Semmiannual Balance to June 30, 2012

Banco de Occidente

# Significant Data

**Million Colombian Pesos**

| | June 08 | June 09 | June 10 | June 11 | June 12 |
|---|---|---|---|---|---|
| Total Deposits 1/ | 7.832.215 | 9.676.761 | 10.690.130 | 11.978.790 | 12.851.360 |
| Total Placement 2/ | 7.911.831 | 8.583.900 | 10.951.222 | 13.254.150 | 15.491.010 |
| Investment 3/ | 2.150.179 | 3.168.131 | 4.157.904 | 3.986.276 | 3.543.878 |
| Capital and Legal Reserve | 687.168 | 868.473 | 1.148.577 | 1.355.179 | 1.812.150 |
| Total Asset | 10.923.225 | 12.887.172 | 17.118.440 | 19.815.136 | 22.267.996 |
| Half Year Profits | 156.604 | 182.683 | 187.451 | 214.342 | 223.616 |
| Monthly stock dividend | 94,50 | 94,50 | 100,50 | 108,00 | 115,00 |

Note

1/ Include Current Account deposits, Time Deposit, Saving Deposits, Trust Funds, Bank Collection Services.

2/ Include Credit Portfolio, Provisions, Credit to Employees, Accounts Receivable, Credencial Clients L/T, Account Receivable F/C, excepting sundry Accounts Receivable F/C

3/ Includes Interbank Ordinary Funds Sold, Sale back and investment commitments

# Board of Directors
## 2012 - 2013

**Principals**

Hector Vesga Perdomo
Henry Jensen Thorín (Deceased)
Ricardo Villaveces Pardo
Iván Felipe Mejía Cabal
Felipe Ayerbe Muñoz

**Substitutes**

Mauricio Gutiérrez Vergara
Alfonso Osorno Cújar
Adolfo Varela González
Liliana Bonilla Otoya
Gilberto Saa Navia

Luis Carlos Sarmiento Angulo
**Consultan**

Efraín Otero Alvarez
**President**

Douglas Berrío Zapata
**Legal Vice President**

Bernardo Escobar Montoya
**Financial Vice President**

Gerardo Silva Castro
**Corporate Bank Vice President**

Efraín Velásquez Vela
**Personal Bank Vice President**

Mario Ernesto Calero Buendía
**Vehicle Bank Vice President**

Agustín Esguerra Restrepo
**Leasing Bank Vice President**

Daniel Roberto Gómez Vanegas
**Operations and Systems Vice President**

Julio Cesar Guzmán Victoria
**Credit Vice President**

Johnny Leyton Fernández
**Risk and Collection Vice President**

Eduardo Correa Corrales
**Human Resources Vice President**

Ignacio Zuloaga Sevilla
**Bogotá Region Vice President**

Constanza Sánchez Salamanca
**Southwest Region Vice President**

Jaime Giraldo García
**Northwest Region Vice President**

Carmén Alicia Salcedo Arrázola
**North Region Vice President**

Wilson Romero Montañez
**Statutory Audit – KPMG Ltda.**

# Report by the President

*I*n compliance with statutory obligations, we are pleased to submit to Stockholders the Results of Bank Operations during First half-year 2012 operational period.

## Legal Standards

Among the measures and regulations issued during the half-year period, directly influencing financial sector, the following modifications are emphasized:

### • Laundry Asset and Financing of Terrorist Management System (LAFTMS)

Circular Letter February 10, 2012 by Colombia Finance Superintendence: Whereby Intermediaries of financial system are cautioned for their Laundry Asset and Financing of Terrorist Management System (LAFTMS) to be adjusted taking into account the issuance of External Resolution N° 5 by Central Bank (Banco de la Republica), which extends the possibility for the residents in the country to obtain funding by means of foreign external credit with persons classified as non-residents.

### • Financial Information International Standards (FIIS)

Circular Letter February 14, 2012 from Colombia Finance Superintendence: whereby information about advancements in the convergence process towards Financial Information International Standards (FIIS) is advised and their impact. In such process, a survey was designed, such survey to be delivered back to this body by all entities controlled by Finance Superintendence, before February 24, 2012 (Part A) and before March 16/2012 (Part B)

Circular Letter 44, June 29, 2012 by Colombia Finance Superintendence: Whereby some issues related to the convergence process towards Accounting International Standards and Financial Information (AFS/FIIS)is advised, and audit and information assurance standards (NIA). This way, Finance Superintendence has determined some actions to be undertaken by all controlled entities, in order to prevent from any major impact on transitional and mandatory stages, provided in the chronogram of Technical Council of Public Accounting. Such actions are aimed at the participation of directors of entities and General Comptrollers, as well as all organizational areas which will be influenced with the implementation of international standards. In the same way, the determination of potential effects on such aspects as the processes to obtain and prepare financial information, information systems, and the supporting technological platform.

### • Housing Finance

Decree 391 February 16, 2012 by Ministry of Housing, City, and Territory: Whereby the housing subsidy allocation is regulated, to those people accrediting a housing leasing agreement entered with an entity authorized by Finance Superintendence. This subsidy is granted to low-income households in order to promote housing leasing and social interest housing construction.

External Resolution May 3, 2012 by Colombia Central Bank: Whereby ceiling credit interest other than those for social interest housing finance UVR regulated, given in UVR + 12.4% effective annual, and financing for social interest housing improvement and housing purchase will not exceed UVR + 10.7% E.A. In the same way, the limits to remunerative interest of contracts, leasing housing operations destined to long-term individual housing and finance of social interest housing, in these same levels.

### • Guarantee National Fund

Resolution 001 February 16, 2012 by Guarantee National Fund: Whereby the provisions issued by the Board of Directors of Guarantee National Fund of Financial Institutions relative to the deposit insurance are updated, modified, and unified. Therefore, the electronic transfer, considered in Decree 4687/2011, becomes a new instrument allowing for doing the electronic transactions covered by Deposit Insurance.

### • Information by Fees Paid by Client

External Circular Letter 012 February 24, 2012 from Colombia Finance Superintendence: Whereby Chapter sixth of First Title of the Legal Basic Circular Letter is amended for the purposes to determine the standards and principles to be accomplished to set, diffuse, and release the rates and prices of financial products and services, in accordance with the provisions in Decree 4809/2011. This way, it is provided that credit establishments are to

provide their clients with an annual total cost report, containing the information relative the amount paid by the client on account of all products contracted with the entity. Additionally, the package of basic services is defined, or financial inclusion package, which will correspond to any savings account for natural persons; with this account the holder may make up to 6 withdrawals by teller machine, 2 consultations by teller machine, 2 withdrawals by counter, and 2 transfers between accounts of the same entity and the rate charged by each entity for this package will be published by Colombia Finance Superintendence.

### • Bill of Exchange or Direct Discount

**Act 1527 April 27, 2012 by Congress of the Republic of Colombia:** Whereby a general framework for bill of exchange or direct discount is established. This way, any natural or salaried person associated to a cooperative of Employees Fund, may obtain financial products or services accredited with its income provided that, through an explicit authorization of discount given to the employer or paying entity, draws the resources directly to operating entity. In the same way, the conditions get any type of product, either good or service through bill of exchange modality, as well as the rights of beneficiary, obligations of the operating entity and paying entity, among other provisions.

### • Liquidity Risk Management

**External Circular Letter 17, April 30/2012 by Colombia Finance Superintendence:** whereby Chapter VI of the Basic Accounting and Financial Circular Letter related to the regulations about risk liquidity risk management is modified. This way, it is determined that liquid asset bearing no high quality characteristic, shall be accounted for by its value adjusted by market liquidity and exchange risk, as a part of total liquid asset up to 37 of the adjusted value of high-quality liquid asset.

### • Open Market Operations

**External resolution 2 of April 30, 2012 of the Colombia:** whereby open market operations made by the Central Bank (Banco de la República) to control economy liquidity, are regulated. This way, the provision states that the Open Market Operation (OMO) Agents need to regularly certify to the Central Bank the compliance of certain financial indicators, which need to be signed by the statutory auditor of the respective entity. In the event of default, such agents are not allowed to perform monetary expansion operations and the will be subject to the penalties deemed suitable by the Central Bank. Additionally, the Central Bank may issue and place papers of credit contents, which will be recorded with the National Registry of Securities and Emissions (NRSE) and they will be placed by public bid. In the same way, financial characteristics of papers are indicated, as well as the issuance and placement conditions.

### • Attachment on non-attachable Resources

**External Circular Letter 19, May 10, 2012 by Colombia Finance Superintendence:** whereby Chapter Fourth of the Second Title of Legal Basic Circular Letter is amended for the purpose to give instructions related to the procedure to be followed in the event that financial entities received attachment orders on such resources as social security system, revenues incorporated into the nation general budget, the General System of Participation (GSP), royalties and the other resources to which the law gives the conditions as non-attachable. The procedure to be followed is the immobilization of resources, reporting the situation to the Nation General Attorney and refrain from constituting the respective judicial deposit in the Banco Agrario.

### • Database Operators

**Decree 947 May 08, 2012 by the Ministry of Treasury and Public Credit:** whereby the Chapter 3 is added to Title 1, Book 26 of Part 2 of Decree 2555/201, in order to authorize credit establishments, financial services companies, and capitalization societies to own shares from companies constituted as operators of databases of financial, credit, commercial, services information, from third countries, the Act 1266/2008 refers to.

### • Payments of withholding at source through Current and Saving Accounts

**Decree 1159 June 1, 2012 from National Customs and Tax Agency:** Whereby article 376-1 of Tax Statute is regulated. This way, the withholding agents, as indicated by National Customs and Tax Agency (DIAN, Spanish abbreviation), are under the obligation to analyze the payments on account of withholding at source through saving and current accounts in financial entities, by using credit cards, checks drawn to the first payee and/ direct transfers. Withholding at source are to be made through financial entity where withholder agent holds accounts from which payments by items subject to withholding are made, at the time the payment is made. In the same way, it is determined the information to be supplied by the holder agent to financial entity and to DIAN, as well as the responsibilities the banks are subject to, through which withholding is made.

**• Provisions for Consumption Portfolio**

**Circular Letter 26 June 22, 2012 from Colombia Finance Superintendence:** Whereby instructions are given related to the maintenance of a sound growth of consumption portfolio. For such purposes, financial entities are to make an additional individual interim provision on consumption portfolio. Therefore, to the procyclic individual component 0.5% shall be added up over the capital balance of each consumption credit of the relevant month, multiplied by the appropriate PDI. The application of this provision is to be reflected in financial statements at the closing period December 31, 2012.

## Bank's Results

World economy continues to show uncertainty and expectations about European Union economic evolution, due to Spanish financial system crisis, the high contagion possibilities of Italy financial system, and the potential failure of Greece recovery, which maintains the tendency to a negative behavior of European economy, in spite of Germany positive results. To these situation the erratic tendency in the United States sustainability economic recovery, showing improvement in the mortgage portfolio, although showing impairment in employment generation due to industrial decline.

As concerns the emergent developed economies, a deceleration is observed of China economy reflected in a lower demand of raw material which impacts hydrocarbon and metal prices. While in Latin America economies a stability is observed in Brazil and Chile, even though Peru and Mexico show impairment because of the backlash of Europe, China and USA results.

Within this world outlook, Colombian economy continues to show positive indicators which are moderating the growing trend of the uncertainty of foreign markets. In this connection, our economy reached 4.7% GDP annual increase in the first quarter 2012; from the demand standpoint, GDP behavior was driven by the growth of gross capital formation (8.3%), the export (6.3%) and household consumption (5.2%), supported on dollar revaluation and credit growth. The Central Bank continues the implementation, as its major policy of liquidity restraint, the raise of intervention rate up to 5.25% E:A. accompanied by increased provisions and liquidity restriction of Credit Entities.

At the different economic sectors level, those evidencing higher dynamics are: Mining and Quays (12.4%), Transport, Storage and Communication (6.1%), Commerce, Repairing, Restaurants and Hostelry (4,6%), and Financial Institutions, Insurance, real estate activity, reached increase of 6.7%. The Credit entities showed an increase of profit level for 9.68% annually as of May 2012, the income for portfolio interest being the more representative item amounting to 49.8%, explaining the result of profits which different from the precedent operational period, imply a lower incidence of investment returns

Colombian economy behavior has allowed for the positive tendencies to be maintained in the employment conditions, and for such reason unemployment rate on May 2012 reached 10.7%, i.e. 0.5 points lower than the rate observed in the same period of the precedent year.

Annual inflation recorded at the closing June 2.012 is 3.20%, showing a positive tendency compared to the precedent year, although with controlled levels within Central Bank's expected goal proposed for 2012. During the First half-year the price of health (4.66%), was the group showing the higher variance.

On the other hand, market representative rate of $1,780.16 pesos on June 30, 2011, went up to $1,784.67 pesos on June 30, 2012, which means during such period 0.25% devaluation

During the first half-year 2012, the availability of liquid resources in financial system transactions remained unchanged, channeled mainly to portfolio placements, given by a volatility in portfolio valuation and the significant dynamics of the gross capital formation and exportation, with spur of low rates and government subsidies. On May 2012, total gross portfolio showing increment by 14.34% in annual real terms (18.27% nominal), being Mortgage the most dynamic item with 24.9% increase, consumption 18.21% increase, annual real terms (nominal 22.3%) and Microcredit (21.3%) increase.

As for annually interest rate, a behavior towards the rise intervention intermediation of the Central Bank by 25 pb was observed on February 2012, reaching to 2.5%. this increment is reflected with more dynamics on FTD reference rate, amending its dynamics of precedent year compared to intervention rate, which, on June 2011 was 4.10% E.A. as against 5.45% E.A. recorded on June 2011. On the other hand, Usury Rate of consumption and ordinary portfolio which on July-September 2011 was 27.95% E.A. reached on 31.29% E.A. for July-September 2012, while interbank rate increased going from 4.19% E.A. on July 2011 up to 5.31% recorded at the closing June 2012.

Banking system, as a whole, showed a positive growth on June 2012. The annual growth of credits institutions deposits was in real annual terms 14.42% (nominal 18.35%), while credit portfolio evolution showed 14.34% in real annual terms (18.27% nominal). Banking system reported accrued profit at the closing May 2012 by Col$2,936MMM.

Within above environment, Banco de Occidente reported the following results at the closing June 30, 2012:

Total Asset increased by $2,452,859MM compared to June 2011, representing 12.38% growth reached at the closing June 2012, total $22,267,995MM, in half-year terms the asset increased by $1,317,165MM compared to December 2011 equivalent to 6.29% growth.

Legal Tender and Foreign Currency Credit Portfolio increased by $2,250,748MM compared to June 2011, representing 17.00% annual increase. Placements in Legal Tender represent 16.72% annual increase

Credit Portfolio qualified C, D, and E. showed $646,163MM representing 4.17% of the total credit portfolio. At the level of Bank System at the closing May 2012, reached 3.79%.

The Balance of Provisions to protect asset, at the closing of the operation the period adds up $663,140MM total with 8.55% annual increase. At the closing of this operational period, the coverage for portfolio provision related to the amount of credits qualified in C, D, and E is 65.24% compared to system coverage at the closing May 2012, which is 61.33%.

Total investment reached the amount of $3.543.877MM, decreasing by 11.10% compared to June 2011 and 1.11% respect to December 2011.

Total Deposits behavior at the closing June 30, 2011 reached $12.851.359MM growing up to $605,828MM compared to the second half-year 2.011 and $872,570MM compared to the preceding year, which represents 7.28% annual percent growth and 4.95% half-year growth. Upon the analysis of Deposits composition it is evidenced that this growth is explained mainly by TD increase, which as of June 30, 2012 reached $2,899,743MM growing $968,901MM in respect of the same period of the precedent year, which represents 50.18% annual percent growth.

The balance at the closing June 30, 2012 from issue of Ordinary and Subordinate bonds of Banco de Occidente is $2,012,087MM.

Invoicing of Credencial Credit Card Operations reached $919,071MM in the first half-year 2012, increasing by $78,602MM compared to the same period in 2011, which is equivalent to 9.39% annual percent growth. The number of cards placed into the market as of June 30, 2012 is 410.670 cards, an increase of 7.517 cards compared to June 30, 2011, which represents 1.86% growth.

Bank's Total Net Worth amounted to $3.108.485MM, growing by $418.833MM compared to previous year and by $77.923MM compared to the closing of the second-half-year 2012 representing 15.57% annual growth and 2.57% compared during the half-year.

At the closing June 30, 2012 the profit was $223.616MM higher by 4.33% than the profit obtained at the closing in June 2011.

Annual profit of total Asset is 2.01% and Patrimony 14.39% compared to 2.16% and 15.94% respectively as of June 2011. Such Indexes show levels comparable to those recorded by Bank System at the closing May 2012, the last date available of Colombian Financial Superintendence report recording Total Asset Profitability 2.33% and Patrimony 17.36%.

These results were influenced by subrogation process of Legal Stability contract (Act 963/2005) which on December 2008 Leasing de Occidente S.A. (now Banco de Occidente) applied before Legal Stability Committee of the Ministry of Commerce, the purpose of which is the conduction of an investment project related to the sustained increment of investments in its products of Housing Financial Leasing (Casaleasing) and Operative Leasing during 2009-2028 time period, such investments amounting to $17.9 billion during 20 year span in exchange of the payment of a premium for $1.797 million, which allows the stability of several different tax, customs and commercial regulations, tax regulations of 30% "especial deduction over acquisition of productive real fixed asset" and the "exempt income over housing leasing".

Such contract was approved to Leasing de Occidente on September 24/2009 and executed on June 10/2010. On June 11/2012 the merger by taking over was made by Banco de Occidente, and for such reason, on August 5, 2010 the Bank applied for the Legal Stability Committee its approval for Banco de Occidente to assume de pleno iure, the rights and obligations resulting from the taking over Leasing de Occidente. During 2010 and 2011, Banco de Occidente accomplished with all obligations assumed under the contract (payment of premium, constitutions of investments, submission of reports) and applied on several occasions for the Stability Committee to answer the application. The decision by Legal Stability Committee was made on December 13, 2011 and notified to the Bank on April 20, 2012, denying the authorization requested, with no any legal grounds. Bearing in mind the denial and considering the rights according to law regulations prevailing, on April 27,2012, the Bank filed the "appeal for reversal and subsidiary remedy of appeal" against the denial decision, requesting the repeal of decision and the maintenance of rights and obligations set out in the contract of Legal Stability pursuant to legal regulations prevailing on the matter, such request, as of this date, pending on reply by the Legal Stability Committee.

## Tax and Legal Contributions

Total Tax and Legal Contributions at the closing of first half-year 2012 reached an accumulate of $169.274MM, such amount higher than the amount recorded in the second half year 2011 by $41.756MM, and representing 32.7% half-year growth. Effective rate of Income and Complementary tax, indirect tax and legal contributions increased compared to that prevailing at the closing December 2011, goes from 36.0% up to 43.1%. Tax rate for the first half-year 2012 The table below the itemization of these figures is shown:

| Figures (in Million COL$) | I Half-Year 2.012 | II Half-Year 2.011 | Variance ($) | Variance (%) |
|---|---|---|---|---|
| **A. Income and Complementary Tax** | **98.948** | **61.254** | **37.694** | **61,5%** |
| **B. Patrimony Tax** | **15.985** | **15.752** | **233** | **1,5%** |
| **C. Excise Tax** | **24.766** | **24.325** | **441** | **1,8%** |
| VAT | 13.408 | 11.975 | 1.433 | 12,0% |
| Industry and commerce Tax | 9.794 | 9.285 | 509 | 5,5% |
| Real Estate Tax | 995 | 680 | 315 | 46,3% |
| Overcharge and cost | 534 | 2.287 | -1.753 | -76,7% |
| Registry and anNotetion | 35 | 98 | -63 | -64,3% |
| **D. Bank Superintendence Contribution** | **2.772** | **2.937** | **-165** | **-5,6%** |
| **E. Deposit Insurance** | **19.248** | **17.668** | **1.580** | **8,9%** |
| **F. Financial Transaction Tax (4/1000)** | **7.555** | **5.582** | **1.973** | **35,5%** |
| **G. Total Tax and Legal contribution (A+B+C+D+E+F)** | **169.274** | **127.518** | **41.756** | **32,7%** |
| **Decreed Dividend** | **107.571** | **101.024** | **6.547** | **6,5%** |
| **H. Tax / Decreed Dividend** | **157,4%** | **126,2%** | | |
| **I. Effective Rate of Income & Complementary Tax** | **30,7%** | **21,3%** | | |
| **J. Effective Rate Income and Complementary and Indirect Tax and Legal Contributions** | **43,1%** | **36,0%** | | |

## Affiliates and Associated Companies

The affiliate Banco de Occidente - Panama S.A. reached at the closing operational period US $728.824M, total asset, representing 7.39% annual growth. The profit at the closing on June 30, 2012 was US $689M, which in percent terms indicates decrease of 61.92% compared to June 2011.

The affiliate Fiduciaria de Occidente S.A. at the closing of this operational period showed $123.281MM total asset, which means 11.52% growth compared to June 2011. Semiannual accrued profit at the closing June 30, 2012 was $15.753MM reaching 20.61% growth related to second half 2011.

The affiliate Occidental Bank Barbados Ltd. recorded at the closing June 30, 2012 US$196.822MM Asset representing 20.49% annual growth. Semiannual profit for US$409M, means 6.19% decrease compared to second half 2011.

The associated Corporación Financiera Colombiana S.A. recorded on June 30, 2012 $9.067.579MM asset which in percent terms represented 23.44% annual growth. $277.957MM annual profit was obtained which is 26.14% higher than that obtained on 2011.

Fondo de Pensiones y Cesantías Porvenir, showed at the closing operational period $929.608MM total asset, reaching 21.86% annual growth. At the closing on June 30, 2012 the profit was $106.552MM, which means an increase by 39.33% as against the same period in 2011.

### Relationship Bank Underlying Companie

Below the amount of operations made between the Bank and its underlying companies is showed, including the Balance Sheet and Statement of Results of the first half-year 2012 the detail of which is showed in the Note 22.

| Account | Banco de Occidente Panamá | Fiduciaria de Occidente | Occidental Bank Barbados Ltd. | Sales and Services | Grupo Aval |
|---|---|---|---|---|---|
| Total Asset | 73.295 | 87.839 | 45.408 | 5.532 | 0 |
| Total Liabilities | 360.371 | 840 | 37.666 | 3.088 | 259.254 |
| Total Income | 1.207 | 13.076 | 2.130 | 157 | 55 |
| Total Expenses | 3.311 | 9 | 392 | 8.991 | 11.350 |

Note: Figures in Million Colombian Pesos

### Operations with Stockholders and Directors

As of June 30, 2012 the Bank had loans for $219.710MM with admissible guarantee, and $93.837MM with other guarantees granted to its stockholders under market conditions. At the same closing date, there were loans granted to Directors for $46.368MM, supported basically on credit card operations and credit operations to purchase house and vehicle, according to conditions stipulated by the Bank to its employees. At the closing date there exist no credits granted to stockholders holding in the Bank any stock participation higher than 10%.

### Bank Foreseeable Evolution

Considering the results of Financial System as a whole during the last year, it is anticipated that the Bank will maintain profitability indicators and financial efficiency favorable comparable to the system average, as historically has occurred.

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### Alter Closing Operational Period

As provided in article 47 of Act 222/1995, it is indicated that there has been no any significant external or internal occurrence potentially affecting the normal operations development and the results of the Bank, from the closing of the last operational period until the date of this report.

### Qualification of Risk

At the closing of this operational period, Banco de Occidente maintains, for the fifteenth consecutive year AAA qualification, the highest credit quality for long-term debt, and BRC1+, the highest certainty of payment for short-term debt by BRC Investor Service S.A SCV.

### Disclosing of Financial Information

In compliance with the provisions in articles 46 and 47 of Act 964/2005, Banco de Occidente hereby certifies that financial statements and other relevant reports do no contain misstatements, or errors preventing from knowing the true patrimonial or operational situation conducted by the entity. Additionally, disclosure and control systems used by the Bank to incorporate the information contained in such financial statements and reports addressed to the public are adequate, based on truthful information and subject to audit made by the Bank and Statutory Auditor KPMG under the supervision of Board of Directors' Audit Committee.

### Evaluation about the Performance of Internal Control System

According to provisions in title 1, Chapter IX, item 7.7.1.3, paragraph XV, of Basic Legal Circular, Banco de Occidente and its affiliated companies evidenced that its Internal Control System is effective when evaluating the components performance: Environment of Control, Risk Management, Control Activities, Information and communication, Monitoring, Technology Management, Accounting Management, and Internal Bodies.

## Liquidity Risk

During this half-year 2012, some changes to regulatory framework occurring stating the rules relative to Liquidity Risk Management System – LRML – Among the major changes, the limit to 30-day LRI, the new indicator of Liquidity Ratio and additionally, the obligation to maintain a level of high-quality net asset is established. Similarly, changes of minor impact on the calculation of Liquidity Risk Indicator (LRI), and the calculation of Net Withdrawals Factor were made.

For the first half-year 2012 the Liquidity Risk Indicator (LRI) in highlighted at 7-day average of $2.600 million and 30-day average of 1.600 million mainly represented in an excellent level of net asset equivalent to $3.000 million, which, given the net requirement of liquidity at 7- and 30-day represent a mean Liquidity Ratio of 754% and 21%, respectively (Liquid Asset over the Liquidity required. In the same way, the compliance with the limit policies set out.

## Market Risk

Market Risk Management System (MRMS) in the second half-year 2012 did not exhibited significant changes. The measurement made by Risk Value calculation reflected a mean exposure level of Col$52.712 Million located within the limits set forth. Fixed income portfolio continues represented mainly by Colombian government titles (83%) and located in a mean maturity of quite low term (21 months).

## Laundry Asset and Financing of Terrorism Risk

The Bank, during first half 2012 fully complied with Laundry Asset and Financing of Terrorism Risk Management System of named LAFTMS, making all the attempts in order to integrally mitigating such risk and impede its materialization within the organization.

Among the prevailing aspects, it is emphasized that within the dynamic and consolidated evaluation process of Laundry Asset and Financing of Terrorism risk, the Bank continues with a quite low Risk Level.

In the same way, the quarterly reports about LAFTMR, concerning the results and effectiveness of management developed, Compliance with the Reports to External Entities, individual con consolidated Risk Evolution, Effectiveness of Control Mechanisms and Instruments, taking into account Transactional Monitoring, Analysis usual Operations, Alert Signals, Reasonability of Operations, the Results of the Integral Training Programs addressed to all the employees, as well as the Evaluation of LAFTMR Compliance made by the KPMG audit, highlighting that Opportunity of material enhancement did not occurred.

It is concluded that Laundry Asset and Financing of Terrorism Management System of the Bank exhibit an adequate structure, effective controls and fully in compliance with Management and Board of Directors guidelines.

## Operational Risk Management System – ORMS

Banco de Occidente has been in compliance with the provisions in Chapter XXIII of Accounting and Financial Basic Circular Letter (Circular Letter 100 / 1995) “Regulations Relative to Operational Risk Management”, by the identification, measuring, control, and monitoring of Operational Risks and Continuity of Business.

Banco de Occidente Operative Risk Management System (ORMS) contains policies, procedures and methodologies guiding management by means of operative controls and continuity, recording and monitoring of operative risk events and the implementation of action plans addressed to mitigate occurrence of events and reduce risk exposure events. This management is evidenced both in the reports submitted by management to ORMS Committed and to the Board of Directors, as well as in the reports of Internal Audit and KPMG Statutory Audit.

As a relevant occurrence, the Bank is implementing a Project to implement operative risk indicators, with final date December 2012. Advances of this projects have been submitted to ORMS Committee and to the Board of Directors.

