it analyzes topics related to the Credit Risk Management System (SARC) and the Market Risk Management System (SARM).

The Bank's senior management analyzes topics dealing with asset and liability management and the Liquidity Risk Management System (SARL). This is done through the Technical Committee on Assets and Liabilities.

Reports to the Board of Directors and Senior Management

Senior management has clear, precise and timely information tools that enable it to exercise constant control over the different risks inherent in banking, based on exposure by risk type, line of business and portfolio.

The Treasury Risk Management Office of the Treasury and Credit Risk Department produces a series of daily evaluations and control reports for senior management, together with other reports to support decision-making. In all, they show individual and aggregate exposure to the various types of risk, compliance with policies and limits, follow-up on strategies and volumes traded, by position and by type of instrument.

In addition, the Balance Sheet Risk Unit of the Financial Division prepares a daily report containing an analysis of market risk and a weekly report on liquidity risk for all the Bank's positions, using the standard models approved by the Colombian Financial Services Authority.

The Board of Directors receives a weekly report from the Finance Division on the activities and financial results of each business unit. These reports make it possible to regularly monitor the business and the indicators of profitability and activity.

Every month, the Credit Division produces a report for the Board of Directors on the make-up of the Bank's loan portfolio. It is itemized by type and segment, and contains quality and coverage indicators.

Every six months, the Operating Risk Management Office calculates the Bank's operational risk profile, which is presented every six months to the Board of Directors.

Technological Infrastructure

The Bank has equipped itself with systems and technology that make its activity more controllable. This technological modernization process has not been limited to traditional software to record and enter operations on the books. Security and communication systems have been updated as well.

The different areas responsible for risk management and control have the technology to provide information, evaluate production processes and assess the results obtained in individual operations and at the portfolio level.

The Bank has a variety of documented information systems to support all its activities, in addition to applications that provide databases to satisfy control requirements. Most of these are open systems that allow information to be downloaded onto spreadsheets in order to support the work of risk measurement, follow-up and control.

The Bank constantly implements technological developments to verify and increase operational controls and to reduce the associated risks.

Risk Measurement Method

The Bank uses a method to measure risk by type, so as to identify the different kinds of risk (credit, liquidity, market, operating and money laundering and terrorist financing). This approach is combined with measurement systems to identify its exposure to the risks inherent in the banking business, which are documented in each of the risk management manuals (SAR system).

Organizational Structure

The Bank has an organizational structure to favor analysis, integration and management of the risks inherent in the different types of business it conducts.

Credit risk management for loan operations and market risk management for treasury operations are done in the Credit and Treasury Risk Department.

Liquidity risk and market risk are measured using the standard methods approved by the Colombian Financial Services Authority. These measurements are taken by the Balance Sheet Risk Unit of the Financial Division.

The Operating Risk Management Office, which is part of the Financial Division, handles operating risks.

The Control and Compliance Unit has specific responsibility for managing the risk of money laundering and terrorist financing, while the Legal Division handles legal risks.

The levels of authority and responsibility for risk management are identified and are recognized by the officers in each area, who have an exact description of the duties, objectives and scope of the job they are expected to perform.

Human Resources

The Personnel Selection Area of the Bank has an established set of criteria on the minimum requirements with respect to education and experience, based on the appropriate profile for each post.

Those who are involved in risk analysis, measurement and management have the experience, professional training and skills required to do their job in a qualified way. Specifically, there is an effort to combine demanding levels of professional training in finance with recognized ethical and human qualities.

In-house and outside training programs are conducted on risk management issues to update the technical skills of staff members. They also take part in a variety of forums and interact with regulatory and supervisory agencies.

Verifying Operations

The technological systems, the processes involved, the assessment tools and the mechanisms instituted throughout the course of negotiations make it possible to verify whether or not are being conducted under the conditions agreed upon. These systems make risk management and control quicker and more transparent.

The Bank has a number of security mechanisms, such as recording telephone calls, security cameras placed at strategic points, electronic control of physical access to its offices, contingency and assistance plans in the event of power outages or systems failure, areas with restricted access, and system access controls. Moreover, the procedures established to close out operations enable the Bank to confirm that operations are entered on the books correctly and in due course. Both the Manual on Administrative Services and the Code of Ethics contain expressed provisions on aspects of security to be observed by the staff.

Specifically, the back office, the middle office and the front office for treasury operations have recording equipment to verify the transactions carried out by the operators. These recordings are preserved appropriately and for the period of time stipulated by law. Moreover, the Code of Ethics, which dictates the guidelines, policies, parameters, duties and obligations of all staff members, bans the use of mobile telephones in the trading room. The Bank also has a signal blocker for these communication devices.

As to operations with related parties, the Auditing Committee issues an opinion every six months confirming these operations are conducted under market conditions and do not violate the equal treatment to which all shareholders are entitled.

Auditing

The Office of the Chief Accountant assigns the necessary personnel to review and evaluate aspects of risk management. The Internal Control System (SCI in Spanish) within the Bank allows the Chief Accountant to receive detailed information on operations that have been carried out and to follow up to make sure they are entered on the books promptly and correctly, in accordance with established work plans and schedules.

The primary duty of the Office of the Chief Accountant is to conduct a regular and systematic review of operations, to analyze and verify compliance with internal controls, and to produce reports with recommendations on improvement and monitoring and advice on action taken.

The Statutory Auditor and the Chief Accountant know the concentration of risk by economic groups, the impact of operations on the Bank's equity and the capital adequacy ratio of the issuers of the investments held in the portfolios.

Both the Statutory Auditor and the Chief Accountant regularly confirm that all activities, transactions and operations of the Bank are conducted within the parameters of current regulations and those authorized by the Board of Directors and senior management.

34. Statutory Controls

The Bank complied with all requirements for mandatory cash reserves, own positions, capital adequacy ratios and mandatory investments during the half-year periods ended June 30, 2012 and December 31, 2011.

35.Subsequent Events

There have been no significant events between the close of these financial statements and August 13, 2012 that would require disclosure.