At the closing June 2012, Bank’s operative risk profile shows a low risk qualification.

## Minimal Requirements of Security and Quality of Information Management

In compliance with External Circular Letter 022 (052/2007), issued by Colombia Finance Superintendence, according to the report of the last operational period, the Bank resumes on second quarter of 2013 the Project to refine some initiatives, jointly with Technology Area.

## Legality of Software

In compliance with provisions in Act 603/2000, Banco de Occidente advises that it has defined the policies, controls, and sanctions to urge the legality of Software used. The controls for software acquisition, development and maintenance, consistent with the legal requirements about copyrights, privacy and e-commerce, are mandatorily complied by the responsible areas and internal audit has implemented verification actions obtaining satisfactory results.

## Certification

According to provisions in article 57 of Decree 2649/1993 it is certified that statements contained in financial statements of the Banco de Occidente, as of June 30, 2012, have been previously verified, and that the information therein contained has faithfully taken from the company's accounting books, and that they do no contain omission of data, and that all economic facts have been therein recognized.

## Personnel

Throughout the half-year the Bank was supported by the efficient and active cooperation of all employees. For such reason, the top management, in addition to recognize and stress this fact, acknowledges all their valuable participation.

## Dividends

Based on the authorization by Colombia Finance Superintendence Bank's management submits to consideration of the stockholders the payment of a monthly dividend for Col$ 115.00 per share.

**Efraín Otero Alvarez**
President

The members of the Board of Directors accepted submitted by Bank President as well as Profit Distribution Project of the operational period and therefor, suggest to Stockholders to approve the Balance Sheet and Profit Distribution Project.

Hector Vesga Perdomo

Ricardo Villaveces Pardo
Iván Felipe Mejía Cabal
Felipe Ayerbe Muñoz

Mauricio Gutiérrez Vergara
Alfonso Osorno Cújar
Adolfo Varela González
Liliana Bonilla Otoya
Gilberto Saa Navia

# Opinion by External Auditor

TO.
**Stockholders**
Banco de Occidente S.A.
Bogotá

I have audited Banco de Occidente S.A. Balance Sheets as of June 30, 2012 and December 31, 2011 and the appropriate Comparative Statements of Results, changes of stockholders equity and cash flows, the summary of accounting policies and the other explanatory notes, for the semi-annual period ended on this date. Financial statements corresponding to and for the half-year ended on June 30, 2011, were audited by other registered accountant member of KPMG Ltda., who in its report dated July 25, 2011, issued an opinion about financial statements.

Bank's Management is responsible for preparing and proper submission of such financial statements in keeping with accounting principles generally accepted in Colombia and instructions of Colombia Finance Superintendence. This responsibility includes: design, implement, and maintain the internal control relevant to the preparation and submission of financial statements free from gross material error, whether due to fraud or error; select and apply the appropriate accounting policies, as well as the reasonable accounting estimates.

My responsibility consists of issuing an opinion about financial statements based on my audit. I obtained the information necessary to properly comply with my duties and made the examinations in accordance with the audit Standards generally accepted in Colombia. Such standards require the compliance with the ethical requirements, plan and make the audit in order to obtain the reasonable assurance that financial statements are free from gross material errors.

An audit includes the application of procedures to gain evidence about the amounts and disclosures in financial statements. The procedures selected are dependent on the external auditor's criterion, including the evaluation of risk of gross material errors in financial statements. In such risk evaluation, external auditor takes into account internal control relevant to prepare and submit financial statements in order to design audit procedures according to the circumstances at hand. An audit includes as well the evaluation and application of the appropriate accounting policies and the reasonability of balances accounting estimates made by company's management, as well to assess the appearance of financial statements in general. I consider that the evidence obtained provides a reasonable basis to support my outlook given below.

In my opinion, financial statements aforementioned, taken from the books and attached to this report, reasonably represent all the relevant material issues, Banco de Occidente S.A. financial situation as of June 30, 2012 and December 31, 2011, the results of its operations and the cash flows for semi-annual periods ended in the dates above, according to accounting principles generally accepted in Colombian and the instructions by Colombia Finance Superintendence, applied in a consistent manner with the previous half-year.

As indicated in Note 1 to financial statements, on June 30, 2012, Banco de Occidente S.A. is advancing the formalities to subscribe an agreement with Leasing Corficolombiana S.A. Compañía de Financiamiento.

Based on the results of my tests, in my opinion:

a. Bank's accounting has been made in line with legal provisions and accounting technique.
b. Operations booked and Managers' actions are in keeping with statutory provisions and decisions of the Stockholders General Meeting.
c. Correspondence, vouchers of accounts and book of minutes and stock registry are duly kept and maintained.
d. There are in place appropriate measures of internal control including risk management systems implemented; conservation and custody of Bank's property and third parties property in possession of the Bank.
e. Colombia Finance Superintendence provisions and directions related to the proper management and accounting of goods received in payment have been fully complied as evidenced in the balance sheet and the statements of results of Risk Management System applicable.
f. Information contained in the auto-liquidation of Integral Social Security Contribution Declarations, especially those relative to affiliates and their base income for contribution, have been taken from the accounting records and supporting documents. The Bank is not in arrears in connection with contribution to Integral Social Security System.
g. There exists consistence between financial statements herewith attached and the management report issued by Company's Management.

I made the tracking of answers about recommendation letters addressed to Bank Management and there is no any material relevant issues pending potentially affecting my outlook

Signed
Wilson Romero Montañez
Banco de Occidente S.A. External Auditor
T. P. 40552-T
Member of KPMG Ltda.
.

July 30, 2012

# Profit Distribution Project

**First Half-Year of 2012**

| | | |
|---|---|---|
| **1- Operational Profit** | | 223.616.339.084,99 |
| **2. Previous Operational Profit** | | 2.524.787.669,01 |
| **2- Release of Reserve** | | |
| Releasing Reserve by Marketable Investments | | 3.533.880.652,11 |
| (Decree 2336/95) Fixed Asset Deferred Depreciation (Art. 130 Tax Statute) | | 976.785.750,58 |
| **Total at the Stockholder General Meeting Disposal** | | **230.651.793.156,69** |
| **Proyecto de Reparto:** | | |
| **1. Distribution Project** | | |
| A Cash Dividend by Col$115.00 monthly per share is declared, payable monthly during the first ten days, from October, 2012 up to March, 2013, inclusive, on a total of 155.899.719 stocks subscribed and paid-in capital on June 30, 2012 | 107.570.806.110,00 | |
| Dividends decreed in the items above will be paid to bank stockholders registered in the shareholders book of the bank at the time each payment is due and according to regulations prevailing | | |
| **2. Creation of Reserve** | 123.080.987.046,69 | |
| **Equal Sums** | **230.651.793.156,69** | **230.651.793.156,69** |

# Comparative Balance Sheet as of June 30, 2012

(Given in Million Pesos)

| **Asset** | | **June 30, 2012** | | **December 31, 2011** |
|---|---|---|---|---|
| **Available** (Notes 4 & 30) | | 1.842.576 | | 1.535.767 |
| **Active positions in Monetary and Related Market Operations**( Notes 5 & 30 ) | | 276.715 | | 64.101 |
| **Investments** (Notes 6 & 30 ) | | 3.267.162 | | 3.519.461 |
| Negotiable Investments in Certificates of Indebtedness | 222.793 | | 691.130 | |
| Investment to maintain up to maturity | 195.783 | | 727.591 | |
| Investments Available for Sale in Certificates of Indebtedness | 280.205 | | 461.337 | |
| Investments Available of Sale in Certificates of Participation | 1.032.679 | | 1.097.964 | |
| Rights of Marketable Investment Transfer in securities or certificates of indebtedness | 541.531 | | 116.471 | |
| Rights of Marketable Investment Transfer to maintain up to expiry date | 449.942 | | 0 | |
| Rights of Investment Transfer available for sale in securities or certificates of indebtedness | 509.308 | | 396.552 | |
| Investments Available for Sale delivered as guarantee in operations with derivatives financial instruments and other in securities of indebtedness | 34.921 | | 28.416 | |
| **Credit Portfolio and Financial Leasing Operations** (Notes 7 & 30) | | 14.840.745 | | 13.958.400 |
| Credits and Consumption Financial Leasing Operations, Fit Guarantee | 1.163.736 | | 1.082.987 | |
| Category A, Norma Risk | 1.104.557 | | 1.034.760 | |
| Category B, Acceptable Risk | 28.401 | | 23.092 | |
| Category C, Appreciable Risk | 20.479 | | 16.369 | |
| Category D, Significant Risk | 36.692 | | 32.811 | |
| Category E, Uncoverability Risk | 9.713 | | 10.696 | |
| Less : Provision | (36.106) | | (34.741) | |
| Credits & Operations of Financial, Consumption, Other warranties | 1.725.055 | | 1.593.312 | |
| Category A, Normal Risk | 1.671.729 | | 1.548.615 | |
| Category B, Acceptable Risk | 50.351 | | 44.157 | |
| Category C, Appreciable Risk | 28.011 | | 23.256 | |
| Category D, Significant Risk | 34.556 | | 32.844 | |
| Category E, Uncoverability Risk | 39.173 | | 31.428 | |
| Less: Provision | (98.765) | | (86.988) | |
| Credits and Operations of Commercial Financial Leasing, Other Guarantees | 6.310.285 | | 6.139.783 | |
| Category A, Normal Riskl | 5.829.088 | | 5.650.218 | |
| Category B, Acceptable Risk | 280.528 | | 313.987 | |
| Category C, Appreciable Risk | 85.126 | | 91.082 | |
| Category D, Significant Risk | 155.052 | | 133.101 | |
| Category E, Uncoverability Risk | 37.245 | | 33.594 | |
| Less: Provision n | (76.754) | | (82.199) | |
| Credits and Operations of Commercial Financial Leasing, Other Guarantees | 5.772.737 | | 5.262.646 | |
| Category A, Normal Risk | 5.611.419 | | 5.095.812 | |
| Category B, Acceptable Risk | 223.452 | | 232.414 | |
| Category C, Appreciable Risk | 83.982 | | 69.836 | |
| Category D, Significant Risk | 63.007 | | 48.916 | |
| Category E, Uncoverability Risk | 53.129 | | 63.931 | |
| Less: Provision n | (262.252) | | (248.263) | |
| **Less: Contra-Cyclic Individual Provision** | (131.068) | | (120.328) | |
| **Spot Operations Acceptances and with Derivative Financial Instruments** (Note 8) | | 31.615 | | 74.238 |
| Debtors for Bank Acceptances | 12.496 | | 35.181 | |
| Spot Operations | 1 | | 8 | |
| Operations with Derivative Financial Instruments – speculation | 19.118 | | 39.049 | |
| **Accounts Receivable** (Notes 9 & 30) | | 476.989 | | 415.729 |
| Interest | 134.004 | | 116.366 | |
| Leasing Operations Financial Component | 20.304 | | 15.149 | |
| Commissions and Fees | 1.359 | | 1.134 | |
| Rents of Goods Given in Operational Leasing | 7.709 | | 5.600 | |
| Payment on Account of Clients | 159.746 | | 144.927 | |
| Others | 187.753 | | 161.893 | |
| Less: Provision | (33.886) | | (29.340) | |
| **Marketable goods received in payment and delivered back goods** (Note 10) | | 25.457 | | 9.909 |
| Goods Received in Payment | 16.645 | | 17.754 | |
| Goods delivered back of Leasing Agreements | 27.060 | | 9.866 | |
| Less: Provision | (18.248) | | (17.711) | |
| **Property and Equipment** (Note 11) | | 290.752 | | 329.204 |
| Land, Buildings and Constructions in Progress | 211.871 | | 206.630 | |
| Equipment, Office Furniture and Fixture | 40.275 | | 39.695 | |
| Computing Equipment | 106.553 | | 97.732 | |
| Others | 131.971 | | 173.473 | |
| Less: Accrued Depreciation and Amortization | (237.384) | | (227.189) | |
| Plus: Deferred Depreciation | 37.709 | | 39.142 | |
| Less: Provision | (243) | | (279) | |
| **Goods Given in Operative Leasing** (Note 11) | | 358.514 | | 318.913 |
| Machinery and Equipment | 80.882 | | 77.961 | |
| Vehicles | 37.006 | | 28.918 | |
| Computing Equipment | 253.762 | | 218.109 | |
| Computer Software | 117.951 | | 108.728 | |
| Other | 77.716 | | 75.561 | |
| Less: Accrued Depreciation and Amortization | (203.389) | | (185.609) | |
| Less: Provision | (5.414) | | (4.755) | |
| **Other Asset** (Note 12) | | 485.740 | | 401.654 |
| Permanent Contributions | 391 | | 633 | |
| Advanced Payments & Deferred Charges | 135.705 | | 143.912 | |
| Intangible Asset | 25.016 | | 25.721 | |
| Goods to Place in Leasing Agreements | 222.493 | | 208.945 | |
| Other | 102.540 | | 22.740 | |
| Less: Provision | (405) | | (297) | |
| **Valuations** | | 371.731 | | 323.495 |
| Investments for Sale in Participation Papers of Low or Minimum market profitability or without Stock Exchange Quotation (Note 6) | 123.265 | | 110.455 | |
| Property and Equipment | 248.466 | | 213.040 | |
| **Devaluations** | | 0 | | (41) |
| Investments for Sale in Participation Papers of Low or Minimum market profitability or without Stock Exchange Quotation (Note 6) | 0 | | (41) | |
| **Total Asset** | | **22.267.996** | | **20.950.830** |
| **Contingent Credit Accounts per Contra** (Note 22) | | 4.251.722 | | 4.138.641 |
| **Debit Contingent Accounts** (Note 22) | | 6.991.292 | | 5.275.624 |
| Papers delivered Operation. Repo-Simultaneous –Temporary Transf. Related Papers | 1.493.431 | | 513.002 | |
| Interest Credit Portfolio and Financial Leasing Operation | 54.486 | | 50.183 | |
| Rents and Sanctions in Operative Leasing Agreements | 4.321 | | 4.577 | |
| Rights in Speculation Options and Coverage | 59.258 | | 12.203 | |
| Other | 5.379.796 | | 4.695.659 | |
| **Debit Memorandum Accounts** (Note 23) | | 27.945.064 | | 22.163.522 |
| **Credit Memorandum Accounts per Contra** (Note 23) | | 31.124.585 | | 29.321.803 |
| **Total Contingent and Memorandum Accounts** | | 70.312.663 | | 60.899.590 |

**Liabilities and Shareholders' Equity**

## Liabilities

| | | June 30, 2012 | | December 31, 2011 |
|---|---|---|---|---|
| **Deposits and Payabilities** (Notes 13 & 30) | | 12.935.773 | | 12.422.644 |
| Deposits in Bank Current Account | 4.094.617 | | 4.617.210 | |
| Time Deposit Certificates | 2.899.744 | | 1.864.368 | |
| Saving Deposits | 5.647.336 | | 5.650.228 | |
| Other | 294.076 | | 290.838 | |
| **Passive Positions in Monetary Market and Related Operations** (Note 14) | | 1.602.053 | | 693.294 |
| **(Bank) Outstanding Acceptances and Derivative Financial Instruments** (Note 8) | | 29.039 | | 74.000 |
| Bank Outstanding Acceptances | 12.655 | | 36.338 | |
| Operations with Derivative Financial Instruments – of speculation | 16.384 | | 37.662 | |
| **Credits of Banks and other Financial Obligations** (Notes 15 & 30) | | 1.705.219 | | 1.930.632 |
| Other Entities in the Country | 891.308 | | 1.170.677 | |
| Overseas Entities | 813.911 | | 759.955 | |
| **Accounts Payable** (Notes 16 & 30) | | 609.350 | | 576.906 |
| Interest | 61.227 | | 54.560 | |
| Commissions and Fees | 1.362 | | 1.314 | |
| Other | 546.761 | | 521.032 | |
| **Outstanding Investment Papers** (Note 17) | | 2.012.087 | | 1.995.554 |
| Bonds | 2.012.087 | | 1.995.554 | |
| **Other Liabilities** (Note 18) | | 130.715 | | 141.594 |
| Accrued Labor Obligations | 35.653 | | 37.879 | |
| Income Received in Advance | 10.909 | | 12.829 | |
| Pension of Retirement | 3.825 | | 3.705 | |
| Other | 80.328 | | 87.181 | |
| **Estimate Liabilities and Provisions** (Note 19) | | 135.275 | | 85.644 |
| Labor Obligations | 1.118 | | 0 | |
| Tax | 98.287 | | 68.428 | |
| Other | 35.870 | | 17.216 | |
| **Total Liabilities** | | **19.159.511** | | **17.920.268** |
| **Net Worth** | | | | |
| **Capital Stock** (Note 20) | | 4.677 | | 4.677 |
| Number of Stocks 155.899.719 | | | | |
| Face Value each Stock: $ 30 | | | | |
| **Reserve** | | 1.986.311 | | 1.863.203 |
| Legal Reserve ( Note 21 ) | 1.807.473 | | 1.671.863 | |
| Statutory and Occasional Reserves (Note 21) | 178.838 | | 191.340 | |
| **Surplus or Deficit** | | 891.356 | | 935.744 |
| Cumulated Profit or Loss non-realized in Available Investment for sale | 519.625 | | 612.291 | |
| Valuations (Note 6) | 371.731 | | 323.494 | |
| Devaluation (Note 6) | 0 | | (41) | |
| **Profit for Previous periods** | | 2.525 | | 0 |
| **Profit for the period** | | 223.616 | | 226.938 |
| **Total Net Worth** | | **3.108.485** | | **3.030.562** |
| **Total Liabilities and Net Worth** | | **22.267.996** | | **20.950.830** |
| **Credit Contingent Accounts** (Note 22) | | 4.251.722 | | 4.138.641 |
| Sureties and Guarantees | 545.985 | | 520.821 | |
| Letters of Credit | 92.491 | | 117.665 | |
| Credits Approved and non-disbursed | 1.371.462 | | 1.302.406 | |
| Opening of Credit | 2.120.436 | | 2.094.161 | |
| Options Obligations – Speculation and Coverage | 41.422 | | 33.553 | |
| Other Contingencies | 79.926 | | 70.035 | |
| **Debit Contingent Accounts per Contra** (Note 22) | | 6.991.292 | | 5.275.624 |
| **Debit Memorandum Accounts per Contra** (Note 23) | | 27.945.064 | | 22.163.522 |
| **Credit Memorandum Accounts** (Note 23) | | 31.124.585 | | 29.321.803 |
| **Total Contingent and Memorandum Accounts** | | 70.312.663 | | 60.899.590 |
| **Profit (Loss) Per Share (in pesos)** | | 1.434,36 | | 1.477,77 |

See note accompanying financial statements.

## Comparative Statements of Results

(Given in Million Pesos)

| | Periods: From January 1 to June 30, 2012 | | From July 1 to December 31, 2011 | |
|---|---|---|---|---|
| **Direct Operational Income** | | 1.408.017 | | 1.582.923 |
| Interest and Discount Redeemed Credit Portfolio | 661.220 | | 586.202 | |
| Returns in Operations. repo, simultaneous Transient Transfers of values and Other interest | 24.992 | | 14.918 | |
| Profit in Valuation of Marketable Investments in en Certificates of Indebtedness | 31.633 | | 32.206 | |
| Profit in Valuation of Investments Available for Sale in Certificates lof Indebtedness | 28.423 | | 26.533 | |
| Profit in Valuations of investments to Maintain up to Maturity | 10.526 | | 6.626 | |
| Profits in Positions in closing operations repo-open, simult. and transient transfers of papers | 143 | | 4.427 | |
| Profit made in Investment Available for Sale | 12 | | 56 | |
| Readjustment of Real Value Unit - UVR | 2.170 | | 3.454 | |
| Commissions and Fees | 82.013 | | 85.960 | |
| Profit on valuation of spot operations | 1 | | 8 | |
| Profits in Derivatives Operations - de Speculation | 231.081 | | 206.188 | |
| Changes | 57.233 | | 375.876 | |
| Profit in sale of investments | 668 | | 802 | |
| Operations Income - Leasing | 277.902 | | 239.667 | |
| **Direct Operational Expense** | | 588.706 | | 843.070 |
| Interest, Deposits and Playabilities | 217.766 | | 166.553 | |
| Interest Credits of Bank and Esther Financial Obligations | 41.470 | | 41.505 | |
| Loss in Negotiable Investments Valuation in Certificates of Indebtedness | 3.291 | | 1 | |
| Loss in Positions of Operat. Repo Opened, simult. & transf. temp. of Equities | 225 | | 4.693 | |
| Commissions | 54.630 | | 58.481 | |
| Loss in Spot Operation Valuation | 7 | | 1 | |
| Loss in Derivatives Valuations - of Speculation | 216.268 | | 214.068 | |
| Changes | 54.841 | | 357.342 | |
| Loss in Sale of Investments | 208 | | 426 | |
| **Direct Operational Result** | | 819.311 | | 739.853 |
| **Other Operational Income and Expense – Net** | | (127.456) | | (94.132) |
| **Other Operational Income** (Note 24) | | 315.037 | | 322.984 |
| Dividends & Participations | 67.391 | | 71.146 | |
| Recoveries | 181.488 | | 191.173 | |
| Other | 66.158 | | 60.665 | |
| **Other Operational Expense** | | 442.493 | | 417.116 |
| Personnel Expenses | 161.845 | | 158.272 | |
| Other (Note 25) | 280.648 | | 258.844 | |
| **Operational Result before Provisions, Depreciations and Amortizations** | | 691.855 | | 645.721 |
| **Provisions** | | 313.494 | | 309.000 |
| Credit Portfolio | 188.147 | | 188.486 | |
| Accounts Receivable | 23.175 | | 22.145 | |
| Financial Leasing Operations | 40.212 | | 34.687 | |
| Operative Leasing Operations | 1.529 | | 1.557 | |
| Contra cyclic Component Individual Provisions | 57.565 | | 58.052 | |
| Other | 2.866 | | 4.073 | |
| **Depreciations** | | 62.739 | | 60.775 |
| **Amortizations** | | 23.500 | | 25.800 |
| **Net Operational Result** | | 292.122 | | 250.146 |
| **Non-operational Income** (Note 26) | | 40.058 | | 46.145 |
| Profit in Sale of Property Delivered in Payment and Delivered Back | 2.307 | | 2.157 | |
| Profit in Sale of Property, Equipment and other Asset | 6 | | 6 | |
| Recoveries | 30.763 | | 42.195 | |
| Other Non-Operational Income | 6.982 | | 1.787 | |
| **Non-Operational Expense** (Note 27) | | 9.616 | | 8.099 |
| Loss in sale of Goods Delivered in Payment and Delivered back | 974 | | 1.267 | |
| Loss for Disasters | 5.251 | | 4.457 | |
| Other Non-Operational Expense | 3.391 | | 2.375 | |
| **Non-Operational Net Result** | | 30.442 | | 38.046 |
| **Profit (Loss) before Income Tax** | | 322.564 | | 288.192 |
| **Income and Complementary Tax** (Note 28) | | 98.948 | | 61.254 |
| **Profit (Loss) of the Operational Period** | | 223.616 | | 226.938 |

See notes accompanying Financial Statements

# Cash Flow Statements

**Half-year periods ended on June 20, 2012 and December 31, 2011**

(in Million Col$)

| | June 30, 2012 | December 31, 2011 |
|---|---|---|
| Cash Flow of the Operational activities: | | |
| **Net Profit** | 223.616 | 226.938 |
| **Adjustment to reconcile Net Profit and Net Cash provided by operational activities** | | |
| Invesment Returns: Investments until maturity and investment available for sale | (38.957) | (33.159) |
| Profit on gains made | (12) | (56) |
| Profit on sale of investments, Net | - | (56) |
| Profit on valuation of financial instruments derivatives | (14.806) | (11.327) |
| Profit on sale of Goods Received in Payment | (1.333) | (891) |
| Profit on sale of Property, Plant & Equipment, Net | (380) | (255) |
| Refund of provision other Asset | (86) | (6.420) |
| Depreciation | 62.739 | 60.775 |
| Amortization of Mercantile Credit | 705 | 705 |
| Amortization of Deferred Charges | 23.500 | 25.800 |
| Refund of Accounts Receivables Provision | (11.719) | (14.398) |
| Refund of Portfolio Provision | (168.436) | (177.585) |
| Refund of Operative Leasing Provision | (986) | (939) |
| Reversing of Property, Plant and Equipment Provision | 36 | 36 |
| Refund of Provision of Goods Received in Payment and Delivery Back | (2.135) | (4.127) |
| Provision for Credit Portfolio | 282.348 | 277.916 |
| Operative Leasing Provision | 1.993 | 2.023 |
| Accounts Receivable Provision | 26.287 | 24.991 |
| Provision for Goods Received in Payment and Delivery back | 2.672 | 3.934 |
| Provision Other Asset | 194 | 139 |
| **Total Results** | **161.623** | **147.103** |
| Diminution in Salable Investments | 48.752 | 577.187 |
| Increase in Accounts Receivable | (77.151) | (18.927) |
| Net Increase in other Asset | (72.491) | (48.590) |
| Decrease in Other Liabilities | 72.713 | 64.729 |
| Increase in Deferred Charges | (11.841) | (19.822) |
| Reversion Exchange Adjustments | 65.356 | 100 |
| **Total Operations** | **25.337** | **554.676** |
| **Net Cash Provided for Operation Activities** | **410.577** | **928.716** |
| **Cash Flow of Investment Activities:** | | |
| Increase of Credit Portfolio | (1.083.196) | (1.361.997) |
| Proceeds on Sale of Property, Plant & Equipment | 73.467 | 22.296 |
| Proceeds on Sale of Investments | 712.664 | 204.168 |
| Proceeds on Sale of Goods Received in Payment | 9.233 | 9.086 |
| Purchase of Property, Plant and Equipment | (137.598) | (258.532) |
| Purchase of Investments | (543.336) | (476.205) |
| Dividends Received | (28.639) | 0 |
| **Net Cash Used in Investment Activities** | **(997.404)** | **(1.861.184)** |
| **Cash Flow of the Funding Activities:** | | |
| Dividend Paid | (104.895) | (97.592) |
| Increase of Deposit and Payables | 518.220 | 346.064 |
| Increase of Interbanking and Overnight Funds loans | 915.014 | 76.363 |
| Acquisition of other Bank Loans | 1.197.417 | 1.113.845 |
| Payment of other Bank Loans | (1.422.830) | (1.138.434) |
| Issue of Bonds | 200.000 | 247.120 |
| Payment of Bonds | (183.468) | (12.233) |
| Issue of Share in Cash | - | 199.960 |
| **Net Cash Provided for Financing Activities** | **1.119.459** | **735.094** |
| Effect in Exchange Difference over Cash and equivalent to cash | (13.209) | 18.578 |
| Increase (Decrease) of Cash and Equivalent to Cash | 519.423 | (178.796) |
| Cash and equivalent to cash at the beginning of half-year | 1.599.868 | 1.778.664 |
| **Cash and equivalent to cash at the end of half-year** | **2.119.291** | **1.599.868** |

See note accompanying financial statements.

## Statements of change in Stockholders Equity

### Half-year periods ended on June 30, 2012 and December 31, 2011

(In Million Col$)

| Concept | Common Stocks | Legal Reserve | Occasional Reserve (Note 21) | Surplus of Valuations Net | Accrued Profit or Loss Unrealizable Invest. Available. Sale price. | Utilidad Prior operational periods | Utilidad Operational period | Total stockholders Equity |
|---|---|---|---|---|---|---|---|---|
| **Balance June 30, 2011** | **4.495** | **1.350.685** | **199.421** | **304.458** | **616.251** | **0** | **214.342** | **2.689.652** |
| Distribution net profit first half-year 2011 | - | 121.400 | (8.082) | - | - | 101.024 | (214.342) | - |
| Issue of 6,059,405 Stock Par Value $30 each | 182 | 199.778 | - | - | - | - | - | 199.960 |
| Paid dividend $108.00 monthly per stock, payable within the ten days each month since October, 2011 until March, 2012, inclusive, on the total 155.899.710 stocks subscribed and paid as of June 30. 2011 | - | - | - | - | - | (101.024) | - | (101.024) |
| Movement of the operational period | - | - | - | 18.996 | (3.960) | - | - | 15.036 |
| Net profit as of December 31, 2011 | - | - | - | - | - | - | 226.938 | 226.938 |
| **Balance on December 31, 2011** | **4.677** | **1.671.863** | **191.340** | **323.453** | **612.291** | **0** | **226.938** | **3.030.562** |
| Distribution net profit second half-year 2011 | - | 135.610 | (12.502) | - | - | 103.829 | (226.938) | - |
| Paid dividend by parent company for $ 111.00 monthly per stock, payable within the 10 first days each month since April, 2012 until September, 2012, inclusive, over 155.899.719 total stocks subscribe and paid as of December 31, 2011 | - | - | - | - | - | (103.829) | - | (103.829) |
| Movement of the Operational Period | - | - | - | 48.278 | (92.666) | 2.525 | - | (41.864) |
| Net profit as of June, 2012 | - | - | - | - | - | - | 223.616 | 223.616 |
| **Balance as of June 30, 2012** | **$ 4.677** | **1.807.473** | **178.838** | **371.731** | **519.625** | **2.525** | **223.616** | **3.108.485** |

See notes accompanying financial statements

# Statements of change in Stockholders Equity

**Half-year periods ended on June 30, 2012 and December 31, 2011**

(In Million Col$)

| Concept | | Common Stocks | Legal Reserve | Occasional Reserve (Note 22) | Surplus of Valuations Net | Accrued Profit or Loss Unrealizable Invest. Available. Sale price. | Results | | Total stockholders Equity |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Prior operational periods | Operational period | |
| Balance December 31, 2011 | $ | 4.495 | 1.350.685 | 199.421 | 304.458 | 616.251 | 0 | 214.342 | 2.689.652 |
| Distribution net profit first half-year 2011 | | - | 121.400 | (8.082) | - | - | 101.024 | (214.342) | - |
| Issue of 6,059,405 Stock Par Value $30 each | | 182 | 199.778 | - | - | - | - | - | 199.960 |
| Paid dividend $108.00 monthly per stock, payable within the ten days each month since October, 2011 until March, 2012, inclusive, on the total 155.899.710 stocks subscribed and paid as of June 30. 2011 | | - | - | - | - | - | (101.024) | - | (101.024) |
| Movement of the operational period | | | - | - | 18.996 | (3.960) | - | - | 15.036 |
| Net profit as of December 31, 2011 | | - | - | - | - | - | - | 226.938 | 226.938 |
| Balance on December 31, 2011 | $ | 4.677 | 1.671.863 | 191.340 | 323.453 | 612.291 | 0 | 226.938 | 3.030.562 |
| Distribution net profit second half-year 2011 | | - | 1355.610 | (12.502) | - | - | 103.829 | (226.938) | - |
| Paid dividend by parent company for $ 111.00 monthly per stock, payable within the 10 first days each month since April, 2012 until September, 2012, inclusive, over 155.899.719 total stocks subscribe and paid as of December 31, 2011 | | - | - | - | - | - | (103.829) | - | (103.829) |
| Movement of the Operational Period | | - | - | - | 48.278 | (92.666) | 2.525 | - | (41.864) |
| Net profit as of June, 2012 | | - | - | - | - | - | - | 223.616 | 223.616 |
| Balance as of June 30, 2012 | $ | 4.677 | 1.807.473 | 178.838 | 371.731 | 519.625 | 2.525 | 223.616 | 3.108.485 |

See notes accompanying financial statements

## Notes to Financial Statements
(Million Pesos)

### (1) Reporting entity
Banco de Occidente S.A. is a legal person of private nature, legally incorporated as a bank establishment, authorized to operate according to the resolution N°. 3140 dated September 24, 1993 final renewal of operation license for controlled entities issued by the Colombia Finance Superintendence. It was established on September 8, 1964 under public deed 659 in the Fourth Notary Public Office for Cali.

The Bank's head office is in Santiago de Cali. The duration established in the Articles of Incorporation is 99 years from its date of incorporation. In developing it corporate purposes the bank may enter into any and all legal operations and contracts related to commercial bank entities, subject to requirements and limitations set forth in Colombian laws.

As of June 30, 2012, Banco de Occidente S.A. operates with 7.302 employees through 213 offices in the Colombian territory. The Bank has situation of control exercised by the society Grupo Aval Acciones y Valores S.A. and this in turn, registers situation of control on entities overseas, 95.00% in Banco de Occidente Panama S.A. and 100% in Occidental Bank Barbados, as well as in Colombia, 94.98% of Sociedad Fiduciaria de Occidente S.A., and 45,00% of Ventas y Servicios S.A.

The Bank has entered into a non-banking correspondent agreement with Almacenes Éxito a company operating at national level.

Financial statements herewith attached include asset, liabilities and results of its branch offices in Colombia, but not consolidated financial statements of the Bank with its subsidiaries. The consolidated financial statements are separately prepared.

### Intent Merging Process

As of June 30, 2012, Banco de Occidente S.A. and Leasing Corficolombiana S.A. C.F. are exploring the possibility for the Bank to take over, under a merging process, Leasing Corficolombiana S.A. C.F. The decision was passed by the Board of Directors of Banco de Occidente S.A. as documented in Minutes N° 1283 on April 20,.

Banco de Occidente S.A. and Leasing Corficolombiana S.A. C.F., reached and agreement that the valuation of both two entities and the Exchange relation will be made based on technical studies made by an expert, whose competence and Independence has been previously qualified by Colombia Finance Superintendence.

This way, both two entities introduced to Colombia Finance Superintendence the company INCORBANK S.A. for this company to qualify. Colombia Finance Superintendence, under writing communication 201231616-002-000 dated May 15, 2012, characterized the suitability and Independence of the firma INCORBANK S.A. to perform the aforementioned technical study, with no any objection.

### (3) Principal Accounting Policies

#### (a) Basic Accounting Policies

Accounting and preparation policies of the financial statements of the Bank are in accordance with accounting principles generally accepted in Colombia and instructions of the Financial Superintendent of Colombia.

#### (b) Equivalents of cash

The Bank considers as equivalent to cash, for the purposes of the statement of cash flow, the active and passive positions in operations of monetary market and those related.

#### (c) Active and passive positions in operations of monetary market and those related.

This entry groups together the operations of interbank funds, the operations of repurchase (repo), the simultaneous operations and operations of temporary transfer of values, as follows:

## Ordinary Interbank Funds

Interbank funds are considered those directly placed or received by the Bank in other financial entity, without mediating a pact of investment transfer or credit portfolio. They are operations connected to the corporate purpose, which are agreed at a term not longer than thirty (30) calendar days, provided that taking advantage of excesses or supplying liquidity defects it is intended to be pursued with it. Likewise, comprising the transactions denominated “overnight”, performed with foreign banks by using funds of the Bank.

The returns of interests derived from the operations, are recorded in the statement of results.

## Report or Repo Operations

A repo operation occurs when the Bank acquires or transfers securities, in exchange for the delivery of a sum of money, assuming in such an act and moment the commitment to transfer the property to the “alienating” person the same day or on a later date and at a specified price of securities of the same species and characteristics.

The initial amount is calculated with a discount over the market price of securities of the operation; it is established that during the validity of the operation, the initially given values are substituted by others, and restrictions are placed to the mobility of the values of the operation.

The returns recorded in this item are calculated exponentially during the term of the operation and are recognized in the statement of results.

The transferred values of the repo operation must be registered in debt or credit contingent accounts depending on an either open or closed record operation, respectively.

## Simultaneous Operations

A simultaneous operation occurs when the Bank acquires or transfers securities, in exchange for the delivery of a sum of money, assuming in such an act and moment the commitment to transfer or acquire the property again, the same day or on a later date and a determined price, of securities of the same type and characteristics.

The initial amount is established with a discount over the market price of the securities of the operation; during the operation validity, the values initially delivered by others are not replaced, and restrictions are not placed to the mobility of the securities of the operation.

In this item, the returns caused by the purchaser are registered and that the alienating person pays as cost of the simultaneous operation during the term thereof. The difference between the present value (delivery of cash) and the future value (final price of the transference) constitutes an income by way of financial returns calculated exponentially during the term of the operation and is recognized in the statement of results.

The transferred values of the simultaneous operation must be registered in contingent credit or debit accounts for active or passive positions, respectively.

## Securities Transfer operations

Securities transfer operations are those one whereby the Bank transfers the ownership of some securities, with the agreement to transfer back on the same date or subsequent date. In turn, the counterpart transfers the ownership of other securities or any amount of money equal to or higher than the securities subject matter of the operation.

## (d) Investments

The investments acquired by the Bank with the purpose to keep a secondary liquidity reserve, acquire the direct or indirect control of any society of the financial/technical service sector, comply with legal or statutory provisions, or with the exclusive purpose to eliminate or reduce the risk or market the assets, liabilities or other elements of the financial statements, are subject to.

The main purpose of Investment valuation is the calculation, accounting registration, and disclosure to the market the amount or market fair price or fair exchange price, any given value or security could be transacted at any given date, according to its specific characteristics and under the conditions prevailing in the market on that date..

The determination of value or exchange fair Price of any security, considers all criteria necessary to ensure the compliance with investment, as the following.:

Objectivity. Determining and indication of the value or exchange fair Price of any value or security is made based on technical and professional criteria knowing the effects derived from the changes of behavior of all variables potentially affecting such price.

Transparence and representativity. The value or exchange fair Price of any paper or security is determined and assigned for the purpose to disclose a certain, economic, verifiable and representative result represented of the rights incorporated in the appropriate value or title.

Permanent Evaluation and Analysis.. The value or exchange fair Price attributed to a value or security is based on the permanent evaluation and analysis under such market conditions, of the issuers, and the respective issuance.. Variations of such conditions are reflected in the changes of value or price previously assigned, with the priority established for investment valuation .

Professionalism. Determination of value or exchange fair price of any paper of security is based on the conclusions form the analysis and study made by and wise and diligent expert, addressed to search, obtainment, knowledge and evaluation of all relevant available information, in such a way that the price determined reflect the amounts which reasonably would receive for its sale.

Next, the way the different types of investment are classified, appraised and accounted is indicated:

| Classification | Term | Characteristics | Appraisal | Accounting |
|---|---|---|---|---|
| Negotiable-In certificates of indebtedness and participation | Short term | Securities acquired to obtain profit for the price fluctuations. | Use the exchange fair prices, reference rates and/or margins daily calculated and published Colombia Stock<br><br>Investments represented in government debtor private debt issued abroad by foreign issuers are valued based on generic dirty Price released by any recognized information platform.<br><br>When produce for valuation is not observed, out must seek the margin by Infoval or any own margin, and if not, valuation is made by TIR. | The difference occurred between the current market value and the immediately previous is registered as higher or lower value of the investment and its counter- account affects the period results.<br><br>This procedure is daily made.<br><br>In compliance with External Circulate Letter 014 / 2007 from Colombia Finance Superintendence, investments are value at market Price as from the same day of the acquisition, and the market value is made based on the date of purchase |
| To hold up to maturity term | Up to its maturity term | Titles for which the Bank has the serious purpose and the legal, contractual, financial and operational capacity to keep them up to the maturation of their period of maturity or redemption. | Exponentially from the internal return rate calculated at the moment of the purchase.<br><br>This procedure is daily performed. | The present value is recorded as a major value of the investment and its counter-account is recorded at the period results.<br><br>This procedure is daily performed. |

| Classification | Term | Characteristics | Appraisal | Accounting |
|---|---|---|---|---|
| | | The securities or titles classified as investments up to maturity date cannot perform liquidity operations nor repurchase operations simultaneous or temporary transfer of investments, save whether they are forced or obligatory investments subscribed in the primary market, provided that the counterpart is Banco de la Republica, Public Credit and National Treasure General Director or the entities supervised by the Colombian Financial Superintendence<br><br>Likewise, the could be delivered as guarantee in any central risk chamber of the counterpart in order to back up the compliance with the operations accepted by the chamber for its compensation or liquidation | | |
| Available for sale –Debt securities | Minimum one year | Titles for which the Bank has the serious purpose and the legal, contractual, financial and operational capacity to keep them up at least one year from the first day when they were classified in this category.<br><br>The first business day after the first year, they can be negotiable or to maintain up tu maturity. Other wise they will continue classified as avalibel for sale.<br><br>Investments classified in this category may | The use the exchange fair price, reference rates and margins, daily calculated and released Colombia Stock Exchange represented in values or papers of government debit or private debt issued abroad, are valued based on information verified generic dirty price released by the platform of information recognized.<br>During the day when it is not possible to find or estimate a valuation price for the title or values are valued in an exponential manner based on internal return rate. | Changes that may be present to these securities or titles are counted according the following procedure:<br>– Difference between the value present on the appraisal day and the previous one is registered as higher or lower investment value with advance or charge to the result accounts.<br>– The difference between market value and present value is registered as an accumulated not performed profit or loss, within the patrimony accounts.<br><br>This procedure is daily performed. |

| Classification | Term | Characteristics | Appraisal | Accounting |
|---|---|---|---|---|
| | | be used as guarantee backing up the negotiation of financial instruments derived, when the counterpart is a central risk counterpart of the other counterpart.<br><br>The securities classified as investments available for sale may be delivered ad guarantees in a central risk chamber of the counterpart in order to back up the compliance with the operations accepted for its compensation and liquidation.<br><br>Likewise, with these investments liquidity operations, reporto or repo operations, simultaneously or the temporary transfer of securities. | This procedure is daily performed. | |
| Available for sale –participative securities | Without term | Investment granted to the Bank the quality of co-owner of the issuer .<br>Make part of this category, the securities with high medium, low or minimum marketability, or with no quotation and securities keeping the Bank in its quality of controlling or parent company in the country and abroad. | Securities participating in the national securities registry of securities and issuers (RNVE):<br>– Valued by the price published by agents authorized by Colombia Finance Superintendence. If it has not operations marking the price are value by patrimonial variation<br>– Collective portfolios and securitizations are valued by the value of the unit calculated by the managing company of the precedent day.<br>– Participative securities quoting only in the stock exchange abroad:<br>– They are value by the closing price of the day of valuation or the most recent closing in | <u>Low or minimum bursatility or without any quotation:</u><br>- Difference between market or updated investment values, and the value for which the investment is registered is counted as follows:<br><br>If it is higher, in first instance, it diminishes the provision or devaluation up to exhaust it and the excess is registered as surplus for valorization.<br><br>If it is lower it affects the surplus for valorization until running out and the excess is recorded as devaluation.<br><br>- When the dividends or profits are allotted in kind, including those from the account capitalization patrimony revalorization, it is registered as income the part that has been counted as surplus for valorization, charged to the investment and it is reverted such surplus.<br><br>- When the dividends or profits are distributed in cash, it is registered as revenue the value counted as surplus for valorization, re-investing such surplus and the sum of the dividends exceeded thereof is counted as a minor investment value. |

| Classification | Term | Characteristics | Appraisal | Accounting |
|---|---|---|---|---|
| | | | the last stock included the day of valuation.. In the event that they negotiate in more than one stock exchange, abroad, the origin market will be taken. The price of the security shall be converted into legal tender.<br>– Participative securities listed in the security quotation systems abroad authorized in Colombia:<br>– They are valued by the price supplied by the agents authorized by Colombia Finance Superintendence<br>– Participative securities which are not listed in the stock exchange:<br><br>Participative securities which are not listed in the stock exchange, are monthly valued with a maximum term of three month following the closing of financial statements.<br>The purchase cost is increased or decreased in the participation percent over the subsequent variances of issuer's patrimony based on the financial results certified. | High and Middle Bursatility:<br><br>The actualization of the market value of the high and middle bursatility securities or those quoted in internationally recognize foreign stock exchanges, is counted as accumulated not performed profit or loss within the patrimony accounts, with advance or charge to the investment. This procedure is daily performed.<br><br>The dividends or profits allotted in kind or cash, including those coming from the capitalization of the account revalorization of patrimony are registered as income up to the sum corresponding to the investment over profits or revalorization of the issuer patrimony counted by the latter since the investment acquisition date, charged to accounts receivable. |

Investments Reclassification

For any investment to be maintained within any of the classification categories, the respective security or title shall comply with the characteristics or conditions of the type of investments it makes part.

At any time, Colombia Finance Superintendence may require for the Bank to reclassify a security or title, whenever it fails to comply with characteristics of the class where it is intended to be classified to the reclassification is required to obtain a better disclosure of financial situation.

Investment may be classified according to the following provisions:

Of investments to maintained until the maturity the marketable investments. There is reason for reclassification when occurs any of the circumstances below:

- Significant impairment of issuer's conditions, its parent company, its subsidiary companies, or its related-companies.
- Changes in the regulation preventing the maintenance of investment.
- Processes of merging involving the reclassification or to make an investment for the purpose to maintain the previous position of interest rate risk or otherwise, to complain with credit risk previously set out by the surviving entity.

-Other unforeseeable occurrences, following the authorization by Colombia Finance Superintendence

From investments available for sale to marketable investments or to investments to maintain until the maturity:
There is place for reclassification, when:

- One year term has been in this classification. Investor loses its quality of parent company of controlling company, if this event involves the alienation decision of investment or the main purpose of obtaining profit by the fluctuations at short-term of the price, from that date.
- Significant impairment of issuer's conditions, tis parent company, its subsidiary companies, or its related companies.
- Changes in the regulation preventing from investment maintenance.
- Processes of merger involving the reclassification or to make the investments for the purpose to maintain the position previous of the merger risk of interest rates or become adjusted to credit risk policy, previously established by the resulting entity.
- The investment goes from low to minimum marketability or with no any quotation or marketability.

When investments to maintain until maturity or investments available for sale are reclassified to marketable investments, the standard about valuation of the later are observed, and consequently, the unrealized profit or loss are recognized as revenues or expenses the day of classification.

In the events where an investment is reclassified, Colombia Finance Superintendence will be advised the reclassification made no later than within the ten (10) running days following the date of reclassification, indicating the reasons justifying such decision and explaining its effects on the statement of results.

The securities or titles reclassified with the purpose of taking part in the marketable investments, cannot reclassified again

Investment back purchase rights

Corresponding to restricted investments representing collateral guarantee of investment back purchase commitments.
Over these investments, the Bank keeps the economic rights and benefits associated the security and retain all rights inherent to it, even though transfers the legal ownership when performing repo operation.

These securities continue will continue to daily value and accounting for in the balance sheet and statement of results according to methodology and procedure applicable to investments classified as marketable, until the maturity and available for sale.

Investments Delivered in Guarantee

Correspond to investments in securities or certificates of debt which are delivered as guarantee to the operations with financial instruments derived, which liquidation may be in cash, as provided in the contractor r in the appropriate rules if security negotiation system, of the operation registry system of securities or compensation system of security liquidation system.
These securities are daily valued and included in the balance sheet and statement of results according to methodology and procedure applicable to investments classified as available for sale.

Provisions or Loss for Ranking of Credit Risk
Securities or titles of not rated emissions or issuers

The debt securities or titles not holding an external ranking and the debt securities or titles issued by not ranked entities are ranked and provisioned as follows:

| Category | Risk | Characteristics | Provisions |
|---|---|---|---|
| A | Normal | Meets the agreed terms in the security or title and hold adequate capacity of capital and interest payment. | No applicable. |
| B | Acceptable | Corresponds to emissions with uncertainty factors that might affect the capacity to continue to comply properly | The net value cannot be higher |

| Category | Risk | Characteristics | Provisions |
|---|---|---|---|
| | | with the debt services. Likewise, its financial statements and other available information present weaknesses that may affect the financial situation. | than eighty percent (80%) of the acquisition cost, net par value of the amortizations made until the date of valuation. |
| C | Perceptible | Corresponds to emissions that present high or middle probability of failure to comply with the opportune capital and interest payment. Likely, its financial statements and other available information show deficiencies in the financial situation that compromise investment recuperation. | The net value cannot be higher than sixty percent (60%) of the acquisition cost. |
| D | Significant | Corresponds to those emissions that present failure to pay the agreed terms in the title, as well as its financial statement and other available information present marked deficiencies in their financial situation, so that the probability to recover the investment is highly uncertain. | The net value cannot be higher than forty percent (40%) of the acquisition cost. |
| E | Irrecoverable | Issuers that according to their financial statements and other available information, the investment is deemed irrecoverable.<br>Likewise, if financial statements are not available with closing date June 30 and December 31 each year | The value of these investments must be fully provisioned. |

Securities or titles of emissions or issuers holding external rankings

The debt securities or titles holding one or several rankings issued by entities ranked by external qualifiers recognized by Colombia Finance Superintendence and the debt securities or titles issued by entities ranked by external qualifiers which are qualified by these, cannot be counted for a sum exceeding the following percentages of their net face value of the amortizations performed up to the valorization date.

| Long term Ranking | Maximum value % | Short term Ranking | Maximum value % |
|---|---|---|---|
| BB+, BB, BB- | Ninety (90) | 3 | Ninety (90) |
| B+, B, B- | Seventy (70) | 4 | Fifty (50) |
| CCC | Fifty (50) | 5 y 6 | Zero (0) |
| DD, EE | Zero (0) | 5 y 6 | Zero (0) |

To determine the provisions over term deposits, the issuer rating is taken.

The provisions of the investments classified to hold up to maturity date, about which a just exchange price is established, correspond to the difference between registered value and fair price.

Investments overseas

The marketable investments and investments available for sale, represented in securities or bonds of public debt issued abroad, and the securities or bonds of private debt issued abroad by foreigner issuers, are appraised based on the dirty price of purchase (BID) published by Bloomberg BID.

The present value or market value of the securities or bonds denominated in a currency other than the dollars of the United States of North America is converted to such currency based on the conversion rates for currencies published on the day of the appraisal on the website of the European Central Bank. When the currency conversion rates are not on the website of the European Central Bank, the conversion rate in relation to the dollar of the United States of America published by the Central Bank of the concerned country is taken.

(e) Portfolio of Financial Leasing Credits and Operations

It records the loans granted by the Bank under the various authorized modalities. Resources used in granting the loans come from own resources, from the public in the form of deposits and from other external and internal funding sources.

The loans are counted by the value of the payment, except for purchases of portfolio "factoring", which are recorded at cost.

### Credit Policies

The Bank policy to grant credit is based in a major way on the analysis of the financial situation of the client, through the study of his financial statements, and cash flows.

The guaranties are requested primarily when operations are long term or when attention will be for an amount greater than the normal according to the characteristics of the client..

### Credit Modalities

The structure of credit portfolio includes two (2) forms of credit and leasing operations, which can be subdivided into segments or portfolios:

#### - Commercial

They are loans granted to natural or legal persons to develop of organized economic activities, other than those granted in the modality of microcredit.

#### - Consumption

Consumption credits are understood, regardless of their amount, the loans granted to natural persons the purpose of which is to finance the acquisition of consumption goods or the payment of services for not commercial or business goals, other than those granted as microcredit.

### Criteria for Credit Risk Assessment

The Bank permanently values the risk incorporated in credit asset, both at the time the credits are granted, and throughout their life, included the restructuring cases. For such purposes, the entity designed and implemented a CRMS (Credit Risk Management System comprised by credit risk management policies and procedures, reference models expected loss estimation and quantification, system of provision to cover credit risk and internal process control.

Granting of credits is based on the knowledge of credit subject, its payment capability, financial conditions of loan, payment source and macroeconomic conditions the borrower may be subject to.

In the granting process, variables allowing for determining the credit subjects matched to the Bank risk profile have been established for each type of portfolio. Segmentation and discrimination processes of credit portfolios and their potential credit subjects, are used as a basis for qualification, as well as the application of internal statistic models assessing the several different applicant's aspects for credit risk quantification

.Methodologies and procedures implemented in to grant the credit allow for monitoring and controlling the credit exposure of the several different portfolios, as well as the aggregate portfolio, thus preventing an excess of credit concentration by debtor, economic sector, economic group, risk factor, etc.

The Bank makes a continued monitoring and qualification of credit operations consistent with the process to grant the credit, based, among other criteria, on the information related to the historical portfolios and credits behavior; debors' specific characteristics and backing up guarantees, debtor's behavior in other entities, and financial information of prospective borrower allowing for knowing its financial situation; and sector and macroeconomic variables influencing the normal development of such variables
In the evaluation of territorial public entities, the Bank verifies the compliance with the conditions set forth in laws 358/1997, 550/199, 617/2000, and 1116/2006.

## Assessment and requalification of the credit portfolio

The Bank assesses permanently its credit portfolio risk introducing the corresponding modifications in the respective rankings when there are new information analyses that justify such changes.

The debtor's credit behavior in other entities is considered and, particularly, whether at the moment of the assessment the debtor registers restructured obligations in accordance with the information coming from the risk centrals all any other source. On a monthly basis the compliance with portfolio of clients is analyzed in connection with installments, payments, writing off, and late of operations.

The Bank performs the assessment and requalification of the credit portfolio in the following cases:

- When the credits become overdue after having been restructured, in which event they will be reclassified immediately.
- At least in May and November, having the obligation to register the results of the assessment and the corresponding reclassified at the next month closing.

When credits are in arrears after restructured, then the credits need to be immediately reclassified.

## Credit Risk Ranking

The Bank qualifies the operations based on criteria aforementioned and classifies the operations into any of the credit risk categories below taking into account the following objective minimum conditions:

| Category | Granting | Commercial Portfolio Granted | Consumption Portfolio Granted |
|---|---|---|---|
| "AA" | New credits with ranking "AA" assigned at the moment of granting. | The credits already granted that are not in arrears more than 29 days default of contractual obligations, i.e. between 0 and 29 days in arrears. | The credits which qualification obtained by applying MRCO qualification methodology established for arrears, by the regulation, is equal to "AA". |
| "A" | New credits with ranking "A" assigned at the moment of granting. | The credits granted in arrears higher than or equal to 30 days and less than 60 days default of contractual obligations, that is, 30-59 days in arrears. | The credits which qualification obtained by applying MRCO qualification methodology established in the regulations is equal to "A". |
| "BB" | New credits with ranking "BB" assigned at the moment of granting. | The credits already granted currently in arrears higher than or equal to 90 days of default of contractual obligations, that is, between 60 and 89 days in arrears. | The credits which qualification obtained by applying the MRCO qualification methodology is equal to "BB". |
| "B" | New credits with ranking "B" assigned at the moment of granting. | The credits already granted in arrears more than or equal to 90 days and less than 120 days default of contractual obligation, that is, between 90 and 119 day in arrears | The credits which qualification obtained by applying MRCO qualification Methodology established by the regulations is equal to "B". |
| "CC" | New credits with qualification assigned at the time the credits is granted as "CC | The credits already granted in areas for more than or equal to 120 days and less than 150 days of default of contractual obligations, i.e. 120 and 149 days in arrears of contractual obligation | The credits which qualification obtained by applying MRCO qualification methodology established by the regulation, is equal to "CC". |

| Category | Granting | Commercial Portfolio Granted | Consumption Portfolio Granted |
|---|---|---|---|
| "Default" | In this category will be classified the new credits when the applicant is reported by any entity in Central of Risk CIFIN in qualification D, E or written-off portfolio. | .The credits granted showing arrears of more than or equal to 150 days. | Consumption Credits in arrears for more than 90 days. |

Other criteria established by the Bank to qualify credit operations are listed below for commercial portfolio granted; the qualification given at the time of granting at the closing month corresponding to the quarter of disbursement of credit, the qualification in the process to grant the credit with the own characteristics of each borrower and the factors which may be considered of higher risk. For consumption portfolio, qualification assigned to authorize the credit only at the closing month, when credit was disbursed.

For homologation purposes, commercial and consumption portfolios risk qualification in the indebtedness reports and in the financial statements, the Bank applies the following Table:

| Grouped category | Report category | |
|---|---|---|
| | Commercial | Consumption |
| A | AA | AA |
| | | A actual delay between 0- to 30 day |
| B | A | A actual delay more than 30 days |
| | BB | BB |
| C | B | B |
| | CC | CC |
| | C | C |
| D | D | D |
| E | E | E |

When, by virtue of the implementation of reference models adopted by Colombia Finance Superintendence, the Bank qualifies its clients as in default; these clients are homologated as follows:

Grouped Category E = Those clients in default which PDI assigned is equal to one hundred percent (100%).

Grouped Category D = The other clients qualified as in default.

For homologation purposes in consumption portfolio, the current arrears the table above refers to, is understood as the maximum recorded by debtor in the products.

## Restructuring Process

Restructured credit means that one which by signing any legal business, aims at modifying the originally agreed conditions in order to allow the debtor to attend appropriately his obligation in connection with the current or potential impairment of its payment capacity. Additionally, restructuring are considered the agreements entered in the context of the Acts 550/1999, 617/2000, and 1116 de 2006 or the additions and substitution thereof, as well as extraordinary restructuring and novations.

## Fiscal Restructuring Act 617/2000

In restructuring derived from the subscription of Fiscal and Financial Consolidation Programs under the provisions in Act 617/2000, the Nation issued guarantees to obligations assumed by territorial entities controlled by Colombia Finance Superintendence, provided that the requirements set forth in such Act and agreement are accomplished before June 30, 2001.

Such guarantee could be up to forty point zero percent (40.0%) for credits in force on December 31, 1999, and up to one hundred pint point zero (100.0%) for the new credits used for fiscal adjustment.

This restructuring featured because they reversed the provisions constituted about the obligation subject matter of restructuring in the portion backed up by the Nation, while the portion of obligation subject matter of restructuration were not backed up by the Nation, maintained the qualification they had as of June 30/2001

Should restructuring agreement is accomplished, the debtor ins qualified in the category held before restructuring or in any of higher risk.

For qualification improvement purposes, the qualification after the corresponding restructuring, the terms of the agreement are to be currently accomplished.

In the event of default of agreement by the territorial public entity, the debt existing as of the date of default which is not supported by Nation guarantee, it will qualified in "E" risk category.

### Extraordinary Restructurings

For structuring made as from the date the External Circular Letter 030/1999 takes force, issued of the Colombia Finance Superintendence, and up to December 31, 1999, the Bank cold reverse provisions provided that restricting agreement would allow to qualify the debtor in "A", or otherwise, at least two installments had been made or a payment to capital had been made and a certification of compliance had been obtained from the Management Covenant and debtor's payment capacity, in line with the terms of agreement

### Restructuring Agreements

For restructured credits until the validity of Act 550/1999, when beginning restructuring negotiation, the Bank suspended the accrual of interest over the credit prevailing and maintained the qualification they had as if the date of negotiation.. Notwithstanding, if the client was qualified in "A" risk category, it was reclassified at least to "B" category and a provision equivalent to one hundred point zero percent (100.0%) was constituted from the accounts receivable..

In the event of any failure of negotiation, the credits were qualified in "E" category un coverable credit .

When any client is admitted to the restructuring process under the terms of Act 1116/2006, The Bank suspends the accrual of returns and qualifies the client in any risk category consistent with the actual situation. If client's situation impairs or it is assumed that the ongoing agreement fails to meet Bank's expectations, the qualification is reviewed, and the client reclassified in the appropriate risk category. If an agreement is not reached, or judicial liquidation is declared, the client is classified as in default.

### Especial criteria to Qualify Restructured Credits

The credits restructured can retain the prior qualification provided that the restructuring agreement involve any improvement of debtor's payment capacity and/or of the probability of default. If restructuring provides grace period to pay the capital, only such qualification is maintained when those periods will not exceed one (1) year term as from the execution of the agreement.

The credits may enhance qualification of otherwise modify its default condition, after restructuring; only when debtor documents a behavior of regular and effective payment of capital consistent with a normal credit behavior, provided however that its payment capacity is maintained or improved.

### (f) Write-off of Loans and Financial Leasing Operations

Credit portfolio, in the opinion of the Administration unrecoverable or remote or uncertain retrieval, and they are one hundred percent (100%) provisioned, is susceptible of punishment following unsuccessfully attempting collection actions, in accordance with the concepts issued by the collection lawyers and lawyers bank manager.

Punishment does neither relieves the officers of the liability for credit approval and management, nor releases them form the obligation to pursuing collections activities .

The Board of Directors is the sole body competent to approve the writing-off operations considered unrecoverable.

## (g) Provision for Credit Portfolio, Account Receivable and Financial Leasing Operations

The Bank to cover the credit risk is based on system of provisions, calculated over the outstanding balance by the application of reference models of Commercial Portfolio (MRC) and consumption portfolio (MRCO).

### Commercial and Consumption Portfolio

The Bank applies the methodology of calculation of provisions in cumulative phase based on the monthly assessment of the behavior of deterioration, efficiency, stability and growth indicators impairment, described below, provident that they are accomplished during three consecutive months:

| Assessment | Indicator | Cumulative Stage | De-cumulative Stage |
|---|---|---|---|
| Impairment | Actual semester variations of individual provisions of total portfolio B, C, D y E | < 9% | > = 9% |
| Efficiency | Quarterly accumulate of net provisions from recoveries as percentage of accumulate income for portfolio and leasing. | < 17% | > = 17% |
| Stability | Quarterly cumulated of net provisions of recoveries from portfolio as percentage of quarterly accumulated of adjusted gross financial margin. | < 42% | > = 42% |
| Growth | Annual actual growth rate of gross portfolio. | > 23% | < = 23% |

As from the closing Mayo de 2011, the changes for calculation of these indicators were implanted, according to the provisions in the External Circular Letter 017 of May 4/2011 including the item 1.3.4.1 of Chapter II in Circular Letter 100/1995. Above includes deflation of Impairment Indicators (real quarterly variation of individual provisions of total Portfolio B, C, D and E) and Growth (real annual growth rate of gross portfolio). Additionally, the interest income of portfolio accrued during the quarter the sub-items 410241, 410242 and 410243 were discounted from the indicator calculation (consumption interest)

Based on above, portfolio individual provision was calculated as the sum of Procyclic Individual Component and contra cyclic Individual Component.

Individual procyclic component (IPC): corresponds to the portion of credit portfolio individual provision reflecting credit risk of each debtor, in the present. IPC is the expected loss calculated using Matrix A.

Contracyclic Individual Component (CIC): corresponds to the portion of credit portfolio individual provision reflecting the possible changes in credit risk of debtors where impairment of such assets increases. Such portion is constituted in order to reduce the impact on statement of results when such situation occurs. CIC corresponds to the higher value between CIC of the precedent month affected by the exposure, and the difference between the loss expected of matrices B and A of the month when evaluation is made.

Expected loss estimation results from the application of the formula below:

$$= \quad +$$

Where

$$=\max \quad , \ ,-1* \quad , \quad , \ -1; \quad - \quad ,$$

The segmentation processes and credit portfolio discrimination and of their potential credit subjects, are used as the basis for estimation of expected loss in the Reference Model of Commercial Portfolio (MRC) based on differentiated tracking by the asset level of debtors under the following criteria:

| Portfolios | Concept |
|---|---|
| Big-sized Companies | More than 15.000 MMLSP of Asset |
| Medium-Sized Companies | Between 5.000 and 15.000 MMLSP of Asset |
| Small-Sized Companies | Less than 5.000 MMLSP of Asset |
| Natural Persons | Natural Persons which are debtors of commercial credit |

The Reference Model of Consumption Portfolio (MRCO), is based on segments differentiated according to the products and the credit granting establishments , in order to preserve the particularities of market niches and the products granted.

- General - Automobiles: Credits granted to purchase automobile.
- General - Others: Credits granted to purchase consumption goods other than automobile. In this segment credit cards are not included.
- Rotatory Credit Card: Rotatory credit to purchase consumption goods used via a plastic card

For portfolio follow-up and qualification, the Bank applies the reference models as defined by Colombia Finance Superintendence. For Commercial portfolio, in the qualification process, a methodology of qualification is used for the portfolio non evaluated on an individual basis, based in classification models of clients considering the probability of default, adjusted with macroeconomic and sector factors. This methodology is implemented since December 2010

Expected loss estimation results from the application of the formula below:

Expected Loss (EL) = [Probability of default)] x [Asset exposure at the time of default] x [Loss due to default]

a. Probability of Default (PD)

Corresponds to the probability that within twelve (12) months span period, the debtors will incur in default.
The probability of default was defined based on the following matrices established by Colombia Finance Superintendence:

Commercial Portfolio

| Qualifc. | Big Company | | Small Company | | Medium Company | | Natural Persons | |
|---|---|---|---|---|---|---|---|---|
| | 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 | 100,00% | 100,00% | 100,00% | 100,00% | 100,00% | 100,00% | 100,00% | 100,00% |

Consumption Portfolio

| Qualifc. | Matrix A | | | Matrix B | | |
|---|---|---|---|---|---|---|
| | General – Auto motors | General – Other | Credit Cards | General – Auto motors | General – Other | Credit Cards |
| 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 | 100,00% | 100,00% | 100,00% | 100,00% | 100,00% | 100,00% |

This way for each debtor – commercial and consumption segment, the probability to migrate between its current qualification and the default qualification in the coming twelve (12) months is obtained, according to the cycle of credit risk general behavior.

b. Loss due to default (PDD) is defined as the economic impairment incurred by the entity in the event that any default situation will occur. PDI for debtors qualified in default category will involve a gradual increase according to the days elapsed after classification in such category.

The guarantees backing up the operation are necessary to calculate the expected loss in the event failure to pay, and hence, to determine the level of provisions.

The Bank considers as appropriate guarantees those assurances duly executed having a value determined based on technical and objective criteria offering a legally efficacious of the payment of the obligation supported and which possibility of compliance is reasonably adequate.

To evaluate the support offered and the possibility of compliance of each guarantee, the Bank considers the following factors:

Nature, value, coverage and liquidity of guarantees, as well as the potential cost of compliance and legal requirements necessary make them enforceable.

PDI by type of guarantee is the following:

Commercial Portfolio:

| Type of Guarantee | P.D.D. | Days after default | New PDD | Days after default | New PDI |
|---|---|---|---|---|---|
| Non-admissible Guarantee | 55% | 270 | 70% | 540 | 100% |
| Subordinate Credits | 75% | 270 | 90% | 540 | 100% |
| Financial Collateral admissible | 0 – 12% | - | - | - | - |
| Commercial and Residential Real Estate | 40% | 540 | 70% | 1080 | 100% |
| Goods given in Real Estate Leasing | 35% | 540 | 70% | 1080 | 100% |
| Goods given in leasing other than real estate leasing | 45% | 360 | 80% | 720 | 100% |
| Other collaterals | 50% | 360 | 80% | 720 | 100% |
| Collection Rights | 45% | 360 | 80% | 720 | 100% |
| With no guarantee | 55% | 210 | 80% | 420 | 100% |

Consumption Portfolio

| Type of Guarantee | P.D.I. | Days after default | New PDI | Days after Default | Nuevo PDI |
|---|---|---|---|---|---|
| Non-admissible guarantee | 60% | 210 | 70% | 420 | 100% |
| Admissible financial collateral | 0 – 12% | - | - | - | - |
| Commercial and residential real estate property | 40% | 360 | 70% | 720 | 100% |
| Goods given in real estate property leasing | 35% | 360 | 70% | 720 | 100% |
| Goods given in leasing different from real estate leasing | 45% | 270 | 70% | 540 | 100% |
| Other collaterals | 50% | 270 | 70% | 540 | 100% |
| Collection rights | 45% | 360 | 80% | 720 | 100% |
| With no guarantee | 75% | 30 | 85% | 90 | 100% |

Under Circular Letter 043 of October 2011 from Superintendence, PDI percentage was changed for credits without guarantee of consumption portfolio, such change applied as from December 31, 2011. In the same way, the Circular Letter provides the minimum criteria to be used by controlled entities in order to determine the amount of guarantees backing up the compliance with the credits granted, as well as to update such amount

On June 22, 2012, under External Circular Letter 026 / 2011, Colombia Finance Superintendence, for the purposes to preserve the sound growth of credit portfolio, asked for the entities to constitute, on a transient basis, an additional individual provision for consumption portfolio; for such purposes, the prociclic individual component shall be calculated as usually made, and to this component 0.5% will be added over the capital balance of each consumption credit of the reference month, multiplied by the corresponding PDI. The result of the application shall be reflected in the financial statements at the closing December 31, 2012.

### The value exposed of asset

This is the outstanding balance of capital, interest, and other accounts receivable of the commercial and consumption portfolio..

### Lining up Rules

Bank applies lining up rules of debtor qualifications according to the following criteria:

a. Following the constitution of provisions and qualification homologation, monthly and for each debtor, the Bank performs the internal lining up, and for such purpose it is carried to the higher risk category the credits of the same modality granted to debtor

b. According to the relevant legal provisions, the Bank is under the obligation to consolidate financial statements, it assigns equal qualification to the credits of the same modality granted to a debtor.

### (h) Acceptances, Spot Operations and Derivatives

Register the value of bank acceptances created by Bank on account of its clients and those ones created on account by its correspondents. In the same way, the bank registers spot operations and contracts entered by the Bank, of the operation with derivatives, such as forward, carrousel, futures, swaps and options

### Bank Acceptances

Bank acceptances have a maturity term up to one (1) year and only originated from import and export of goods or sale/purchase of movable goods in the domestic market.

At the time of acceptance of letters, its value is simultaneously accounted for in the asset and in the liabilities, as “bank acceptance in term,” and if at the maturity they are not submitted to be collected, they are ranked under the title “bank acceptances after the term”. If when payment is made, they have not been covered by the purchaser of goods, they will be reclassified to the account of loans “bank covered acceptances”.

After maturity date, bank acceptances are subject to the cash position established to exigibilities at sight and before 30 days.

### Spot Operations

Include the operations recorded with a compensation term equal to the date of registry of the operation or up to 3 business days from the day following the operation was made.

Financial assets acquired in spot operations are booked in the date of compliance or liquidation rather than in the negotiation date, unless these two date are coincident. Without prejudice of the foregoing, the changes of market value of the documents sold must appear in the statement of results as from the date of negotiation, as applicable.

Under the method of liquidation date, the seller records financial asset in its balance sheet until the delivery of the asset, a right to receive the cash derived from the transaction and an obligation to deliver the asset negotiated. The latter is valued at market price according to regulations prevailing for such investments and the variance of valuation of such obligation recorded in statement of results.

On the other hand, purchaser of asset does not records financial asset until the delivery thereof, but a right to receive asset is accounted for, which will be valued at market price, and an obligation to deliver the cash agreed on in the operation.

When operation is actually made, purchaser and seller of asset will revert both the right and the obligation recorded since the time the negotiation was made.

### Derivative Financial Instruments

A derivative financial instrument allows for the administration of one or more risks associated to underlying risk and compiles with any of the conditions below:

- Requires no a net initial investment.
- Requires a net initial investment lower to that necessary to purchase instruments providing the same expected payment as a response to the changes of market factors.

### Forwards

A ‘forward' is a derivative formalized by an agreement between two parties, made to the measure of the needs, to purchase/sell any specific amount of a given subjacent at any future date, stating, in the date of execution, the basic conditions of derivative financial instrument, between the parties, mainly the price, the delivery date of underlying and the modality of delivery. The assessment of instrument in the maturity date may be made by physical delivery of the underlying or by liquidation of differences, depending on the underlying and the modality of delivery agreed on, this latter susceptible of modification by mutual agreement between the parties during instrument term.

### Options

An “option” is a contract giving the holder an option or the right, although this does not imply the obligation of purchase or sale a specific amount of an asset at any price and at any determined date or during any determined time
.
Such contract undertakes the signatory to sale or purchase the asset in the date when the “option” will be exercised by the holder according to the conditions related to quantity, quality, and price determined for such purpose in the contract..6+-

### Futures

A Future is a standardized agreement about its compliance date, size or par value, characteristics of the respective underlying, price and delivery conditions (in king or in cash). This future is negotiated in a Stock Exchange with counterparty Central Risk Chamber, by virtue of which two parties become obliged to purchase/sell an underlying in any future date (expiry date) at a price agreed on the date of execution of agreement.

Futures may be accomplished by cash liquidation, by means of opposite operation before expiry date, by physical delivery of product or by making a liquidation against an index.

### Accounting and valuation of Derivatives Financial Instruments:

Financial instruments derivatives can be negotiated for any of the purposes below :

- Coverage of risks from other positions,
- Speculation, attempting to obtain profit, or
- By doing market arbitration.

Accounting of the financial instruments derivatives is dependent on its negotiation purpose

Financial Instruments Derivatives with Coverage Purposes

This is a combination of operations whereby one or several financial instruments named instruments of coverage, are assigned to reduce or annul a specific risk potentially impacting on the statement of results as a consequence of variances on the exchange fair price, on the cash or on the Exchange of one or several items, named primary positions.

Accounting of financial instruments derivatives for coverage purpose, is dependent of the specific type of coverage concerned. In connection with asset and liabilities coverage in foreign currency:

– The guarantee or accrued loss of financial instrument derivative is recognized in the sub-account corresponding to the state4ment of results, provided that such value is not higher than the amount of accumulative variation of primary position covered, attributable to the movements of the Exchange rate, in the cash-flow since the starting date of coverage, which is accounted for in the respective profit (loos) for exchanges.

– When the cumulative profit or loss of financial instrument derivative is higher than the aforementioned amount, the difference in recorded in the patrimonial account "Cumulative Profit and Loss unrealized in financial instruments derivatives for the purposes of coverage – coverage of asset and liabilities in foreign currency", with the appropriate sign

– In the date the coverage is finished,, the cumulative result of financial instrument derivate, used for this type of coverage, found in the patrimonial sub-account "guarantees or accrued loss unrealized in financial instruments with coverage purposes – coverage of asset or liabilities in foreign currency, is transferred to the statement of results in the respective sub-account for financial instruments derivatives.

Although these derivatives cover exchange-type risk, they generate volatility in the statement of results, given the variance in the other business associated factors risks, as devaluation curves dollar / peso (spread of interest rates). The purpose of the accounting treatment of coverage is to isolate volatility effect in the statement of results due to risk factors variances other than the type of Exchange, carrying only to the statement of results the income / loss for Exchange re-expression and recording in the patrimonial accounts the portion of fair price variance of exchange corresponding to other factors (devaluation, time elapse, etc.)..

– Financial Instruments Derivatives with Speculation Purposes

These operations are included in the balance sheet, since the date of execution of the fair price of exchange. When in the initial date the value of contracts is zero (0), i.e., neither payments are made nor physical delivery between the parties, the statement of results remains unchanged. In the subsequent valuations, the variations in the fair price of Exchange are recorded in statement of results
.
In the date of assessment of financial instruments derivatives the balances corresponding to account of the balance sheet are paid out and any difference is charged as a profit or loss in the respective account the statement of results, as applicable. Should the accumulate balance of financial instrument derivative on such date is positive, an income is recorded, and if negative, an expenditure is recorded, every time they are assessed.

| Type of Operation | Valuation and Accounting |
|---|---|
| Forward on Securities | In the forward of purchase over securities, the right is calculated by valuing the security at the market price and the obligation obtaining the present value of the purchase amount agreed upon.<br><br>In the event of forwards of sale over securities the right is calculated obtaining the present value of the sale amount agreed and the obligation valuing the security at market price. |
| F o r wa r d on foreign currency | Methodology of valuation for forward and spot operations over foreign currency used by the Bank, is made by bringing to present value the flows, (future obligations and rights involved in the operation; the more usual is that one of these two flows is given in US Dollars, and the other one in Colombia Pesos. Each flow is brought to present value using market discount rates in dollar and Colombian Pesos for the remaining term in each operation. These present values are computed using the |

| | |
|---|---|
| | continuous composed rates. Once present values of the flows are obtained, they are re-expressed in in Colombian pesos using the Market Representative Rate calculated and certified by Colombia Finance Superintendence. The interests used are those of the market based on mean devaluations of Colombian Market. |
| Options | The determination of option market value in currency made by the Bang, it is estimated using a methodology developed by Black and Scholes.<br><br>Information to be used in the model to value the options, is obtained from financial information systems currently providing the prices for the variables involved (Volatility, free rates of local and foreign risks).<br><br>The initial record corresponds to the premium actually paid and the variations in the exchange fair price in respect of the initial actually paid, are accounted for in the statement of results. The rights and obligations are recorded in the contingent accounts.<br><br>When the Bank purchase an option, either “call” or “put” , the accounting records, both of the premium paid and its daily variances at Exchange fair price is made in the asset.<br><br>When the Bank sells an option, the accounting record of the premium received and the records of daily variations at Exchange fair price, are recorded in the liabilities.<br><br>In the date the contract is finishes, the balances corresponding to value of right and that of the obligation are paid out, and any difference ins charged as profit of loss in the valuation of derivatives |
| Futures | In this type of derivatives, there is daily assessment of profit and loss. The Chamber of Counterpart Central Risk “CCCR”” communicates, in a daily basis, the result of participant compensation and proceeds to debit or credit the loss and profit made..<br><br>For the event of futures of notional bond, if the Bank shows short position, it notices the CCCR the security intended to be used to comply with its obligation, according the specifications of the deliverables basket and the transfer of such securities is made through the deposits of securities (DCV and/or DECEVAL) who will confirm to CCCR the transfer of such securities.<br><br>For the event of futures of dollar/peso exchange rate at the term of the contract, the assessment is made against the underlying price (MRR) published the last day of negotiation.<br><br>The value of the obligation to be recorded by the seller in its bank (right for buyer), in Colombian pesos, corresponds to the price of each unit of contract of futures reported on the date of valuation, by Stock Exchange by the number of contracts, and by the nominal value of each contract. On the other hand, the value of the right to be recorded, the seller in its balance sheet (obligation for purchaser), in Colombian pesos, correospo9nd to the price of each unit fixed in the future contract, multiplied by the number of contracts and by the nominal value of each contract.<br><br>The Novated Forwards consist of financial instruments derivatives, negotiated in the counter market and which counterparts, by mutual agreement, make the decision to carry it to a counterpart central risk chamber for its compensation and liquidation; this agreement is governed by the frame contract executed between the initial counterparts until the day when the counterpart central risk chamber is interposed as counterpart of the operation. From that moment on, the rules of the chamber will apply and therefore, the frame contract will cease to be valid previously executed between the initial counterparts of such financial instrument. Likewise, the respective Counterpart Central Risk Chamber must ensure to Colombian Finance Superintendence, the Access to the information of those operations required by the Superintendence.<br><br>The accrued balance existing in the balance sheet until the day when the counterpart central risk chamber effectively accepts the operation, this same day is carried to an payable or a receivable account, as applicable, in the name of such chamber, Such account is cancelled with rules of the respective Counterpart Central Risk Chamber. |

(i) Current Asset, Received in Payment and Delivered Back Asset

Corresponded to goods received in payment of credit obligations unpaid by clients recorded by its commercial value supported on an appraisal of recognized technical value. When the difference between final value and the credit paid is higher, such difference is recorded as an account payable.

Valuations of immovable property received in payment, are accounted for in the memorandum accounts
When the good received in dation of payment is not in marketable conditions, its cost is increased with the necessary expenses incurred to render salable to property
.
The goods delivered back from financial leasing operations due to default of the contract by the lease, or due to refraining from exercising purchase option, the good recorded at the cost, corresponding to the balance receivable from the leasing contract.

Valuation on goods delivered back, movable and immovable, they are recorded in the memorandum account.

Valuations on goods delivered back, movable and immovable, are recorded in the memorandum account.

(j) Provision Current Asset Received in Payment and Delivered Back

Immovable Property

A provision is made in monthly aliquots within the tax year following the receipt of the property, equivalent to thirty percent (30%) of acquisition cost, and increased in monthly aliquots within the second year by thirty percent (30%) additional until reaching sixty percent (60%). Upon the completion of legal term to the sale, and the extension has not been authorized, the provisions is increased to eighty percent (80%), unless extension is obtained, in such event, the twenty percent (20%) may be made within the term of the extension.

When acquisition cost of the immovable property is lower than the value of the debit recorded in the balance sheet, the difference is immediately recognized in the statement of results

When the commercial value of the immovable property is lower than the booked value of the asset received in payment, a provision for the difference is accounted for.

Movable Property

For movable property, a provision equivalent to thirty five zero percent (35.0%) of the acquisition cost of the property received in payment is made within the following year the property is received, and increased in the second year by thirty five zero percent (35.0%) until reaching seventy zero percent (70%) of the value booked of the property received in payment before provisions. Upon the completion of the legal terms to sell the asset, without any extension is obtained, the provisions will be one hundred zero percent (100.0%) of the value of property before provision, unless an extension is obtained, and in such event the additional thirty Zero percent (30.0%) may be made during the extension.

Without prejudice of the provisions aforementioned, the movable goods received in payment corresponding to investment papers are value by applying criteria in the note 2(d) taking into account its classification as marketable investments available for sale or to maintain up to maturity.

The provisions made over property received in payment or property delivered back from leasing operations, may be reversed the they are spot sold. If those goods are placed in portfolio or in financial leasing operations, the profit derived as a result of the transfer of good to the accounts of the group, shall be deferred in the term where operation was agreed on.

Regulations about Legal Term for Sale

The goods received in payment shall be sold within two years following the date of acquisition; they may, however, accounted for as fixed asset, when they are necessary in the ordinary line of business, and the limits of investment of asset are accomplished.

It is possible to apply for Colombia Finance Superintendence to extend such term of sale, and such application may be submitted in any case properly in advance to the legal expiry term set forth.

In the respective application, it should be documented that, the management procedures have been properly accomplished for the sale. In any case, the extension of term shall not exceed the initial legal term, and during such period, the action promoting the sale of such unproductive asset shall be continued.

### (k) Property and Equipment

Records tangible asset acquired, constructed or under import process, use in a permanent manner in the development of the line of business and the useful life of which is more than one (1) year. This includes cost and indirect expenses caused until the time the asset is under use conditions.

Additions, improvements, and extraordinary repairs are significantly increasing useful life of assets, are booked and additional value and the expenses related to maintenance and repairing made to maintain such assets are included in debited to expenses as they are caused.

Depreciation is recorded using straight-line method y according to estimate number of useful life years of the assets. Annual depreciation rates of each item of asset are the following:

| | |
|---|---|
| - Buildings | 5% |
| - Office equipment, furniture and fixture | 10% |
| - Computing Equipment | 20% |
| - Vehicle | 20% |

The property and equipment are recorded at cost price, which was re-expressed as a result of the inflation up to December 31, 2000.

Individual provisions on the property and equipment which net vale is higher than the commercial value determined by technical appraisal shall be recorded, and when the net value is lower than the commercial value, such difference is recorded as valuations of asset in the patrimony.

### (l) Asset given in Operative Leasing

Include the cost of goods given in operative leasing delivered by the entity to be used by the user following the respective agreement.

Where in contracts of operative leasing it is provided that together with the payment of rent ninety percent (90%) more the value of good is amortized, depreciation of such goods will be made during the term of the agreement and using the methodology of financial depreciation according to contractual conditions.

The goods given in operative leasing are recorded at cost and disbursement on account of improvement and repairs to increase their efficiency and useful-life of that of capitalized asset. The expenditures for maintenance and repairs are accounted for as expense of the operational period where expenses are made.

Depreciation of  goods given in operative leasing, is made in the time resulting lower between useful-life of the good and the leasing contract term.

Over the value of goods given in leasing a general 1% provision is made, without exceeding the accrued depreciation amount one hundred percent of the goods given in operative leasing.

### (m) Branch Offices and Agencies

Accounts for the transactions of the operations made between Top Management and the Offices, as well as those made between them and the Agencies.

Balances are monthly reconciled and the pending items resulting are regularized during a term no longer than thirty (30) calendar days.

At the accounting closing net balances are reclassified, to reflect the accounts from branch officer and agencies, to asset or liabilities accounts and the respective income and expenses are recognized.

(n) Prepaid Expenses and Deferred Charges

Prepaid expenses correspond to expenditures incurred by the Bank in the activity development which benefit or service is received during several periods; they may be recoverable and involve the successive supply of services to be received.

Deferred charges correspond to costs or expenses that benefit future periods and are not susceptible of recovery. Amortization is recognized from the day they contribute to produce income.

Causation or Amortization is made as indicated below:

Prepaid Expenses

- Interest during prepaid period.
- Insurance during policy term
- The other prepaid expenses during the period the services are received.

Deferred Charges

- Charges of Organization and preoperational expenses during a period no longer than two (2) years.
- Restructuring during a time period no longer than two (2) years.
- Studies and project, a time period no longer than two (2) years.
- Computing software during a time period no longer than two (3) yeas
- Stationery according to actual consumption
- Improvements to property leased during the shorter period between the term of the respective lease agreement, overlooking the extensions, and the probable useful-life of the property.
- Deferred income tax "debit" for temporary differences at the time the legal and regulatory requirements are compiled as provided in the tax regulations.
- Patrimony tax during a 4-year time period
- Real Estate Tax during 1-year time period
- Contributions and affiliations during the prepaid time period.
- The other concepts are amortized during the estimate period to recover the expenditure or the obtainment of the expected benefits

(o) Goods to be placed in Leasing Agreements

The new goods acquired by Company which contract has not started due to any pending legal requirements are entered in this accounting item, and those goods under in operative leasing delivered back by lease are also entered in this item. The devolution of those goods shall be accounted for by its book cost (cost less accrued depreciation) it is not subject to depreciation; provision is made according to the guidelines in Chapter III of Circular Letter 100/1999 (See Note 2, letter j – Marketable Goods Received in Payment Provision, and delivered back goods).

(p) Intangible Goods

Under Resolution 0828, of May 19/2006, Colombia Finance Superintendence authorized the take-over of Banco Unión Colombiano S.A. The mercantile credit resulting from the difference between the value paid and net patrimony as of the date of the take-over, of Banco Union Colombiano, is redeemed by exponential system in 237 month, the difference between 20-year term and the time already redeemed according to provisions in the External Circular Letter Nº 034/2006 of Colombia Finance Superintendence . In any case, the Bank may voluntarily elect a shorter period.

Annually, the Bank values at market price the associated business lines with mercantile credit to determine whether or not there is loss or impairment of price. Valuation is made by using flow of profits generated by each business line identified as cash independent generator.

### Rights in Trust

Registers the rights generated by virtue of execution of mercantile trust contract giving to the settlor or beneficiary the possibility to exercise the rights according to the constitutive act or law..

The transfer of one or more goods made by the settlor to the trustee shall be made, for accounting purposes, by its adjusted cost, so that the delivery itself does not involve the obtainment of profits to the constituent and the profit will only involve incidence on the results when the good or goods subject matter of trust,.

### (q) Valuations

Valuations of investment available for sale in certificates of participation are booked based on issuer's patrimonial variances.

Valuations of real estate property are determined by comparing the net cost to the value of commercial appraisals made recognized and independent persons or firms. If any devaluation will occur, considering the Standard of reasonable prudence, for each real estate property, a provision is made.

Valuation of art and culture goods is recorded taking into consideration conservation status of the works, originality, size, technique and quotation of similar works.

### Asset Valuation and Devaluations

Valuation of action making part of patrimony, include:

1. Commercial technical appraisals made by specialized firms, versus book net value of property and equipment and goods given in operative leasing of Bank.

2. Commercial value of available investment for sale in participative securities versus its net book cost.

For investment quoted in stock exchange, such surplus are determined based on the market value or in default thereof, with their intrisical value, as determined over financial statements up six month before.

In the event of impairment of value for investments available for sale participative securities and property and equipment by real property, in keeping with prudence standard, for each good, individually, the value of valuation is reversed, if available and provision is constituted.
Over goods received in payment and delivered back, valuations are not recorded

### (r) Prepaid Income

This item includes deferred and prepaid income received by the Bank during operational activity, which are amortized during the operational period when services are actually supplied or caused.

### (s) Estimate Liabilities and Provisions

The Bank records provisions to cover estimate liabilities, taking into account that:

- There exists an acquired right, and as a result, an obligation assumed.
- The right is payable or probably, and
- Provision is justifiable, quantifiable and verifiable.

In the same way, this item includes the estimated valued for tax, contributions and affiliations concepts.

### (t) Retirement Pensions

The Bank has currently the actuarial calculation totally amortized, that is, it is maintained updated on a semi-annually basis and totally amortized during the respective half-year operational period.

Retirement pension payments are charged against the provision made

(u) Legal Reserve

According to Decree 663 of April 2/1993, the Legal Reserve of credit entities is made up, at least with 10% of net profit from each operational period, until completing 50% of the subscribed capital; such reserve only may be decreased down to such percentage in order to set-off accrued loss in excess of the amount of undistributed profit

(v) Contingent Accounts

Economic facts or circumstances potentially affecting Bank's financial structure, are recorded and contingent accounts. Additionally, those operations whereby the entity could acquire any right or assume an obligation the occurrence of which is conditioned that any fact will or not occur, are recorded as contingent accounts, depending on eventual or remote future factors. Contingent accounts include collaterals, bank guarantees given, open letters of credit unused, and other contingencies.

(w) Memorandum Accounts

Tis items records the operations made with third parties, that by its nature do not affect bank's financial situation, as well as fiscal accounts corresponding to the figures used to produce tax declarations. Likewise, these memorandum accounts include the value of certified credits, fiscal indexation of non-monetary asset and net worth.

(x) Income, Cost and Expense Recognition

The Bank uses the standard of association and accrual method to recognize and record income, cost and expenses. Interest, commissions, and rent paid or received in advance are recorded in the account of expense or income prepaid or received in advance. Interest, indexation, exchange adjustment, monthly rent and income for other concepts will stop causing when ay credit shows the following default: commercial credit, 3 months; consumption credit, 2 months.

Income from financial returns and financial leasing and other concepts are recognized at the time they are payable, excepting the interest, indexation, exchange adjustment, and other concepts originated from:

– Commercial credits more than 3 months in arrears
– Consumption credits more than 2 months in arrears

Therefore, they do not affect the statement of results until they are effectively paid. While this result occurs, the appropriate record is made in the memorandum accounts.

For those cases where, as a result of restructuring agreement or any other modality of agreement occurs, capitalization of interest is accomplished recorded in the memorandum accounts or written-off portfolio balance including capital, interest and other concepts will be recorded as deferred credit in the code 272035 and its redemption to the statement of results will be made in proportion to the amount actually recovered

(y) Related-Parties

Related-parties are considered:

- The companies where the Bank holds management or financial control, and they are subject to (subordinate) consolidation.
- Stockholders individually holding more than 10% of Bank stock capital and those which individual participation is less than 10%, and respect of which exist operations exceeding 5% technical patrimony
- The members of the Board of Directors and the Managers

(x) Conversion of Transactions in Foreign Currency

As intermediary in exchange market, the Bank may directly make purchase and sales of foreign currency derived from the exchange market.

Operations in foreign currency, other than dollar, are converted into American Dollars, and the re-converted to Colombian Pesos, using the market representative exchange rate (MRR) calculated on a daily basis and certified by Colombia Finance Superintendence. At the closing of the respective operational period on June 30, 2012 and December 31, 2011, the exchange rates were $ 1.784.60 (in pesos) and $1.942.70 (in pesos), respectively

"Own position" in foreign currency of exchange market intermediaries is defined as the difference between the rights and obligations determined in foreign currency, recorded inside and outside the balance sheet, realized or contingent, including those payable in Colombian legal tender.

"Own Spot Position" is the difference between all asset and liabilities in foreign currency according to PUC excluded the investments available for sale in certificates of participation, carrousel operations, forward contracts, futures contracts, swaps and profit or loss in operation valuations, and asset and liabilities in foreign currency.

Leverage gross position is defined as the summation of i) the rights and obligations in fixed term and future contracts in foreign currency; ii) spot operations in foreign currency with compliance between on banking day (t+l) and two bank days (t+2), and iii) the exchange exposure to debit contingencies and credit contingencies acquired in options and derivatives negotiations over the type of exchange.

Arithmetic average of three business days of own position will exceed the equivalent in foreign currency to twenty percent (20%) and fifty percent (50%) of technical patrimony, respectively.

The minimum amount of the arithmetic average aforementioned of the own position may be negative without exceeding the equivalent in foreign currency to five percent (5%) of technical patrimony. The spot own position may not be minus.

Arithmetic average of three (3) business days of leverage gross position will not exceed five hundred percent (500%) of the amount of technical patrimony. The equivalent in foreign currency to twenty percent (20%) fifty percent (50%) of technical net worth, respectively.

For such purposes, the Bank determines technical patrimony in Dollars based on financial statements of the precedent second calendar month and applying exchange rate, to the re-expression of figures in foreign currency of the precedent month.

As of June 30, 2012 and December 31, 2011, the asset in foreign currency amounted to 173.243.226.49 (Dollars) and US$ - 1.177.527.453.83 (Dollars) and liabilities to US$174.939.463.33 (Dollars) and US$1.182.291.217 (Dollars), respectively

### (aa) Net profit per Stock

As of June 30, 2012 net profit per stock was computed according to the weighted average of outstanding stocks that was 155.899.719. As of December 31, 2011 net profit per stock was computed according to the weighted average of outstanding stocks.

### (ab) Weighted Asset Ratio per Level of Risk – Technical Net Worth

Technical net worth can be less than nine point zero percent (9.0%) of asset in legal and foreign currency weighted by level of risk, as indicated in article 2.1.1.1.2 of Decree 2555/2010, formerly article 2, Decree 1720/2001. The individual compliance is checked out every month and every six months in a consolidated manner with its subsidiaries in Colombia, controlled by Colombia Finance Superintendence and the financial affiliates abroad.

Classification of risk asset in each category is made by applying the percentages determined by finance superintendence to the risk asset to each of the items of asset, creditor contingent accounts, deals, and financial assignments established in the Account Single Plan. As from January 30, 2002, the market risk is additionally included as a part of asset weighted by risk.

## (3) Major Differences between Especial Standards and Accounting Standards Generally Accepted in Colombia

Especial accounting standards set forth by Colombia Finance Superintendence show some differences with the accounting standards generally accepted in Colombia, as follows:

### Property, Plant and Equipment

Accounting standards generally accepted determine that at the closing period the net value of property, plant and equipment, sic adjusted value exceeds twenty (20) minimum legal monthly salaries, should be adjusted to its surrender value or its present value, recording the valuations and provisions necessary while especial standards do not show conditions for this type of asset

### Premium of Stock Placement

The especial provision provides the Premium of stock placements recorded as a portion of legal reserve, while the generally accepted standards indicate that it shall be recorded in the patrimony

### (4) Available

| Below the detailed available | | Jun-30, 2012 | Dec. 31-11 |
|---|---|---|---|
| Legal Tender | | | |
| Cash | $ | 330.345 | 324.499, |
| Central Bank | | 1.425.455 | 1.072.589 |
| Banks and other Financial Entities | | 21.538 | 37.135 |
| Conversion | | 1.984 | 1.728 |
| In Transit Remittances | | 510 | 404 |
| | $ | 1.779.832 | 1.436.355 |
| Foreign Currency Conversion to Legal Tender | | | |
| Cash | | 14.955 | 21.494 |
| Central Bank | | 229 | 249 |
| Banks and other Financial Entities | | 46.440 | 76.073 |
| In Transit Remittances | $ | 1.120 | 1.598 |
| | | 62.744 | 99.414 |
| | | 1.842.576 | 1.535.769 |
| Provision for Available | | | |
| Legal Tender | $ | - | (2) |
| | $ | 1.842.576 | 1.535.767 |

The balance in cash and deposits in the Central Bank in legal tender, as of June 30, 2012 and December 31, 2011, include value computed for bank reserve to be maintained over the deposits received from clients, according to legal provisions.

There exists no any other restriction on the available. At the closing December 30, 2011 there were items of lower amount more than 30 days pending of regularization corresponding to banks and remittances in-transit $2, 100% provisioned

### (5) Active positions in monetary market and related transactions

Below the detail of active positions in Monetary and related market transactions:

| | | Jun. 30, 2012 | Annual Effective Rate | 31 Dec. 31-11 | Annual Effective Rate |
|---|---|---|---|---|---|
| Legal Tender | | | | | |
| Investment Transfers investment in simultaneous operations | $ | | - | 14.549 | 5,29% |
| Ordinary Inter-bank funds sold: | | | | 14.549 | |
| Foreign Currency | $ | | - | | |
| Ordinary Inter-bank Funds Sold | | 276.715 | 0,20% | 49,552 | 0,01% |
| | | 276.715 | | 49,552 | |
| | | 276.715 | | 64.101 | |

Over inter-bank funds sold and back purchase agreement there exist no restrictions.

(6) Investments

Detail of Investment below:

| Investments in Certificates of Indebtedness<br>Marketable | | June 30, 2012 | Dec. 31-2011 |
|---|---|---|---|
| Legal Tender | $ | | |
| Issued by the Nation | | 67.830 | 603.898 |
| Securities of credit contents derived from ownership processes | | 742 | 3.452 |
| Financial Institutions | | 78.437 | 70.130 |
| Other | | 9.133 | 9.276 |
| | $ | 156.142 | 686.756 |
| Foreign Current | | | |
| Foreign Bank | | 56.902 | - |
| Other | | 9.749 | 4.374 |
| | | 66.651 | 4.374 |
| | | 222.793 | 691.130 |
| To Maintain Until Maturity | | | |
| Legal Tender | | | |
| Foreign Bank | | 151.545 | 197.393 - |
| Financial Institutions | | 44.238 | 530.198 |
| | | 195.783 | 727.591 |

| Investments in Certificates of Indebtedness<br>Available for Sale | | Jun 30, 2012 | Dec. 31-2011 |
|---|---|---|---|
| Legal Tender | | | |
| Issued by the Nation | | 167.272 | 373.104 |
| Securities of credit contents derived from ownership processes | | 89.392 | 64.458 |
| Financial Institutions | | 16.456 | 16.746 |
| Other | | 7.085 | 7.029 |
| | | 280.205 | 461.337 |
| Backpurchase rights (Transfer) of investment in Certificates of Debt | | | |
| Marketable | | | |
| Legal Tender | | | |
| Certificates of domestic public debt issued by the Nation | | 503.942 | 79.909 |
| Foreign Current | | | |
| Certificates of External Public debt issued or endorsed by the Nation | | 35.719 | 34.608 |
| | | 1.870 | 1.954 |
| | $ | 541.531 | 116.471 |

| To Maintain Until Maturity | Jun 30, 2012 | Dec. 31-2011 |
|---|---|---|
| Legal Tender | | |
| Certificates of internal public debt issued or endorsed by the Nation | 463 | - |

| | | | |
|---|---|---|---|
| Certificates issued, endorses, accepted or backed up by entities controlled by Bank Superintendence (including mandatory bond or optionally converted into stocks) | | 449.479 | - |
| | | 449.942 | - |
| **Available for Sale** | | | |
| **Legal Tender** | | | |
| Certificates of internal public debt issued or backed up by the Nation | | 544.229 | 424.968 |
| | $ | 1.535.702 | 541.439 |

The Treasury operations participated with 4.09 % of total operational income of the Bank as of June 30, 2012..

The following itemizes Certificates of Participation Available for Sale:

Available for sale in Participative Securities

June 30, 2012

| Business Name | Stock Capital | # Shares Owned | % de Participation | Cost (1) Adjusted | Patrimonial Value | Net Valuation | Provi. | Unrealized Accrued Profit/Loss | Rating |
|---|---|---|---|---|---|---|---|---|---|
| **Shares with highly stock market liquidity with exchange market quotation** | | | | | | | | | |
| A Toda Hora S.A. | - | 333 | 20,00% | 263 | 1.362 | 1.099 | - | - | A |
| A.C.H. Colombia S.A. | - | 6.595 | 4,79% | 272 | 891 | 619 | - | - | A |
| Casa de Bolsa S.A. Cámara de Compensación de Divisas de Colombia S.A. | - | 2.500 | 3,19% | 80 | 111 | 31 | - | - | A |
| Cámara de Riesgo Central de Contraparte de Colombia S.A | - | 40.000 | 1,17% | 472 | 610 | 138 | - | - | A |
| Casa de Bolsa S.A. | - | 15.223 | 7,95% | 2.584 | 2.605 | 21 | - | - | A |
| Depósito Central de Valores S.A. | - | 482 | 1,26% | 39.960 | 668 | 211 | - | - | A |
| Fiduciaria de Occidente S.A. | - | 13.671 | 94,98% | 71 | 80.917 | 40.957 | - | - | A |
| Gestión y Contacto S.A. | - | 94 | 1,02% | 457 | 87 | | - | - | A |
| Pizano S.A. | - | 64.802 | 0,92% | 1.797 | 2.211 | 16 | - | - | A |
| Porvenir S.A | - | 75.424 | 23,10% | 130.521 | 164.577 | 413 | - | - | A |
| Redeban Multicolor S.A. | - | 9.996 | 7,24% | 1.564 | 4.733 | 34.055 | - | - | A |
| Ventas y Servicios S.A. | - | 848 | 45,00% | 2.256 | 2.927 | 671 | - | - | A |
| Overseas Investments: | | | | | | | - | - | |
| Banco de Occidente Panamá S.A. | 11 | 1.186 | 95,00% | 38.119 | 60.813 | 22.693 | - | - | A |
| Occidental Bank Barbados Ltd | 8 | 1.721 | 100,00% | 26.238 | 45.408 | 19.171 | - | - | A |
| | $ | | | **244.654** | **367.920** | **123.265** | - | - | |

**Shares with highly stock market liquidity with exchange market**

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **quotation** | | | | | | | | | |
| **Bursátil** | | | | | | | | | |
| **National Investment** | | | | | | | | | |
| Corporación Financiera Colombiana S.A. | - | 194.231 | 13,39% | 787.957 | 787.957 | - | - | 510.833 | A |
| **Other securities: National Investments** | | | | | | | | | |
| MasterCard | - | 130.807 | 0,00% | 68 | 68 | - | - | - | A |
| | | | | **788.025** | **788.025** | - | - | **510.833** | |
| Total | | | | **1.032.679** | **1.155.945** | **123.265** | - | **510.833** | |

December 31, 2011

| Business Name | Stock Capital | # Shares Owned | % de Participation | Cost (1) Adjusted | Patrimonial Value | Net Valuation | Provi. | Unrealized Accrued Profit/Loss | Rating |
|---|---|---|---|---|---|---|---|---|---|
| **With Exchange Market Quotation National investments** | | | | | | | | | |
| A Toda Hora S.A. | - | 333 | 20,00% | 263 | 1.387 | 1.123 | - | - | A |
| A.C.H. Colombia S.A. | - | 6.595 | 4,79% | 272 | 925 | 653 | - | - | A |
| Cámara de Compensación de Divisas de Colombia S.A. | - | 2.500 | 3,19% | 80 | 100 | 20 | - | - | A |
| Cámara de Riesgo Central de Contraparte de Colombia S.A | - | 40.000 | 1,17% | 472 | 611 | 139 | - | - | A |
| Casa de Bolsa S.A. | - | 15.223 | 7,95% | 2.584 | 2.543 | (41) | - | - | A |
| Depósito Central de Valores S.A. | - | 482 | 1,26% | 457 | 827 | 370 | - | - | A |
| Fiduciaria de Occidente S.A. | - | 13.671 | 94,98% | 39.960 | 76.207 | 36.247 | - | - | A |
| Gestión y Contacto S.A. | - | 94 | 1,02% | 38 | 70 | 32 | - | - | A |
| Pizano S.A. | - | 64.802 | 0,92% | 1.797 | 2.029 | 232 | - | - | A |
| Porvenir S.A | - | 73.456 | 23,10% | 121.154 | 149.826 | 28.672 | - | - | A |
| Redeban Multicolor S.A. | - | 9.996 | 7,24% | 1.564 | 4.673 | 3.110 | - | - | A |
| Ventas y Servicios S.A. | - | 577 | 45,00% | 2.256 | 2.156 | 924 | - | - | A |
| Overseas Investments: | | | | | | | - | - | |
| Banco de Occidente Panamá S.A. | 11 | 1.157 | 95,00% | 40.174 | 61.339 | 21.165 | - | - | A |
| Occidental Bank Barbados Ltd | 8 | 1.621 | 100,00% | 26.295 | 44.059 | 17.768 | - | - | A |
| | $ | | | **236.338** | **346.752** | **110.414** | - | - | |
| **Stocks with high market liquidity With Exchange Market Quotation National investments** | | | | | | | | | |
| Corporación Financiera Colombiana S.A. | - | 190.158 | 13,39% | 861.552 | 861.552 | - | - | 603.159 | A |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Other Securities: National Investments** | | | | | | | | - | A |
| MasterCard | - | 130.807 | 0,00% | 74 | 74 | - | - | | |
| | | | | **861.626** | **861.626** | **-** | **-** | **603.159** | |
| Total | | | | **1.097.964** | **1.208.378** | **110.414** | **-** | **603.159** | |

According to provide in subsection (i) literal c) Items 6.2.1 and 8.2 of External Circular Letter 033 / 2002 issued by Colombia Finance Superintendence, acquisition cost of investments made before September 2/2002 is the intrinsically value calculated on that date. For subsequent purchases, acquisition cost is its purchase value.

Figures in foreign currency are given in million dollars.

During the first and the first half-year 2012 and the second half-year 2011, the Bank received stock dividends representing higher number of stocks owned of the societies listed below:

| | Jun 30, 12 | | Dec. 31-11 | |
|---|---|---|---|---|
| | Date | Value | Date | Value |
| Sociedad Administradora de Fondos de Pensiones y Cesantías S.A. | mar-12 | $ 9.367 | Sep 11 | $ 9,525 |
| Corficolombiana S.A. | mar-12 | 18.731 | Sep 11 | 16,751 |
| Gestion y Contacto S.A. | abr-12 | 33 | | - |
| Ventas y Servicios S.A. | abr-12 | 508 | | - |
| | | 28.639 | | $ 26,276 |

All investments available for sale in certificates of participation correspond to stocks with low and minimum liquidity, with the exception of the investment in Corporación Financiera Colombiana S.A. corresponding to high liquidity stocks.

About investments there exist no restrictions or pledging.

Investment in Banco de Occidente (Panamá) S.A. corresponds to an indicial contribution of US$4,382,130 (Dollars) by the subscription of 438,213 stocks, US$10 (Dollar) par value each, on December 6/1995 the contribution increased by US $2,999,993 (Dollar) by the conversion of Bonds into stocks (158,311 stocks) and on April 30/2003 contribution was increased by US $2,849,980 (Dollars) by the conversion of 102,739 stocks.

The investment in Occidental Bank Barbados Ltd. was acquired on June 23/2006 by the Bank via merger with Banco Unión Colombiano S.A., corresponding to an investment of US $ 3,295,000 (dollars) equivalent to 659 stocks US $ 100 (dollars) and on June / 2009 capitalized by US $2.425.000 (dollars) corresponding to 485 stocks

On June 30, 2012 and December 31, 2011 under solvency risk, the Bank was rated “A” in investments available for sale in certificates of participation.

In connection with rating of certificates of indebtedness, and according to the provisions in the Chapter I of Basic Accountant and Financial Circular 100/1995 issued by Colombia Finance Superintendence, the certificates of indebtedness were evaluated and rated under credit risk. From the total certificates of indebtedness belonging to Banco de Occidente portfolio, excluding mandatory investments, 87% of such certificates are invested in Certificates of the Issuer Nation Colombia. The remaining 13% is invested in bond of private indebtedness, TDC and, inter alia.

Related to portfolio securities qualification, 94% is under the highest credit qualifications (Free Risk and AAA) while securities with qualification different from AAA represent only 6%.

In the valuation of legal and credit risk as of June 30, 2012 and December 31, 2011 and, it is determined that the Bank did not require provisions.

Investment Maturity

| | Until 1 year | From 1 and 3 years | From 3 and 5 years | More than 5 years | Total |
|---|---|---|---|---|---|
| Certificates of Debt | $ 117.191 | 42.004 | 15.358 | 589.771 | 764.324 |
| Maintained up to maturity | 115.147 | 378.570 | - | 152.008 | 645.725 |
| Available for sale in Certificates of Debt | 2.358 | 81.919 | 216.017 | 524.140 | 824.434 |
| | $ 234.696 | 502.493 | 231.375 | 1.265.919 | 2.234.483 |

December 31, 2012

Investment Maturity

| | Until 1 year | From 1 and 3 years | From 3 and 5 years | More than 5 years | Total |
|---|---|---|---|---|---|
| Certificates of Debt | $ 64.040 | 27.957 | 14.570 | 701.034 | 807.601 |
| Maintain up to maturity | 167.319 | 362.879 | - | 197.392 | 727.590 |
| Available for sale in Certificates of Debt | 2.910 | 48.141 | 224.277 | 610.978 | 886.306 |
| | $ 234.269 | 438.977 | 238.847 | 1.509.404 | 2.421.497 |

Portfolio maximum, minimum and mean values

June 30, 2012

| | Average Balance | Maximum Balance | Minimum Balance |
|---|---|---|---|
| Salable | 807.937 | 870.216 | 758.045 |
| Up to Maturity | 684.267 | 711.252 | 645.725 |
| Available for sale Certificates of Debt | 858.982 | 900.668 | 816.221 |

Portfolio maximum, minimum and mean values

December 31, 2011

| | Average Balance | Maximum Balance | Minimum Balance |
|---|---|---|---|
| Salable | 833.550 | 967.109 | 764.672 |
| Up to Maturity | 703.960 | 727.590 | 682.412 |
| Available for sale Certificates of Debt | 884.127 | 968.543 | 832.675 |

The average of investments for the first half-year 2012 was de $2.351.185.405, reaching the saling on March for $2.432.923 and its minimum on June $2.234.483.

The average of investments for the second half-year 2011 was $2.421.636, reaching the saling on July for $2.600.951, and the minimum average on September was $ 2.336.631.

## (7) Credit Portfolio and Capital Lease Operations

Below portfolio and Capital Lease operations itemized by credit modality:

| | | Jun 30, 2012 | Dec. 31-11 |
|---|---|---|---|
| Ordinary Loans | $ | 10.614.508 | 10,063,489 |
| Loans with resources from other entities | | 321.428 | 396,801 |
| Factoring without resource | | 403 | 802 |
| Letter of Credit Covered | | 67.724 | 83,950 |
| Overdrafts in Bank current account | | 92.091 | 72,541 |
| Discounts operations and factoring | | 1.716 | 1,168 |

| | | Jun 30, 2012 | Dec. 31-11 |
|---|---|---|---|
| Credit Card | | 538.087 | 513,219 |
| Reimbursement of advance payments | | 151.638 | 109,974 |
| Immovable goods given in leasing | | 1.652.163 | 1.507.581 |
| Movable goods given in leasing | | 2.005.932 | 1.781.294 |
| Total by Modality | $ | 15.445.690 | 14.530.919 |

Portfolio Maturity

The following is the detail of credit portfolio by maturity period according to the expected flows for the range zero (0) – three hundred sixty (360) days and more, as per medium-term liquidity qualification risk:

| | | Jun 30, 2012 | Dec. 31-11 |
|---|---|---|---|
| Commercial | | | |
| Up to 1 year | $ | 6.979.070 | 6.566.858 |
| Between 1 to 3 years | | 3.418.347 | 2.847.14 |
| Between 3 and 5 years | | 1.165.963 | 1.550.122 |
| More than 5 years | | 858.648 | 768.767 |
| Total Commercial | $ | 12.422.028 | 11.732.891 |

| | | Jun 30, 2012 | Dec. 31-11 |
|---|---|---|---|
| Consumption | | | |
| Up to 1 year | $ | 1.144.671 | 1.125.888 |
| Between 1 to 3 years | | 1.283.723 | 982.865 |
| Between 3 and 5 years | | 502.247 | 608.064 |
| More than 5 years | | 93.021 | 81.211 |
| Total Consumption | $ | 3.023.662 | 2.798.028 |
| Total Portfolio Maturity | $ | 15.445.690 | 14.530.919 |

Below portfolio and Capital Lease operations itemized per economic destination

| | | Jun 30, 2012 | % Parti. | Dec 31, 2012 | % Part. |
|---|---|---|---|---|---|
| Salaried | $ | 2.513.602 | 16,27% | 2,224,549 | 15,31% |
| Wholesale trade and auto motor vehicles | | 1.940.043 | 12,56% | 1,823,945 | 12,55% |
| Transport-related activities Cargo, passenger, other) | | 1.207.033 | 7,81% | 1,089,171 | 7,50% |
| Other activities and consumption credit - Other | | 1.158.624 | 7,50% | 1,163,517 | 8,01% |
| Construction | | 1.097.002 | 7,10% | 927,551 | 6,38% |
| Other business activities | | 857.663 | 5,55% | 808,922 | 5,57% |
| Capital Annuitant | | 792.802 | 5,13% | 773,800 | 5,33% |
| Activities related to financial sector | | 727.658 | 4,71% | 696,389 | 4,79% |
| Public and defense, social security administration | | 598.424 | 3,87% | 689,278 | 4,74% |
| Detail commerce | | 586.676 | 3,80% | 514,218 | 3,54% |
| Social health and educational services | | 527.314 | 3,41% | 510,966 | 3,52% |
| Farming, hunting and related-activities | | 483.704 | 3,13% | 436,445 | 3,00% |
| Manufacturing of food and drinking products | | 474.757 | 3,07% | 424,094 | 2,92% |
| Manufacture of chemical, rubber and plastic substance / products | | 436.782 | 2,83% | 432,386 | 2,98% |
| Activities of service, real estate, entrepreneurial and rent | | 418.091 | 2,71% | 408,588 | 2,81% |
| Extraction of crude petroleum and natural gas | | 393.245 | 2,55% | 421,795 | 2,90% |
| Manufacturing of basic metallurgic, non-metal products and others | | 384.610 | 2,49% | 384,803 | 2,65% |
| Manufacture of gear and fur garment – textile sector | | 340.616 | 2,21% | 333,311 | 2,29% |
| Generation, capture and distribution of electric, gas energy | | 302.201 | 1,96% | 292,539 | 2,01% |
| Entertainment activities and other cultural activities | | 195.756 | 1,27% | 163,665 | 1,13% |

| | | | | | |
|---|---|---|---|---|---|
| Forestry, logging and related service activities | | 4.760 | 0,03% | 6,529 | 0,04% |
| Hotels, restaurants, bars and the like | | 4.329 | 0,03% | 4,358 | 0,03% |
| | $ | 15.445.690 | 100,00% | 14,530,919 | 100,00% |

Portfolio and Capital Lease Operations per Modality and Qualification

The result of risk rating with the constitution of capital, interest and provisions, is as follows:

| | | June 30, de 2012 | | | | |
|---|---|---|---|---|---|---|
| | | Capital | Interest | Provision Capital | Provision Interest | Security |
| Commercial | $ | | | | | |
| Category A Normal | | 11.440.507 | 82.556 | 190.950 | 1.437 | 3.130.593 |
| Category B Acceptable | | 503.980 | 5.996 | 25.521 | 331 | 123.409 |
| Category C Appreciable | | 169.108 | 2.280 | 18.376 | 1.011 | 71.848 |
| Category D Significant | | 218.058 | 7.644 | 109.950 | 6.866 | 70.888 |
| Category E Unrecoverable | | 90.375 | 2.406 | 81.767 | 2.398 | 34.689 |
| Subtotal Commercial | | 12.422.028 | 100.882 | 426.564 | 12.043 | 3.431.427 |
| Consumption | | | | | | |
| Category A Normal | | 2.776.287 | 33.010 | 64.323 | 960 | 1.101.380 |
| Category B Acceptable | | 78.752 | 2.206 | 7.639 | 409 | 27.660 |
| Category C Appreciable | | 48.491 | 1.585 | 8.754 | 1.167 | 20.136 |
| Category D Significant | | 71.247 | 2.654 | 51.132 | 2.548 | 35.454 |
| Category E Unrecoverable | | 48.885 | 1.744 | 46.533 | 1.729 | 9.463 |
| Subtotal Consumption | | 3.023.662 | 41.199 | 178.381 | 6.813 | 1.194.093 |
| Total per Modality | $ | 15.445.690 | 142.081 | 604.945 | 18.856 | 4.625.520 |

| | | December 31, de 2011 | | | | |
|---|---|---|---|---|---|---|
| Risk Category | | Capital | Interest | Provision Capital | Provision Interest | Security |
| Commercial | $ | | | | | |
| Category A Normal | | 10,746,030 | 71,701 | 178,933 | 1,168 | 2,995,960 |
| Category B Acceptable | | 546,401 | 5,825 | 30,995 | 424 | 163,200 |
| Category C Appreciable | | 160,918 | 1,695 | 21,132 | 581 | 56,184 |
| Category D Significant | | 182,018 | 5,908 | 93,905 | 5,139 | 65,321 |
| Category E Unrecoverable | | 97,525 | 2,660 | 86,274 | 2,645 | 25,045 |
| Subtotal Commercial | | 11.732.891 | 87.789 | 411.239 | 9.957 | 3.305.710 |
| Consumption | | | | | | |
| Category A Normal | | 2,583,376 | 29,186 | 60,019 | 851 | 1,033,359 |
| Category B Acceptable | | 67,249 | 1,757 | 6,846 | 323 | 22,920 |
| Category C Appreciable | | 39,626 | 1,234 | 7,042 | 933 | 16,364 |
| Category D Significant | | 65,655 | 2,350 | 47,456 | 2,258 | 32,000 |
| Category E Unrecoverable | | 42,124 | 1,447 | 39,914 | 1,433 | 10,490 |
| Subtotal Consumption | | 2.798.029 | 35.974 | 161.280 | 5.798 | 1.115.133 |
| Total per Modality | $ | 14,530,919 | 123,763 | 572,519 | 15,755 | 4,420,843 |

June 30, 2012

Portfolio and Capital Lease Operations per Geographic Zone

| | | Capital | Interest | Provision Capital | Provision Interest | Security |
|---|---|---|---|---|---|---|
| Commercial Region | $ | | | | | |
| Southwest Region | | 2.171.130 | 18.484 | 80.754 | 2.316 | 641.979 |
| Bogotá Region | | 5.972.092 | 45.999 | 194.361 | 4.860 | 1.585.621 |
| Northwest Region | | 2.058.081 | 13.767 | 63.163 | 1.764 | 496.651 |
| North Region | | 2.173.545 | 21.407 | 83.587 | 2.865 | 707.176 |
| Credencial | | 47.181 | 1.225 | 4.699 | 238 | - |
| Subtotal Commercial | | 12.422.029 | 100.882 | 426.564 | 12.043 | 3.431.427 |
| Consumption | | | | | | |
| Southwest Region | | 548.130 | 6.573 | 33.992 | 1.240 | 196.872 |
| Bogotá Region | | 985.379 | 11.545 | 54.463 | 2.130 | 514.089 |
| Northwest Region | | 427.419 | 4.917 | 20.770 | 727 | 233.085 |
| North Region | | 571.826 | 7.518 | 35.228 | 1.456 | 250.047 |
| Credencial | | 490.907 | 10.646 | 33.928 | 1.260 | - |
| Subtotal Consumption | | 3.023.661 | 41.199 | 178.381 | 6.813 | 1.194.093 |
| Total per Geographic Zone | $ | 15.445.690 | 142.081 | 604.945 | 18.856 | 4.625.520 |

December 31, 2011

Portfolio and Capital Lease Operations per Geographic Zone

| | | Capital | Interest | Provision Capital | Provision Interest | Security |
|---|---|---|---|---|---|---|
| Commercial Region | $ | | | | | |
| Southwest Region | | 2,037,076 | 15,152 | 89,984 | 1,819 | 613,922 |
| Bogotá Region | | 5,747,868 | 39,464 | 172,481 | 4,014 | 1,509,715 |
| Northwest Region | | 1,902,244 | 13,869 | 63,665 | 1,587 | 501,008 |
| North Region | | 2,001,843 | 18,287 | 80,685 | 2,329 | 681,066 |
| Credencial | | 43,861 | 1,018 | 4,424 | 209 | - |
| Subtotal Commercial | | 11.732.891 | 87.789 | 411.239 | 9.957 | 3.305.710 |
| Consumption | | | | | | |
| Southwest Region | | 517,759 | 5,856 | 30,444 | 1,030 | 184,126 |
| Bogotá Region | | 901,013.4 | 9,844 | 48,339 | 1,818 | 477,978 |
| Northwest Region | | 397,680.5 | 4,211 | 19,139 | 619 | 226,228 |
| North Region | | 512,217.2 | 6,274 | 31,931 | 1,210 | 226,802 |
| Credencial | | 469,357.6 | 9,789 | 31,427 | 1,120 | - |
| Subtotal Consumption | | 2,798,028 | 35,974 | 161,280 | 5,798 | 1,115,133 |
| Total per Geographic Zone | $ | 14,530,919 | 123,763 | 572,519 | 15,755 | 4,420,843 |

Portfolio and Financial Leasing Operation by Currency

June 30, 2012

| Per Currency Risk Category | | Legal Tender | Foreign Currency | Total |
|---|---|---|---|---|
| Commercial | $ | 11.641.778 | 780.250 | 12.422.028 |
| Consumption | | 3.004.302 | 19.360 | 3.023.662 |
| Total per Currencies | $ | 14.646.080 | 799.610 | 15.445.690 |

December 31, 2011

| Per Currency Risk Category | | Legal Tender | Foreign Currency | Total |
|---|---|---|---|---|
| Commercial | $ | 11,012,494 | 720,397 | 11,732,891 |
| Consumption | | 2,776,929 | 21,099 | 2,798,028 |
| Total per Currencies | $ | 13.789.423 | 741.496 | 14,530,919 |

Restructuring, Covenants and Agreement with Creditors

| December 31, 2011 | Number | Capital | Interest | Provision | Security |
|---|---|---|---|---|---|
| Commercial | 577 | $254,769 | 2,123 | 85,496 | 167,069 |
| Act 116 | 13 | 14,856 | 451 | 14,056 | 3,635 |
| Act 550 | 19 | 7,047 | - | 4,845 | 3,883 |
| Act 617 | 6 | 79,330 | 700 | 15,259 | 75,949 |
| Ordinary | 539 | 156,536 | 972 | 51,336 | 83,602 |
| Consumption | 5,939 | 38,072 | 1,037 | 27,387 | 10,163 |
| Ordinary | 5,936 | 38,062 | 1,037 | 27,387 | 10,163 |
| Arrangement with Creditors, Homologation | 3 | 11 | - | - | - |
| Total restructuring and agreements | 6,516 | $295,841 | 3,160 | 112,883 | 177,232 |

Restructuring, Covenants, and Agreement with Creditors by Risk Qualification

| | | | June 30, 2012 | | |
|---|---|---|---|---|---|
| Category of Risk | Number | Capital | Interest | Provision | Security |
| Commercial | 530 | $ 268.842 | 2.407 | 93.565 | 190.092 |
| Category A Normal | 49 | 58.538 | 684 | 213 | 49.578 |
| Category B Acceptable | 34 | 22.948 | 120 | 1.296 | 16.828 |
| Category C Appreciable | 20 | 61.613 | 38 | 6.554 | 52.752 |
| Category D Significant | 201 | 70.444 | 928 | 34.871 | 37.321 |
| Category E Unrecoverable | 226 | 55.299 | 637 | 50.631 | 33.614 |
| Consumption | 5.938 | $38.652 | 1.134 | 28.017 | 9.932 |
| Category A Normal | 1.053 | 4.637 | 87 | 247 | 891 |
| Category B Acceptable | 574 | 2.064 | 36 | 353 | 166 |
| Category C Appreciable | 566 | 2.285 | 41 | 494 | 754 |
| Category D Significant | 1.426 | 9.795 | 265 | 7.320 | 4.551 |
| Category E Unrecoverable | 2.319 | 19.871 | 705 | 19.603 | 3.570 |
| Total Restructuring, Covenants & Agreement with Creditors | 6.468 $ | 307.494 | 3.541 | 121.582 | 200.024 |

Restructuring, Covenants, and Agreement with Creditors by its Risk Qualification

| | | | December 31, 2011 | | |
|---|---|---|---|---|---|
| Category of Risk | Number | Capital | Interest | Provision | Security |
| Commercial | 577 | $257,769 | 2,123 | 85,496 | 167,068 |
| Category A Normal | 64 | 66,951 | 845 | 316 | 55,590 |
| Category B Acceptable | 36 | 22,680 | 114 | 5,945 | 14,802 |
| Category C Appreciable | 36 | 70,133 | 28 | 7,320 | 41,113 |
| Category D Significant | 217 | 43,562 | 430 | 24,178 | 31,499 |
| Category E Unrecoverable | 224 | 54,443 | 706 | 47,737 | 24,065 |
| Consumption | 5,939 | 38,072 | 1,037 | 27,387 | 10,164 |
| Category A Normal | 1317 | 4,564 | 85 | 265 | 451 |
| Category B Acceptable | 826 | 3,158 | 59 | 538 | 361 |
| Category C Appreciable | 611 | 2,330 | 37 | 493 | 633 |
| Category D Significant | 1295 | 9,108 | 230 | 6,999 | 4,493 |
| Category E Unrecoverable | 1890 | 18,913 | 625 | 19,093 | 4,226 |
| Total Restructuring, Covenants & Agreement with Creditors | 6,516 | $295,841 | 3,160 | 112,883 | 177,232 |

Restructuring, Agreements and Arrangement with Creditors per Geographic Zone

| | | | June 30, 2012 | | |
|---|---|---|---|---|---|
| Category of Risk | Number | Capital | Interest | Capital | Security |
| Commercial | 530 | $ 268.842 | 2.407 | 93.565 | 190.092 |
| Southwest Region | 49 | 58.538 | 684 | 212 | 49.578 |
| Bogotá Region | 34 | 22.948 | 120 | 1.295 | 16.828 |

| | | | | | |
|---|---|---|---|---|---|
| Northwest Region | 20 | 61.613 | 38 | 6.555 | 52.752 |
| North Region | 201 | 70.444 | 928 | 34.872 | 37.320 |
| Credencial | 226 | 55.299 | 637 | 50.631 | 33.614 |
| Consumption | 5.938 | $38.652 | 1.134 | 28.017 | 9.932 |
| Southwest Region | 1.053 | 4.637 | 87 | 247 | 891 |
| Bogotá Region | 574 | 2.064 | 36 | 353 | 166 |
| Northwest Region | 566 | 2.285 | 41 | 494 | 754 |
| North Region | 1.426 | 9.795 | 265 | 7.320 | 4.551 |
| Credencial | 2.319 | 19.871 | 705 | 19.603 | 3.570 |
| Total Restructured per Geographic Zone | 6.468 | $ 307.494 | 3.541 | 121.582 | 200.024 |

| | December 31, 2011 | | | | |
|---|---|---|---|---|---|
| Category of Risk | Number | Capital | Interest | Provision | Security |
| Commercial | 577 | $257,769 | 2,123 | 85,496 | 167,068 |
| Southwest Region | 153 | 80.109 | 539 | 19.639 | 68.528 |
| Bogotá Region | 196 | 105.807 | 718 | 35.905 | 48.634 |
| Northwest Region | 122 | 27.402 | 240 | 12.473 | 13.941 |
| North Region | 99 | 44.445 | 627 | 17.477 | 35.965 |
| Credencial | 7 | 6 | - | 2 | - |
| Consumption | 5,939 | 38,072 | 1,037 | 27,387 | 10,164 |
| Southwest Region | 758 | 8.073 | 233 | 5.999 | 2.005 |
| Bogotá Region | 791 | 10.216 | 277 | 7.601 | 3.359 |
| Northwest Region | 747 | 5.377 | 160 | 4.027 | 1.208 |
| North Region | 734 | 9.104 | 283 | 7.054 | 3.592 |
| Credencial | 2.909 | 5.302 | 84 | 2.706 | - |
| Total Restructured per Geographic Zone | 6,516 | $295,841 | 3,160 | 112,883 | 177,232 |

Restructuring, Agreement and Arrangement with Creditors per Currency

| | | Jun 30, 2012 | Dec 31, 2011 |
|---|---|---|---|
| | | Legal Tender | Legal Tender |
| Commercial | $ | 268.842 | 257.769 |
| Consumption | | 38.652 | 38.072 |
| Total per Currency | $ | 307.494 | 295.841 |

Portfolio Sale/Purchase

Below the detail of spot and firm portfolio sale purchase

| | | Jun 30, 2012 | Dic 31, 2011 |
|---|---|---|---|
| Purchases | $ | 3.693 | 3.754 |
| Sales | | 3.807 | 41.863 |
| Sale of written-off portfolio | | 610 | 5.036 |

Portfolio interest rate

Average weighted effective interest rate of credit portfolio is the following:

| | June 30, 2012 | Dec. 31-11 |
|---|---|---|
| Legal Tender | 12,47% | 12.16% |
| Foreign Currency | 3,83% | 3.64% |

Provision for Credit Portfolio and Capital Lease Operations

Portfolio provisions and Financial Leasing Portfolio movements for the semesters ended on June 30, 2012 and December 31, 2011, by modality, is as follows:

| | | Commercial | Consumption | Total Provision |
|---|---|---|---|---|
| Balance Portfolio Provision June 30, 2011 | $ | $ 402.851 | 150.539 | 553.390 |
| Plus: | | | | |
| Provision charged to expense | | 167.487 | 110.429 | 277.916 |
| Less: | | | | |
| Written-off Loans | | (36.354) | (44.848) | (81.202) |
| Reimbursement of provisions | | (122.745) | (54.840) | (177.585) |
| Balance portfolio provision December 31, 2010 | | 411,239 | 161,280 | 572,519 |
| Plus: | | | | |
| Provision charged to expense | | 161.571 | 120.777 | 282.348 |
| Less: | | | | |
| Written-off Loans | | (32.337) | 49.149) ( | (81.486) |
| Reimbursement of provisions | | (113.908) | (54.528) | (168.436) |
| Balance Portfolio Provision June 30, 20112 | $ | 426.565 | 178.379 | 604.945 |

Individual Contra-Cyclic Component

The following itemizes Individual Contra-Cyclic Component:

June 30, 2012

| Contra-Cyclic Individual Provision | | Commercial | Consumption | Total |
|---|---|---|---|---|
| Individual Provision | $ | 426.564 | 178.380 | 604.945 |
| Procyclic Individual Provision n | | 339.005 | 134.871 | 473.876 |
| Contra-Cyclic individual Provision | $ | 87.559 | 43.509 | 131.068 |

December 31, 2011

| Contra-Cyclic Individual Provision | | Commercial | Consumption | Total |
|---|---|---|---|---|
| Individual Provision | $ | 411,239 | 151,280 | 572,519 |
| Procyclic Individual Provision n | | 330,462 | 121,729 | 452,191 |
| Contra-Cyclic individual Provision | $ | 80,777 | 39,551 | 120,328 |

On June 30, 2012, the Bank implemented changes of policies and procedures in order to comply with the External Circular Letter 043, 2011, which includes other issues, updating of guarantees appraisals, as a result of the updating of guarantees amount, the Bank recorded additional provisions by $1.220. The guarantees backing up the credits granted that were not subject to appraisal on June 30, 2012, were re-classified as unsuitable. This classification is prevailing until the Bank finishes the respective updating process.

(8) Bank Acceptances and Derivatives

Bellow acceptances and derivatives itemized:

| Bank Acceptances | | | |
|---|---|---|---|
| Active | | Jun 30, 2012 | Dec. 31-11 |
| Under term | $ | 12.496 | 34,699 |
| After term | | - | 482 |
| | $ | 12.496 | 35,181 |

Passive

| | | | |
|---|---|---|---|
| Under term | $ | 12.639 | 34.796 |
| After term | | 16 | 1.542 |
| | $ | 12.655 | 36.338 |

| Speculation Forward Contracts | June 30, 2012 | | |
|---|---|---|---|
| | Asset | Liabilities | Net |
| Sale rights on peso/dollar currency | $ 1.119.795 | (629.581) | 1.749.376 |
| Purchase Obligations on peso/dollar currency | (409.989) | 922.819 | (1.332.808) |
| | **709.806** | **293.238** | **416.568** |

| Forward Contract of M/E Coverage | Asset | Liabilities | Net |
|---|---|---|---|
| Purchase rights on peso/dollar currency | $ 411.920 | (911.461) | 1.323.381 |
| Purchase rights on currency other than peso/dollar | - | (40.789) | 40.789 |
| Sale rights on currency other than peso/dollar | 41.977 | - | 41.977 |
| Sale obligations on peso/dollar currency | (1.104.708) | 632.241 | (1.736.949) |
| Purchase obligations on currency other than peso/dollar | - | 41.711 | (41.711) |
| Sale obligations on currency other than peso/dollar | (40.942) | - | (40.942) |
| | $ (691.753) | (278.298) | (413.455) |

| Futures Contracts | Asset | Liabilities | Net |
|---|---|---|---|
| Sale rights on currency | $ 345.424 | - | 345.424 |
| Purchase rights on currency | 3.578 | (426.331) | 429.909 |
| Sale rights on securities | - | (10.858) | 10.858 |
| Purchase rights on securities | 2.859 | - | 2.859 |
| Sale obligations on currency | (345.424) | - | (345.424) |
| Purchase obligations on currency | (3.411) | 426.457 | (429.867) |
| Sale obligations on securities | - | 10.863 | (10.863) |
| Purchase obligations on securities | (2.857) | - | (2.858) |
| | $ 168 | 131 | 37 |

| Options | | Asset | Liabilities | Net |
|---|---|---|---|---|
| Call on Foreign Currency | $ | 737 | 281 | 456 |
| Put on foreign currency | | 160 | 1.032 | (872) |
| Total Operations with financial instruments derivatives | $ | 19.118 | 16.384 | 2.734 |
| Net Derivatives (Asset – Liabilities) | | December 31, 2011 | | |
| Forward | | Asset | Liabilities | Net |
| Spot Operations | $ | 8 | - | - |
| Speculation Forward Contracts | | | | |
| Sale rights on peso/dollar currency | $ | 505.904 | (1.388.620) | 1.894.524 |
| Purchase obligations on peso/dollar currency | | (1.418.674) | 409.878 | (1.828.552) |
| | $ | (912.770) | (978.742) | 65.972 |

| F/C Coverage Forward | Asset | Liabilities | Net |
|---|---|---|---|
| Purchase rights on peso/dollar currency | $ 1.454.49 | (407.968) | 1.862.465 |
| Purchase rights on currency other than peso/dollar | - | (1.413) | 1.413 |
| Sale rights on currency other than peso/dollar | 1.331 | - | 1.331 |
| Sale obligations on peso/dollar currency | (502.863) | 1.422.792 | (1.925.655) |
| Purchase obligations of currency other than peso/dollar | - | 1.481 | 1.481) |
| Sale obligations on currency other than peso/dollar | (1.262) | - | (1.262) |
| | $ 951.703 | 1.014.892 | (63.189) |

| Futures Contracts | Asset | Liabilities | Net |
|---|---|---|---|
| Sale rights on currency | $ - | (304.657) | 304.657 |
| Purchased rights on currency | 257.010 | - | 257.010 |
| Sale rights on securities | - | (16.048) | 16.048 |
| Sale obligations on currency | - | 304.809 | (304.809) |
| Purchase obligations on currency | (256.900) | - | (256.900) |
| Sale obligations on securities | - | 16.051 | (16.051) |

| | | | | |
|---|---|---|---|---|
| | $ | 110 | 155 | (45) |

| Options | | Asset | Liabilities | Net |
|---|---|---|---|---|
| Call on foreign currency | $ | 5 | 187 | 182 |
| Put on foreign currency | | - | 1.169 | 1.169 |
| | $ | 5 | 1.356 | 1.351 |
| Total Operations with instruments Financial Instruments derivatives | $ | 39.049 | 37.662 | 4.089 |

(9) Accounts Receivable

Below the detail of interest and other account receivable:

| Interest: | | June 30, 2012 | Dec. 31-11 |
|---|---|---|---|
| Interbank funds sold | $ | 79 | 1 |
| Commercial credit, consumption credit and microcredit portfolio | | 121.776 | 108,592 |
| Financial component Leasing operations | | 20.305 | 15.171 |
| Other Interests | | 12.148 | 7.751 |
| | $ | 154.308 | 131.515 |
| Commissions and Fees | | 1.359 | 1,134 |
| Rent Payment of Goods in Operating Lease | $ | | 5,599.5 |
| Payment per Customer Account | | | |
| Consumption | $ | 141.751 | 127,323 |
| Commercial | | 17.656 | 17,273 |
| Other | | 339 | 331 |
| Payment on Account Commercial Customers | $ | 159.746 | 144,927 |
| Other | | | |
| Dividends and participations | $ | 16.278 | 21,098 |
| Rent | | 37 | 14 |
| Monthly rent of goods given in operational leasing | | 7.709 | 5.600 |
| Sale of goods and services | | 2.487 | 3,230 |
| Promisor Sellers | | 2.153 | 237 |
| Advances of contracts and suppliers | | 122.325 | 119,534 |
| Advances to personnel | | 67 | 46 |
| Shortage of cash | | 44 | 39 |
| Shortage of swaps | | 92 | 64 |
| Claims to insurance companies | | 3.259 | 2,191 |
| Sales tax receivable | | 57 | 344 |
| Other sundry debtors: | | June 30, 2012 | Dec. 31-11 |
| Servibanca and other networks | | 2.908 | 2,884 |
| Debit Card saving & current transactions pending to apply | | 292 | 844 |
| Matured Retiremt bonds | | 560 | 130 |
| Returns insurance company and leasing junking | | 1.738 | 2,229 |
| Ci coprucol Ltda. Restructuration agreement | | 273 | 447 |
| DTN DIAN | | 4.864 | - |
| Banco de Bogotá Compensation deposit | | 9.961 | - |
| Disabilities | | 467 | 325 |
| Internal Sales – Credencial | | 8 | 35 |
| Master Card F/C | | 78 | 94 |
| Master Card pending drafts | | 501 | 422 |
| In-process Credencial Operations | | 1.116 | 1,773 |
| Undelivered Forward | | 4.211 | 556 |
| Forward through counterpart Central Risk Chamber | | 3.759 | 653 |
| Motorbike collections | | 1.560 | 919 |
| Other | | 8.658 | 3.785 |

| | | | |
|---|---|---|---|
| | $ | 195.462 | 167.493 |
| Provision to Accounts Receivable: | | (33.886) | (29.340) |
| Total Accounts Receivable | $ | 476.989 | 415.729 |

The movement of account receivable provision for six-month period ended June 30 2012 December 31, 2011 was as follows:

| | | June 30, 2012 | December 31, 2011 |
|---|---|---|---|
| Initial balance | $ | 29.340 | 28,753 |
| provisions charged | | 26.287 | 24,991 |
| Reimbursement to contra-cyclic provision | | (2.748) | (2.296) |
| Recoveries | | (8.971) | (12.102) |
| Writing-off | | (10.022) | (10.006) |
| Closing balance | | 33.886 | 29.340 |

(10) Goods Received in Payment and Returned Goods

The detail of goods received is as following:

| Goods delivered back from leasing contracts Movable Goods: | | Dec 31, 2011 | Additions and Other | Punishment and Other | Jun 30, 2012 |
|---|---|---|---|---|---|
| Machinery & Equipment | $ | 1.916 | 1.033 | (926) | 2.023 |
| Vehicles | | 1.369 | 249 | (384) | 1.234 |
| Furniture & Fixture | | 11 | - | (7) | 4 |
| Immovable Property: | | | | | |
| Immovable Property, Others (1) | | 4.463 | 21.694 | (4.163) | 21.993 |
| Immovable property Housing Leasing | | 2.107 | 488 | (790) | 1.806 |
| | $ | 9.866 | 23.464 | (6.270) | 27.060 |
| Goods received in payment | | | | | |
| Immovable property for housing | $ | 386 | 2 | (2) | 386 |
| Immovable property different from housing | | 16,324 | 419 | (1.508) | 15.235 |
| Movable goods | | 1,043.9 | 99 | (119) | 1.024 |
| | | 17.754 | 520 | (1.629) | 16.645 |
| Sub Total | | 27.620 | 23.985 | (7.899) | 43.705 |
| Provision | | (17.711) | 2.486 | (3.023) | (18.248) |
| Total Goods Delivered Back and Received in Payment | | 9,909 | 26.471 | 25.457 | (10.922) |

(1) The item additions in Immovable Property corresponds to the receipt of goods delivered back in the leasing operation

The following composition of goods received in payment and goods delivered back according to the time possession:

June 30, 2012

| | | Immovable | | Movable | |
|---|---|---|---|---|---|
| Time of possession | | Cost | Provision | Cost | Provision |
| Up to 1 year | $ | 25.426 | 4.161 | 967 | 240 |
| From 1 to 3 years | | 4.948 | 3.283 | 2.124 | 1.683 |
| From 3 to 5 years | | 2.738 | 2.366 | 65 | 64 |
| More than 5 years | | 6.631 | 5.747 | 278 | 278 |
| Total | $ | 39.743 | 15.557 | 3.434 | 2.265 |
| | | Securities | | Total | |
| Time of possession | | Cost | Provision | Cost | Provision |
| Up to 1 year | $ | 161 | 59 | 26.554 | 4.460 |
| From 1 to 3 years | | - | - | 7.073 | 4.967 |
| From 3 to years | | 123 | 123 | 2.926 | 2.553 |

| | | | | | |
|---|---|---|---|---|---|
| More than 5 years | | 244 | 244 | 7.152 | 6.268 |
| **Total** | $ | 528 | 426 | 43.705 | 18.248 |

| December 31, 2011 | | | | | |
|---|---|---|---|---|---|
| | | Immovable | | Movable | |
| Time of possession | | Cost | Provision | Cost | Provision |
| Up to 1 year | $ | 9.426 | 3.247 | 1.130 | 591 |
| From 1 to 3 years | | 4.605 | 3.417 | 2.059 | 1.511 |
| From 3 to 5 years | | 2.263 | 1.938 | 25 | 25 |
| More than 5 years | | 7.296 | 6.297 | 281 | 281 |
| **Total** | $ | 23.590 | 14.899 | 3.495 | 2.408 |

| December 31, 2011 | | | | | |
|---|---|---|---|---|---|
| | | Securities | | Total | |
| Time of possession | | Cost | Provision | Cost | Provision |
| Up to 1 year | $ | 161 | 30 | 10.716 | 3.868 |
| From 1 to 3 years | | 131 | 131 | 6.795 | 5.059 |
| From 3 to 5 years | | 205 | 205 | 2.494 | 2.168 |
| More than 5 years | | 39 | 39 | 7.616 | 6.616 |
| **Total** | $ | 535 | 405 | 27.620 | 17.711 |

The movement of provisions of marketable goods received in payment and delivered back during the semesters were the following:

| | | June 30, 2012 | December 31, 2011 |
|---|---|---|---|
| Initial balance | $ | 17.711 | 17.904 |
| Provision charged to expense | | 2.672 | 3.934 |
| Recoveries | | (2.135) | (4.127) |
| **Closing balance** | | 18.248 | 17.711 |

## (11) Property, Equipment and Goods given on Operating Lease

Below the detail for Property and Equipment:

| | | Balance to Dec. 31-11 | Purchase, and/or additions | Sale of withdrawals and written-off | Balance to June 30, 2012 |
|---|---|---|---|---|---|
| **Non-depreciable** | | | | | |
| Land | $ | 19,925 | 4 | - | 19.929 |
| Imports in Progress | | 172,429 | 534.078 | (575.641) | 130.866 |
| Constructions in Progress | | 2,784 | 6.234 | (1.983) | 7.035 |
| **Total non-depreciable** | $ | 195.138 | 540.316 | (577.624) | 157.829 |
| **Depreciable** | | | | | |
| Buildings & Warehouses | | 183.921 | 990 | (4) | 184.907 |
| Equipment, office furniture and fixture | | 39.695 | 913 | (332) | 40.275 |
| Computing Equipment | | 97.732 | 10.499 | (1.678) | 106.553 |
| Vehicles | | 1.044 | 140 | (78) | 1.106 |
| **Total depreciable $** | $ | 322.392 | 12.542 | (2.093) | 332.840 |
| Cumulated Depreciation | | (227.189) | | | (237.384) |
| Provision | | (279) | | | (243) |
| **Net Property and Equipment** | | (227.468) | | | (237.627) |
| Deferred depreciation | | | | | |
| Excess Fiscal over Accounting | | 39.142 | 1.629 | (3.062) | 37.709 |
| **Total property and equipment, net** | $ | 329.204 | | | 290.752 |

Property & Equipment cumulated depreciation:

| | Balance to | Written-off | Depreciation | Balance on |
|---|---|---|---|---|

| | | Dec. 31-11 | sales & withdrawals | charged to expenses | June 30, 2012 |
|---|---|---|---|---|---|
| Buildings & Warehouses | $ | (134.886) | 2.859 | (6.709) | (136.736) |
| Furniture & Fixture | | (26.589) | 532 | (1.259) | (27.316) |
| Computing equipment | | (64.980) | 1.669 | (7.285) | (70.596) |
| Vehicle | | (734) | 79 | (80) | (736) |
| | $ | (227.189) | 5.139 | (15.333) | (237.384) |

Property & Equipment Provision:

| | | Balance to Dec. 31-11 | Written-off sales & withdrawals | Depreciation charged to exp | Balance to June 30, 2012 |
|---|---|---|---|---|---|
| Asset | | | | | |
| Buildings | $ | (279) | 36 | - | (243) |
| Total Depreciation | $ | (279) | 36 | - | (243) |

Below the detail of goods given in operative leasing:

| | | Balance to Dec. 31-11 | Purchase and/or Additions | Sales, withdrawals and written-off | Balance to June 30, 2012 |
|---|---|---|---|---|---|
| Machinery & Equipment | $ | 77.961 | 14.404 | (11.484) | 80.882 |
| Vehicles | | 28.918 | 9.063 | ( 975) | 37.006 |
| Computing equipment | | 218.109 | 66.965 | (31.312) | 253.762 |
| Computer Software | | 108.728 | 19.599 | (10.376) | 117.951 |
| Furniture and Fixture | | 50.627 | 8.786 | (6.632) | 52.782 |
| Immovable Property | | 24.934 | - | - | 24.934 |
| | $ | 509.277 | 118.818 | (60.779) | 567.317 |
| Cumulated depreciation | | (185.609) | | | (203.389) |
| Provision for goods given in operative leasing | | (4.755) | | | (5.414) |
| | $ | (190.364) | | | (208.803) |
| Total property given in operative leasing, net: | $ | 318.913 | | | 358.514 |

Cumulated depreciation of goods given in operative leasing:

| | | Balance to Dec. 31-11 | Written-off sales and withdrawals | Depreciation charged to expense | Balance to June 30, 2012 |
|---|---|---|---|---|---|
| Machinery and equipment | $ | (34.392) | 13.318 | (12.187) | (33.261) |
| Vehicles | | (3.597) | 1.961 | (3.636) | (5.272) |
| Computing equipment | | (89.109) | 29.017 | (40.495) | (100.587) |
| Computer Software | | (39.884) | 12.577 | (17.116) | (44.423) |
| Furniture & Fixture | | (18.627) | 6.984 | (8.203) | (19.846) |
| | $ | (185.609) | 63.856 | (81.637) | (203.389) |

Cumulate depreciation of goods given in operative leasing:

| | | Balance to Dec. 31-11 | Written-off sales and withdrawals | Depreciation charged to expense | Balance to June 30, 2012 |
|---|---|---|---|---|---|
| CAT A VERSUS CYCLIC PROVISION | $ | (3.354) | 1.137 | (1.631) | (3.848) |
| CAT B VERSUS CYCLIC PROVISION | | (348) | 667 | (534) | (215) |
| CAT C VERSUS CYCLIC PROVISION | | (104) | 213 | (151) | (42) |
| CAT D VERSUS CYCLIC PROVISION | | (922) | 572 | (864) | (1.214) |
| CAT E VERSUS CYCLIC PROVISION | | (27) | 8 | (76) | (95) |
| | $ | (4.755) | 2.597 | (3.256) | (5.414) |

All property and equipment of the Bank, as well as the property given in operative leasing are duly covered against fire, weak power, and other risks, by insurance policies to protect such property and equipment for $ 459.810 and $447,428 at June 30, 2012 and December 31, 2011, respectively, covering theft, fire, lighting, explosion, earthquake, strike, riot and others

Bank's property, as well as goods given in leasing, have been appraised by independent technical appraisers for no less than three years term.

For immovable property, the Bank records valuations determined based on commercial appraisals made by expert technicians. Most of those appraisals of property shared with other entities, were made in 2009; the appraisals of the own property were made between 2010 and 2011.

Over Bank' property and equipment there is no mortgages or pledges. On June 30, 2012 and December 31, 2011 the Bank has provisions to protect building's by $243.

## (12) Prepaid Expenses, Deferred Charges and Other Asset

Below the detail of prepaid expense and deferred charges

| | | Balance to Dec 31, 2011 | Additions | Reclassif. | Amortization | Balance to Jun 30, 2012 |
|---|---|---|---|---|---|---|
| Prepaid Expenses: | | | | | | |
| Interest | $ | 2 | 272 | - | (34) | 240 |
| Insurance | | 636 | 6.850 | - | (4.447) | 3.039 |
| Other | | 584 | 1.611 | - | (800) | 1.395 |
| | $ | 1,222 | 733 | - | (5.281) | 4.674 |
| Deferred Charges: | | | | | | |
| Organization & Preoperative | | 1,908 | 231 | (6) | (1.136) | 997 |
| Rebuilding | | 2,068 | 103 | - | (1.242) | 929 |
| Studies and Projects | | 36,187 | 11.490 | (1.365) | (3.712) | 42.600 |
| Computer Software | | 1,660 | 1.549 | - | (1.323) | 1.886 |
| Improvement leased property | | 1,412 | 800 | - | (805) | 542 |
| Stationery | | 547 | 704 | - | (1.173) | 943 |
| Deferred income tax | | 2,583 | 1.135 | - | (1.762) | 1.956 |
| Patrimony Tax | | 95,909 | - | - | (15.985) | 79.924 |
| Property Tax | | - | 1.180 | - | (527) | 653 |
| Contributions & Affiliations | | - | 2.427 | - | (2.295) | 132 |
| Other deferred charges | | 416 | 80 | - | (27) | 468 |
| Total Deferred Charges | | 142,690 | 19.699 | (1.371) | (29.987) | 131.031 |
| Total Prepaid Expenses and Deferred Charges | $ | 143,912 | 28.432 | (1.371) | (35.268) | 135.705 |

| | | Balance to Jun. 30-12 | Additions | Reclassif. | Amortization | Balance to Dec. 31-11 |
|---|---|---|---|---|---|---|
| Prepaid Expenses: | | | | | | |
| Interest | $ | 3 | 10 | - | (10) | 2 |
| Insurance | | 1,690 | 2.185 | - | (3.240) | 636 |
| Other | | 267 | 1.150 | - | (833) | 584 |
| | $ | 1,960 | 3.345 | - | (4.083) | 1.222 |
| Deferred Charges: | | | | | | |
| Organization & Preoperative | | 2,560 | 837 | - | (1.489) | 1.908 |
| Rebuilding | | 3,308 | 574 | - | (1.813) | 2.068 |
| Studies and Projects | | 27,167 | 20.963 | (6.127) | (5.816) | 36.187 |
| Computer Software | | 70 | 3.018 | - | (1.428) | 1.660 |
| Stationery | | 473 | 1.166 | - | (1.092) | 547 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Improvement leased property | | 1,704 | 693 | - | (984) | 1.412 |
| Deferred income tax | | 1,557 | 1.291 | - | (265) | 2.583 |
| Real Estate Tax | | 110,971 | - | - | (15.062) | 95.909 |
| Property Tax | | 673 | 71 | - | (744) | - |
| Contributions & Affiliations | | 152 | 2.358 | - | (2.510) | - |
| Other deferred charges | | 33 | 459 | - | (77) | 415 |
| Total Deferred Charges | | 148,668 | 31.429 | (6.127) | (31.280) | 142.690 |
| Total Prepaid Expenses and Deferred Charges | $ | 150,628 | 4.774 | (6.127) | (35.362) | 143.912 |

Intangible Assets – Mercantile Credit:

The following is mercantile credit derived from the taken over of Banco Unión:

| | | |
|---|---|---|
| Percentage acquired | | 39.28% |
| Date Purchased | | Jun de 2006 |
| Equity | $ | 32,796 |
| Investment Banco de Occidente S.A. | | 74,731 |
| Vr. Mercantile Credit | | 41,935 |
| Balance to redeem as of December, 2011 | | 25.721 |
| Amortization first half-year 2012 | | 705 |
| Unamortized balance at June, 2012 | $ | 25.016 |

Following the detail of mercantile credit initial distribution acquired to each business line and valuation as of September 30, 2011:

| Allocation mercantile credit per line of business | | Value mercantile credit per line of business | Participation % in mercantile credit line | Sep 30-11 Line of Business Valuation Acquisition Banco Unión (USD rates) | | |
|---|---|---|---|---|---|---|
| | | | | 14,94% | 13,92% | 12,90% |
| Ordinary Portfolio | $ | 13,076 | 31% | 114,599 | 124,154 | 135,272 |
| Treasury Credit | | 12,044 | 29% | 35,812 | 38,795 | 42,268 |
| Undirected | | 4,074 | 10% | 48,074 | 52,134 | 56,863 |
| Vehicles | | 2,450 | 6% | 61,800 | 66,864 | 72,756 |
| Loans to personnel | | 3,887 | 9% | 93.451 | 101,252 | 110,336 |
| Credencial & Visa | | 1,372 | 3% | 70,689 | 76,587 | 83,453 |
| Crediunión plus | | 1,438 | 3% | - | - | - |
| Overdrafts Current Account | | 962 | 2% | 13,575 | 14,652 | 15,905 |
| Development Portfolio | | 247 | 1% | 1,614 | 1,743 | 1,894 |
| Debtor F/C Colombia | | 2,385 | 6% | 12,129 | 13,200 | 14,450 |
| | $ | 41,935 | 100.0% | 451,742 | 489,381 | 533,196 |

Other Assets – Goods to Place in Leasing Contracts:

Below the detail:

| New Good to be places: | | Jun 30, 2012 | Dec. 31-11 |
|---|---|---|---|
| Machinery and Equipment | $ | 20.504 | 19,940 |
| Vehicles | | 46.031 | 53,643 |
| Furniture and Fixtures | | 2.375 | 3,430 |
| Computer Equipment | | 3.005 | 21,131 |
| Software | | 1.564 | 2,124 |
| Real Estate Property | | 148.950 | 108,663 |
| | $ | 222.429 | 208,931 |
| Delivered back to be placed | | | |
| Machinery and Equipment | | 7 | 6 |
| Computer Equipment | | 57 | 7 |

| | | | |
|---|---|---|---|
| | $ | 64 | 14 |
| | $ | 222.493 | 208,945 |

Other Assets– Others:

| Below the detail: | | Jun 30, 2012 | Dec. 31-11 |
|---|---|---|---|
| Loans to employees | $ | 16.981 | 16,150 |
| Species Valued | | 131 | 19 |
| Art Work and Culture Goods | | 701 | 698 |
| Trust Rights | | 1.760 | 407 |
| Sundry: | | | |
| Income tax prepaid | | 62.529 | - |
| Withholdings at source | | 15.702 | - |
| Remittance in transit unconfirmed | | 27 | 50 |
| Furniture and fixtures in warehouse | | 13 | 13 |
| Commerce and Industry tax prepaid | | 4.139 | 4,969 |
| Petit cash | | 23 | 23 |
| Other | | 925 | 1.044 |
| | $ | 102.931 | 23.373 |

(1) Classification of Credits to Employees:

| | | June 30, 2012 | | December 31, 2011 | |
|---|---|---|---|---|---|
| Qualification | | Consumption | Provision | Consumption | Provision |
| A | $ | 16.562 | 165 | 15.981 | 160 |
| B | | 227 | 7 | 138 | 4 |
| C | | 107 | 22 | 8 | 2 |
| D | | 66 | 33 | 22 | 11 |
| E | | 19 | 19 | 1 | 1 |
| | $ | 16.981 | 246 | 16.150 | 178 |

| Provision for other asset | | Jun 30, 2012 | Dec. 31-11 |
|---|---|---|---|
| The movement is as follows: | | | |
| Initial balance | $ | 297 | 6,581 |
| Provision charged to operational expense | | 194 | 136 |
| Reimbursement of period provisions | | (86) | (6,420) |
| | $ | 405 | 297 |

(13) Deposits and Payabilities

Comprised by Time Deposit Certificates and deposits and other payables.

Below the composition of Time Deposit Certificates (by placement term at the time of constitution):

| | | June-30-12 | Dec. 31-11 |
|---|---|---|---|
| Less than 6-month issued | $ | 661.840 | 617,956 |
| Equal to 6-month and less than 12-month issued | | 478.288 | 360,654 |
| Equal to 12-month and less than 18-month issued | | 73.456 | 61.864 |
| Equal or more than 18-month issued | | 1.686.160 | 823.894 |
| | $ | 2.899.744 | 1,864,368 |

Other deposits and payables in foreign legal tender are itemized below:

| Legal Tender: | | June 30, 2012 | Dec. 31-11 |
|---|---|---|---|
| Deposits and bank current accounts | | 4.069.563 | 4.592.223 |
| Saving Deposits | | 5.647.336 | 5.650.228 |
| Trust Funds and especial accounts | $ | 120.121 | 71,693 |
| Banks and correspondents | | 800 | 220 |
| Especial deposits | | 37.489 | 29,356 |

| | | | |
|---|---|---|---|
| Payabilities for bank services | | 96.326 | 152.485 |
| | $ | 9.971.635 | 10.496.205 |
| | | | |
| Foreign Currency: | | 25.054 | 24.987 |
| Deposits in Bank current accounts | | 13.188 | 17.025 |
| Banks and correspondents | | 26.152 | 20.059 |
| Payabilities for bank services | | 64.394 | 62.071 |
| | $ | 10.036.029 | 10.558.276 |
| Total Deposits and payables | | 12.935.773 | 12.422.644 |

June 30, 2012

| Maturity Liabilities and Payables | | Up to 1 year | Between 1 & 3 years | Between 3 a&5 years | More than 5 years | Total |
|---|---|---|---|---|---|---|
| Tine Deposit Certificates | $ | 1.187.581 | 1.529.631 | 5.022 | 177.510 | 2.899.744 |
| Other deposits and Payables | | 10.036.029 | - | - | - | 10.036.029 |
| | $ | 11.223.610 | 1.529.631 | 5.022 | 177.510 | 12.935.773 |

December 31, 2011

| Maturity Liabilities and Payables | | Up to 1 year | Between 1 & 3 years | Between 3 & 5 years | More than 5 years | Total |
|---|---|---|---|---|---|---|
| Time Deposit Certificates | $ | 1.019.204 | 754.632 | 33.022 | 57.510 | 1.864.368 |
| Other deposits and Payables | | 10.558.276 | - | - | - | 10.558.276 |
| | $ | 11.577.480 | 754.632 | 33.022 | 57.510 | 12.422.644 |

On June 30, 2012 and December 31, 2011 the deposits in legal tender have and ordinary cash position as follows

| | Cash position |
|---|---|
| Deposits and at sight and before 30-day payable | 11,0% |
| Deposits of public national entities | 11,0% |
| Deposits after 30-day payable | 11,0% |
| Certificates of Time Deposit less than 540 days | 4,5% |
| Ordinary saving deposits | 11,0% |
| Savings time deposits | 11,0% |
| Fiduciary deposits and creditors | 11,0% |
| Bonds of general guarantee and other less than 540 days | 4,5% |
| Commitments of negotiated investment repurchase and negotiated portfolio | 11,0% |

Under External Resolution Nº 11 dated October / 2008 the Board of Directors of the Central Bank, established an ordinary unique cash to credit entities over the amount of each type of call deposits in legal tender.

## (14) Passive Positions in Monetary Market Operations and Related

Below the detail of passive positions in monetary and related market operations:

| | June 30, 2012 | | December 31, 2011 | |
|---|---|---|---|---|
| Legal Tender | Balance | Annual effective rate | Balance | Annual effective rate |
| Ordinary interbank funds purchased | $ 12.000 | 5,20% | 153.000 | 4,72% |
| Transfer Conimitment in Repo open Operations | 1.500.421 | 5,25% | 450.171 | 4,69% |
| Investment transfer commitments in simultaneous operations | - | - | 14.598 | 4,25% |
| | $ 1.512.421 | | 617.769 | |

| | | | | |
|---|---|---|---|---|
| Foreign Currency | | | | |
| Investment transfer commitments in simultaneous operations | 37.647 | 2,64% | 36.657 | 2,48% |
| Overnight operations | 51.985 | 0,18% | 38.868 | 0,30% |
| | $ 89.632 | | 75.525 | |
| | $ 1.602.053 | | 693.294 | |

Over passive positions in monetary market operational an related operations, there exist no restrictions.

## (15) Credits from Banks and other Financial Obligations

Below the detail in legal tender and foreign currency converted to legal tender:

| | | June 30, 2012 | | |
|---|---|---|---|---|
| Entity | | Short-term (1 year) | Long-Term (More than 1 year) | Total |
| Banco de Comercio Exterior | $ | 155.009 | 367.585 | 522.594 |
| Fondo para el Financiamiento del Sector Agropecuario Finagro | | 7.473 | 120.788 | 128.261 |
| Financiera de Desarrollo Territorial Findeter S.A. | | 27.523 | 212.828 | 240.351 |
| Overseas Banks: | | 813.911 | - | 813.911 |
| Other | | 102 | - | 102 |
| | $ | 1.004.018 | 701.202 | 1.705.219 |

| | | December 31, 2011 | | |
|---|---|---|---|---|
| Entity | | Short-term (1 year) | Long-Term (More than 1 year) | Total |
| Banco de Comercio Exterior | $ | 218.662 | 447.764 | 666.426 |
| Fondo para el Financiamiento del Sector Agropecuario Finagro | | 23.234 | 110.748 | 133.982 |
| Financiera de Desarrollo Territorial Findeter S.A. | | 45.054 | 324.844 | 369.898 |
| Overseas Banks: | | 722.445 | 37.510 | 759.955 |
| Other | | 371 | - | 371 |
| | $ | 1.009.766 | 920.866 | 1.930.632 |

## (16) Accounts Payable

### Interest

The detail of interest payable is as follows:

| | | Jun, 30-12 | Dec. 31-11 |
|---|---|---|---|
| Deposits and Payabilities | $ | 26.898 | 20,363 |
| Currency market operations | | 7 | 123 |
| Credits of banks and other financial obligations | | 4.317 | 5,084 |
| Investment titles outstanding | | 21.675 | 20,688 |
| Other | | 8.330 | 8.303 |
| | $ | 61.227 | 54,561 |
| Commissions and fees | | 1.362 | 1.314 |
| Others | | | |
| Patrimony tax (1) | $ | 79.924 | 95.909 |
| Other tax | | 649 | 6.932 |
| Dividends and Surplus by payment (2) | | 54.258 | 55.324 |

| | | | |
|---|---|---|---|
| Contribution on Financial Transactions | | 9.131 | 8.921 |
| Sales Tax Payable | | 209 | - |
| Promising Purchasers | | 3.234 | 1.780 |
| Payment Suppliers | | 173.914 | 200.725 |
| Withholdings and labor Contributions | | 77.358 | 51.292 |
| Insurance Premiums | | 8.967 | 9.483 |
| Tax collection | | 89.542 | 42.032 |
| Checks drawn and uncashed | | 11.070 | 11.609 |
| Payments to third parties - Occired | | 3.775 | 8.682 |
| Capital Security Bonds | | 3.077 | 3.022 |
| Capital Peace Bonds | | 13.415 | 13.316 |
| Forwoards NDR without delivery | | 1.889 | 558 |
| Fondo Nacional de Garantias | | 4.302 | 4.682 |
| Sundry | | 12.046 | 6.764 |
| | $ | 546.761 | 521.031 |
| Total | $ | 609.350 | 576.906 |

(1) Patrimony tax shows the following detail during the six-month periods:

| | | Jun, 30-12 | Dec. 31-11 |
|---|---|---|---|
| Patrimony tax declared | $ | 127.879 | 127.879 |
| Amortization and payment | | (47.955) | (31.970) |
| Balance payable and amortizable | $ | 79.924 | 95.909 |

(2). The movement of dividends and surplus payable of the 6-month period is itemized below:

| | | Jun, 30-12 | Dec. 31-11 |
|---|---|---|---|
| Opening balance | $ | 55.324 | 51.892 |
| Plus: Dividends decreed | | 103.829 | 101.024 |
| Less: Dividends paid and reclassifications | | (104.895) | (97.592) |
| Closing balance | $ | 54.258 | 55.324 |

## (17) Outstanding Investment Certificates

a. Issue of Subordinate Ordinary Bonds in 2006 (two issues), 2007 and 2012 . Issue of Ordinary Bonds in 2007, 2008, 2009, 2010 and 2011 (two issues).

b. Amount authorized to issue

| Year | | Amount |
|---|---|---|
| 2006 | $ | 75,000 |
| 2006 | $ | 48,000 |
| 2007 | $ | 80,000 |
| 2007 | $ | 300,000 |
| 2008 | $ | 250,000 |
| 2009 | $ | 500,000 |
| 2010 | $ | 550,000 |
| 2011 I | $ | 400,000 |
| 2011 II | $ | 247,120 |
| 2012 | $ | 200.000 |

NOTA: The issue made in 2007 for $80,000 was made in two dates, the first was made on August 9, 2007 with placed amount of $50,500 and the second issue was made on February 25, 2008 for total amount of $29,500.

Similarly, the issue made in 2010 was made in two spans, for total amount of $550,000. The first on November 25, 2010 for $359.500 placed and the second one made on May 10, 2011 for $190,450 placed.

c. Holders' legal representatives are Fiduciaria la Previsora S.A. and Helm Fiduciaria S.A.

d. For 2006issues ($75.000), 2007 ($80.000), 2010 ($550.000), 2011 ($400.000 and $247,120) and 2012 ($200.000) the par value and minimum investment is for $10.000.000 and $10.000.000 (in Col$), respectively. 2006 ($48.000), 2007 ($300.00), 2008 ($250.000) and 2009 ($500.000) the nominal amount and minimum investment is $100.000 and $1.000.000 (in pesos) respectively

e. Below the detail of series, term in months, returns, and outstanding balances of the bonds:

| Year | Series | Term (months) | Return | | Jun. 30-12 | Dec. 31-11 |
|---|---|---|---|---|---|---|
| 2005 | One-time | 84 | IPC + 5.09 | | - | 40,000.0 |
| 2006 | One-time | 84 | IPC + 5.58 | | 75.000 | 75,000.0 |
| 2006 | C | 85 | IPC + 5.75 | | 44.680 | 44,680.0 |
| 2007 | One-time | 84 | IPC + 5.90 | | 50.500 | 50,500.0 |
| 2007 | B | 60 | DTF + 3.10 | | - | 81,564.4 |
| 2007 | C | 85 | IPC + 6.60 | | 53.841 | 53,841.1 |
| 2008 | One-time | 84 | IPC + 5.90 | | 29.500 | 29,500.0 |
| 2008 | B | 60 | DTF + 3.10 | | 112.983 | 112,983.4 |
| 2008 | C | 85 | IPC + 5.90 | | 21.024 | 21,023.9 |
| 2008 | C | 121 | IPC + 7.00 | | 52.903 | 52,902.5 |
| 2009 | A | 36 | FIXED 5.2 E.A. | | - | 39,307.8 |
| 2009 | B | 36 | DTF + 1.60 | | - | 22,595.3 |
| 2009 | C | 60 | IPC + 5.00 | | 50.086 | 50,086.1 |
| 2009 | C | 121 | IPC + 5.75 | | 1.000 | 1,000.0 |
| 2009 | C | 85 | IPC + 6.00 | | 123.450 | 123,449.6 |
| 2010 | B | 36 | IPC + 2.72 | | 242.660 | 242,660.0 |
| 2010 | B | 60 | IPC + 3.15 | | 134.500 | 134,500.0 |
| 2010 | C | 60 | DTF + 1.35 | | 6.000 | 6,000.0 |
| 2010 | D | 36 | IBR + 1.42 | | 166.840 | 166,840.0 |
| 2011 | B | 36 | IPC + 2.49 | | 61.900 | 61,900.0 |
| 2011 | B | 60 | IPC + 3.05 | | 39.300 | 39,300.0 |
| 2011 | D | 36 | IBR + 1.50 | | 298.800 | 298,000.0 |
| 2011 | A | 36 | FIXED 6.6 E.A. | | 5.380 | 5,380.0 |
| 2011 | A | 60 | FIXED 7.25 E.A. | | 12.760 | 12,760.0 |
| 2011 | B | 60 | IPC + 4.00 | | 59.180 | 59,180.0 |
| 2011 | B | 84 | IPC + 4.20 | | 32.000 | 32,000.0 |
| 2011 | B | 120 | IPC + 4.50 | | 134.300 | 134,300.0 |
| 2011 | D | 36 | IBR + 1.80 | | 3.500 | 3,500.0 |
| 2012 | B | 84 | IPC 4.34 | | 80.000 | |
| 2012 | B | 120 | IPC 4.65 | | 120.000 | |
| | | | | $ | 2.012.087 | 1,995,554.1 |

(18) Other Liabilities

Below the detail of other liabilities:

Consolidated Labor Obligations:

| | | Jun. 30 - 12 | Dec. 31-11 |
|---|---|---|---|
| Labor Obligations (1) | $ | 35.653 | 37.879 |
| Income received in advance (2) | | 10.909 | 12.829 |
| Deferred credits (2) | | 13.382 | 13.706 |
| Pensions retirement (3) | | 3.825 | 3.705 |
| Deferred income tax | | 57.762 | 59.279 |
| Accounts paid | | 1.320 | 1.178 |
| Credits to apply to obligations | | 4.944 | 9.263 |
| Other | | 2.921 | 3.755 |
| | $ | 130.715 | 141.594 |

(1) The movement of labor obligations is as follows::

| | | Dec. 31-11 | Accrued Semester | Paid up Semester | Jun. 30 - 12 |
|---|---|---|---|---|---|
| Unemployment | $ | 10.374 | 20.079 | (23.611) | 6.842 |
| Interest on unemployment | | 1.350 | 488 | (1.357) | 481 |
| Vacations | | 8.811 | 4.476 | (3.733) | 9.556 |
| Other benefits fringe benefits | | 17.344 | 6.714 | (5.284) | 18.774 |
| | $ | 37.879 | 31.757 | (33.984) | 35.653 |

The movement of income received in advance and deferred credits is as follows

| | | Dec. 31-11 | Charges | Credits | Jun. 30 - 12 |
|---|---|---|---|---|---|
| Interests | $ | 7.413 | 17.761 | (19.172) | 6.002 |
| Deferred income for Restructured portfolio | | 9.775 | 6.077 | (6.358) | 9.494 |
| Profit on sale of asset | | 3.901 | 228 | (938) | 3.191 |
| Credit Portfolio given in UVR | | 0 | 919 | (250) | 669 |
| Other concepts | | 5.446 | 18.108 | (18.619) | 4.934 |
| | $ | 26.535 | 43.093 | (45.337) | 24.290 |

(3) The movement of liabilities for retirement pensions is as follows

| | | Actuarial Calculation |
|---|---|---|
| June 30, 2012 | $ | 3.733 |
| Amortizations during semester | | 188 |
| Payments made during semester | | (216) |
| December 31, 2011 | $ | 3.705 |
| Amortizations during semester | | 348 |
| Payments made during semester | | (228) |
| June 30, 2012 | $ | 3.825 |

Pensional liabilities has semestral actuarial studies; the last of which was conducted with closing June 2012.

## (19) Estimate Liabilities and Provisions

Below estimated liabilities detailed:

| | | Jun. 30 - 12 | Dec. 31-11 |
|---|---|---|---|
| Interest labor obligations | $ | 1.118 | - |
| Income tax payable | | 86.208 | 63.016 |
| Commerce & Industry tax and other | | 12.078 | 5.413 |
| Contributions and affiliations | | 1.860 | 891 |
| Fines and sanctions, lawsuits, indemnities, SOI operations | | 5.307 | 5.185 |
| Accrual SOI Operations | | 994 | - |
| Accrual ACH | | 886 | 1.032 |
| Deposit insurance provision | | 9.706 | 8.976 |
| Others | | 17.118 | 1.131 |
| | $ | 135.275 | 85.644 |

## (20) Equity Capital

Capital stock authorized is 200.000.000 stocks Col$30 par value each. Stocks with preferred dividend and with no voting right confer to the holder the right to receive a minimum dividend as determined in the rules of subscription which will be preferred paid in respect to that corresponding to common stocks, at the preferred disbursement of the contributions, one the external liabilities have been paid in the event of company's dissolution, to the other rights provided for common stocks, safe for the participation in stockholders general meeting, and under the terms provided in laws or in the subscription rules.

The number of outstanding common stocks as of June 30, 2012 is 155.899.719.

## (21) Legal Reserve

| | | Jun. 30 - 12 | Dec. 31-11 |
|---|---|---|---|
| Appropriation of profit (1) | $ | 1.087.028 | 951,418 |
| Premium in placement of stocks | | 720.445 | 720,445 |
| | $ | 1.807.473 | 1,671,863 |

| | | | |
|---|---|---|---|
| **Occasional Reserves** | | | |
| Credit portfolio protection | $ | 25 | 25 |
| Other | | 20.842 | 20.841 |
| Fiscal Dispositions | | 131.403 | 143.905 |
| To protect Investments | | 26.568 | 26.568 |
| | $ | 178.838 | 191.340 |
| | $ | 1.986.311 | 1.863.203 |

(1) Includes $ 272,018,5 millions for Patrimony revaluation.

## (22) Contingent and Memorandum Accounts

Below the detail of contingent accounts:

| | | Jun. 30 - 12 | Dec. 31-11 |
|---|---|---|---|
| **Debit:** | | | |
| Interest of credit portfolio | $ | 38.851 | 31,504 |
| Interest of leasing | | 15.635 | 18,679 |
| Rent Payment and Penalty of Leasing Contracts | | 4.320 | 4,576 |
| Rights in options – speculation | | 59.258 | 12,203 |
| Rent Payment Receivable (1) | | 5.130.919 | 4,480,347 |
| Call Options Receivable | | 246.303 | 205,209 |
| Values delivered in Repo and simultaneous operations | | 1.493.431 | 513,002 |
| Other debts contingences | | 2.575 | 10,104 |
| | $ | 6.991.292 | 5,275,624 |
| **Credits:** | | | |
| Values received in Operations Repo and Simultaneous | | - | 14,655 |
| Bank Guarantee | | 545.985 | 520,821 |
| Letter of Credit | | 92.491 | 117,665 |
| Approved and non-reimbursed credits | | 1.371.462 | 1,302,406 |
| Opening of credit | | 2. 120.436 | 2,094,161 |
| Obligations in options | | 41.422 | 33,553 |
| Other creditor contingencies | | 79.926 | 55,380 |
| | $ | 4.251.722 | 4,138,641 |

(1) Qualification of rent receivable:

June 30, 2012

| Category of Risk | | Rent receivable Capital Lease | Rent receivable Operating Lease | Total |
|---|---|---|---|---|
| **Commercial** | | 4.388.238 | 731.554 | 5.119.791 |
| Category A Normal | $ | 4.060.073 | 662.231 | 4.722.303 |
| Category B Acceptable | | 190.357 | 31.802 | 222.159 |
| Category C Appreciable | | 34.644 | 8.466 | 43.109 |

| | | | |
|---|---|---|---|
| Category D Significant | 89.682 | 27.023 | 116.705 |
| Category E Unrecoverable | 13.482 | 2.033 | 15.515 |
| Consumption | 11.127 | - | 11.127 |
| Category A Normal | $ 10.626 | - | 10.626 |
| Category B Acceptable | 314 | - | 314 |
| Category C Appreciable | 57 | - | 57 |
| Category D Significant | 130 | - | 130 |
| | $ 4.399.365 | 731.554 | 5.130.919 |

December 31, 2011

| Category of Risk | Rent receivable Capital Lease | Rent receivable Operating Lease | Total |
|---|---|---|---|
| Commercial | 4,128,160 | 342,324 | 4,470,484 |
| Category A Normal | $ 3,807,571 | 332,578 | 4,140,149 |
| Category B Acceptable | 190,481 | 6,998 | 197,479 |
| Category C Appreciable | 31,874 | 1,027 | 32,901 |
| Category D Significant | 82,758 | 1,716 | 84,474 |
| Category E Unrecoverable | 15,476 | 5 | 15,481 |
| Consumption | 9,863 | - | 9,863 |
| Category A Normal | $ 9,551 | - | 9,551 |
| Category B Acceptable | 228 | - | 228 |
| Category C Appreciable | 5 | - | 15 |
| Category D Significant | 18 | - | 18 |
| Category E Unrecoverable | 51 | - | 51 |
| | $ 4,138,023 | 342,234 | 4,480,347 |

(23). Memorandum Accounts

Below memorandum accounts itemized:

| Debit: | Jun. 30 - 12 | Dec. 31-11 |
|---|---|---|
| Goods and values delivered in custody | $ 13 | 13 |
| Goods and values delivered in guarantee | 34.921 | 28,416 |
| Valuation of goods received in payment | 5.936 | 5,398 |
| Remittances sent to collection | 1.411 | 1,628 |
| Unpaid negotiated checks | 525 | 525 |
| Written-off asset (1) | 1.021.325 | 958,294 |
| Unused credits in favor | 1.203.082 | 1,103,684 |
| Amortized Investment titles | 1.633.216 | 1,489,748 |
| Assets inflation adjustment | 37.961 | 38,033 |
| New loans agribusiness portfolio | 184.939 | 135,844 |
| Property and equipment fully depreciated | 69.844 | 66,505 |
| Fiscal value of asset | 20.631.154 | 14,891,334 |
| Provision persons in agreement with creditors | 1.125 | 1,125 |
| Investments negotiable in certificates of indebtedness | 1.064.149 | 1,211,767 |
| Investments to maintain up to maturity | 645.725 | 727,590 |
| Investment available/via certificates of indebtedness | 287.640 | 339,486 |
| Recip. Active Oper. with parent companies and subsidiaries | 996.185 | 1,051,756 |
| Recip. Active Oper. affecting Expenses and cost with parent companies and subsidiaries | 6.442 | 4,169 |
| Other debit memorandum accounts | 119.471 | 108,207 |
| | $ 27.945.064 | 22,163,522 |

| | | | |
|---|---|---|---|
| Credit: | | | |
| Goods and values received in custody | $ | 383.453 | 257,765 |
| Goods and values received in guarantee future credits | | 2.334.916 | 2,214,161 |
| Guarantees pending to be paid | | 336.584 | 311,191 |
| Goods and values received fit guarantee | | 5.297.060 | 5,433,799 |
| Goods and values received other guarantees | | 2.205.929 | 1,981,385 |
| Collections received | | 5.366 | 4,053 |
| Recovered of written-off Asset | | 21.696 | 27,906 |
| Equity indexation before 1/1/01 | | 225.565 | 225,565 |
| Capitalization by equity revaluation | | 225.565 | 225,565 |
| Investment returns | | 72.152 | - |
| Equity fiscal value | | 2.776.382 | 2,378,679 |
| Ranking of portfolio (Capital Interest and Other) | | 16.125.207 | 15,149,917 |
| Recip. Passive Oper. With Parent Companies and Subsidiaries | | 452.154 | 359,110 |
| Recip. Operations affecting Equity with parent companies and Subsidiaries | | 546.009 | 632,914 |
| Recip. Oper. affecting income with Parent Companies & Subsidiaries | | 75.971 | 77,095 |
| Other creditor memorandum accounts | | 40.576 | 42,698 |
| | $ | 31.124.585 | 29,321,803 |

## (24) Other Operational Income -

Below other operational income itemized by 6-month periods:

| | | Jun. 30 - 12 | Dec. 31-11 |
|---|---|---|---|
| Affiliates and Subsidiary companies | $ | 16.003 | 14,722 |
| Other Corporate Bodies | | 51.388 | 56,374 |
| | | 67.391 | 71,146 |

| | | Jun. 30 - 12 | Dec. 31-11 |
|---|---|---|---|
| Checkbook sale | $ | 11.132 | 11,796 |
| Commercial information | | 179 | 158 |
| Cablegrams, portages, telephone | | 1.257 | 1,354 |
| Credencial management charges | | 16.033 | 15,502 |
| MasterCard management charges | | 1.113 | 1,007 |
| National consignment | | 2.493 | 2,889 |
| Study credit projects | | 53 | 47 |
| ATM service | | 4.228 | 4,819 |
| Reimbursement accounts payable | | 4.424 | 1,848 |
| Management charge personal banking | | 2.180 | 2,152 |
| Return insurance polices | | 7.875 | 6,037 |
| Tax stability recovery | | 4.864 | - |
| Sale of Aval stock | | - | 5,020 |
| Management charge business banking | | 2.118 | 2,070 |
| Refund of provisions accounts receivable | | 11.719 | 14.398 |
| Refund provision of credit portfolio | | 122.754 | 134.963 |
| Refund provisions of leasing | | 986 | 939 |
| Refund of provisions contracyclic | | 45.682 | 42.622 |
| Other | | 8.556 | 4.218 |
| | $ | 247.646 | 251.837 |
| | | 315.037 | 322.984 |

## (25) Other Operational Expense

Below the detail of operational expense other by 6-month periods:

| | Jun. 30 - 12 | Dec. 31-11 |
|---|---|---|
| Cleaning & Watching Service | 4.944 | 4,716 |

| | | | |
|---|---|---|---|
| Advertising and Propaganda | | 13.070 | 12,347 |
| Public Relations | | 246 | 230 |
| Utilities | | 13.185 | 12,587 |
| Electronic Data Processing | | 1.769 | 1,867 |
| Travel Expenses | | 3.297 | 3,837 |
| Transportation Expenses | | 4.496 | 4,368 |
| Stationery | | 3.201 | 3,499 |
| Grants | | 1.396 | 580 |
| Personal Training | | 1.420 | 1,040 |
| Coffee-house expenses | | 1.549 | 1,677 |
| Minor fixings | | 185 | 224 |
| Cash Preparation | | 1.011 | 725 |
| Hospitality expenditures to employees | | 1.196 | 1,128 |
| Information and Credit | | 2.805 | 2,527 |
| Others Outsourcing Services | | 2.819 | 2,958 |
| Petty-cash costs | | 85 | 82 |
| Marketing - cardholders | | 7.722 | 6,129 |
| Photocopies | | 92 | 87 |
| Subscription and Reference Books | | 95 | 98 |
| Fees | | 10.944 | 8,671 |
| Contributions and Membership | | 23.620 | 21,535 |
| Maintenance & Repair | | 3.336 | 3,110 |
| Customization and Installation | | 1.275 | 1,512 |
| Taxes | | 48.306 | 45,682 |
| Rents | | 13.960 | 15,278 |
| Insurance | | 20.252 | 18,880 |
| Other | | 6.068 | 6,299 |
| | $ | 192.344 | 181.673 |
| Operational Returns repo, simultaneous, transient transfer of securities and other interest | $ | 88.304 | 77.171 |
| | $ | 280.648 | 258.844 |

(26) Other Non-Operational Income

Non-operational incomes by 6-month periods are itemized below:

| | | Jun. 30 - 12 | Dec. 31-11 |
|---|---|---|---|
| Profit on sale | | | |
| Property and equipment | | 6 | 6 |
| Goods received in payment | | 2.307 | 2.157 |
| Goods written-off | | 21.696 | 27.906 |
| Refund of provisions property and equipment and other | | 36 | 36 |
| Refund of provisions goods receiving in payment | | 2.134 | 4.126 |
| Recover for sinister | | 3.927 | 2.296 |
| Refund other provisions | | 2.961 | 7.829 |
| Other recoveries | | 2 | 1 |
| Renting | $ | 1.108 | 1.134 |
| Reimbursement of deposit insurance | | 4.763 | - |
| Other | | 1.117 | 654 |
| | $ | 40.058 | 46.145 |

(27) Non-operational expenses

Non-operational expenses for 6-month periods are itemized below:

| | | Jun. 30 - 12 | Dec. 31-11 |
|---|---|---|---|

| | | | |
|---|---|---|---|
| Loss on sale of goods received in payment | $ | 974 | 1.267 |
| Fines and penalties and lawsuits: | | | |
| Labor Claims | | 337 | 152 |
| Other | | 778 | 742 |
| Loss for sinister | | 5.251 | 4.457 |
| Expenses of goods received in payment | | 349 | 276 |
| Fess and other legal expenses | | 326 | 186 |
| Expenses of contracts | | 845 | 693 |
| Other | | 756 | 326 |
| | $ | 9.616 | 8.099 |

(28) Income and Complementary Tax

The following is the conciliation between accounting profit and estimated taxable income by six-month periods ended on June 30, 2012 and December 31, 2011:

| a) Income: | | Jun. 30 - 12 | Dec. 31-11 |
|---|---|---|---|
| Profit before Income Tax | | | |
| Plus (less) items increasing (decreasing) fiscal profit: | $ | 322. 564 | 288.192 |
| Fines and sanctions | | 1.115 | 894 |
| Non-deducible provisions | | 3.472 | 10,401 |
| Amortization deferred depreciation | | 1.559 | (5,661) |
| Especial deduction in Productive Fixed Asset Investment of 30% | | - | (41.639) |
| Other non-deductible expenses | | 43.529 | 23.686 |
| Net difference, income between accounting valuation and fiscal investment valuation of the investments | | 3.598 | (3,479) |
| Forward contract valuation, net | | (1.265) | 4,964 |
| Accrued dividends 2010, payable and not registered in 2011 | | 21.098 | - |
| Mercantile credit amortized | | 705 | 697 |
| Other tax deductions | | (21.206) | (13,299) |
| Dividends and participations non taxed | | (85.217) | (58,213) |
| Exempt Income | | (29.261) | (24,154) |
| Taxable Base | | 260.691 | 182,389 |
| Current Income Tax | | 86.028 | 60,189 |
| Deferred Tax | | (1.185) | 122 |
| Excess of income tax provision | | 180 | 943 |
| Total Income Tax | $ | 85.023 | 61,254 |
| Total Income Tax previous years | | 13.925 | - |
| Total Expense by Income Tax | | 98.948 | 61.254 |

Deferred tax results from the following temporary differences between accounting and fiscal accrual:

| Provisions, Net for: | | Jun. 30 - 12 | Dec. 31-11 |
|---|---|---|---|
| Industry and commerce | $ | 356 | (1,069) |
| Property Tax | | (24) | 43 |
| Forwards Valuation | | 417 | (1,638) |
| Total deferred tax receivable | | 749 | (2,664) |
| Amortization Mercantile Credit | | (233) | (230) |
| Investment Valuation | | (1.187) | 1,148 |
| Deferred Depreciation | | (514) | 1,868 |
| Net deferred tax payable | $ | (1.185) | 122 |

The following is the accounting and fiscal net worth reconciliation:

| b) Equity Conciliation | | Jun. 30 - 12 | Dec. 31-11 |
|---|---|---|---|
| Accounting Equity | $ | 3.108.485 | 3,030,562 |
| Plus (less) items increasing (decreasing) equity for tax purpose: | | | |

| | | | |
|---|---|---|---|
| Fiscal readjustment of fixed asset, net | | (4.321) | 46,588 |
| Estimate liabilities & provisions involving no fiscal liabilities | | 49.247 | 22,867 |
| Provisions of asset involving no fiscal diminution | | 11.197 | 9,178 |
| Accrued deferred tax payable | | 57.762 | 59,279 |
| Other net asset | | 7.112 | (70,541) |
| Accounting valuation of net fixed asset | | (248.466) | (212,958) |
| Accrued deferred tax receivable | | (1.956) | (2,583) |
| Accrued deferred depreciation | | (88.741) | (90,300) |
| Fiscal Equity | $ | 2.890.319 | 2,792,092 |

Income tax returns of the tax 2010 and 2011 are within the legal term of revision by National Tax Administration.

(29) Technical Patrimony

Technical patrimony cannot be less than nine point zero percent (9.0%) of asset in legal tender and weighted foreign currency per level or risk, as provided in article 2.1.1.1.2, Decree 2555/2010, formerly Article 2, Decree 1720/2001. The individual compliance is verified on a monthly and semester basis in a consolidated manner with its subsidiaries in Colombia, controlled by Colombia Finance Superintendence and financial affiliates abroad.

Risk asset classification in each category is made by applying the prevents determined by Finance Superintendence to each one of the items of asset, creditor contingent accounts, deals, and fiducial assignments established in the Accounts Unique Plan. As from January 30, 2002, additionally the market risks are included as a part of the asset weighted per risks.

The Bank shows the indicators below:

| Technical Patrimony | | | Jun. 30 - 12 | Dec. 31-11 |
|---|---|---|---|---|
| Basic Patrimony | | $ | 1.683.740 | 1.581.036 |
| Additional Patrimony | | | 485.442 | 272.158 |
| Technical Patrimony | | $ | 2.169.182 | 1.853.194 |
| Ceiling of Asset growth | | | | |
| Less: | | | | |
| Asset and contingencies weighted per risk level | | | | |
| Category II | 20% | $ | 773.590 | 732.288 |
| Category III | 50% | | 360.471 | 316.236 |
| Category V | 80% | | 2.510.329 | 2.270.275 |
| Category VI | 90% | | 87.286 | 87.286 |
| Category VII | 95% | | 56.511 | 38.293 |
| Category VIII | 100% | | 14.001.022 | 13.378.669 |
| Category XI | 130% | | 60.156 | 766 |
| Total weighted asset and contingencies | | $ | 17.849.365 | 16.823.812 |
| Value market risk | | $ | 593.221 | 552.820 |
| Solvency Ratio | | | 11,8 | 10,6 |

(30) Transactions with Stockholders, Directors and Related Parties

On June 30, 2012 and December y 31, 2011 the Bank had loans with stockholders and directors; Those operations are made under the general conditions prevailing in the market for similar operations, as follows:

| Admissible Guarantee | | Jun. 30 - 12 | Dec. 31-11 |
|---|---|---|---|
| Stockholders | | 217.678 | 224.937 |
| Directors | | 2.032 | 1.720 |
| | $ | 219.710 | 226.657 |
| Other Guarantees | | | |
| Stockholders | | 49.501 | 42.824 |

| | | | |
|---|---|---|---|
| Directors | | 44.336 | 50.122 |
| | | 93.837 | 92.946 |
| | $ | 313.547 | 319.603 |

Transactions with Related Parties

The balances and transactions with related-parties are itemized below, operations made with associated companies at the market prices and rates for the terms thereof:

Operations with Affiliated Companies

| Asset | Rate | Jun. 30 - 12 | | Rate | Dec 31, 2011 |
|---|---|---|---|---|---|
| Available – Correspondents | | | | | |
| Banco de Occidente (Panamá) S.A. | - | 12.483 | | - | $ 14,608 |
| Credit Portfolio | | | | | |
| Fiduciaria de Occidente S.A. | DTF + 6 | 220 | | DTF + 6 | 438 |
| Ventas y Servicios S.A. | | 57 | | | 155 |
| | | 277 | | | $ 593 |
| Accounts Receivable: | | | | | |
| Fiduciaria de Occidente S.A. | | 6.702 | | | 7,393 |
| Ventas y Servicios S.A. | | 2.538 | | | 865 |
| | | 9.240 | | | $ 8,258 |
| Investment Available for sale in certif. of participation | | | | | |
| Investment in Colombia | | | | | |
| Fiduciaria de Occidente S.A. | | | | 39,960.0 | 39,960.0 |
| Ventas y Servicios S.A. | | | | 2.256 | 1,232 |
| | | $ | | 42.216 | 41,192 |
| Overseas Investments | | | | | |
| Banco de Occidente (Panamá) S.A. | | | | 38.119 | 40,174 |
| Occidental Bank Barbados Ltd. | | | | 26.238 | 26,291 |
| | | . $ | | 64.357 | 66,465 |
| Valuations: | | | | | |
| Banco de Occidente (Panamá) S.A. | | $ | | 22.693 | 21,165 |
| Ventas y Servicios S.A. | | | | 671 | 924 |
| Fiduciaria de Occidente | | | | 40.957 | 36,247 |
| Occidental Bank Barbados Ltd. | | | | 19.171 | 17,768 |
| | | $ | | 83.492 | 76,104 |
| Liabilities | | | | | |
| Current Account Deposits | | | | | |
| Fiduciaria de Occidente | | $ | | 222 | 500 |
| Ventas y Servicios S.A. | | | | 65 | 101 |
| Occidental Bank Barbados Ltd. | | | | 3 | 4 |
| | | $ | | 290 | 605 |

Saving Account Deposits

| | Rate | | Jun. 30 - 12 | Rate | Dec 31, 2011 |
|---|---|---|---|---|---|
| Fiduciaria de Occidente S.A. | 3,50% | $ | 618 | 2.50% | 62 |
| Ventas y Servicios S.A. | 2,50% | | 4 | 2.00% | 8 |
| Occidental Bank Barbados Ltd. | 2,75% | | 16 | 2.00% | 11 |
| | | $ | 638 | | 81 |

Other Payabilities:

| Credit of banks and other financial obligations: | Rate | Jun. 30 - 12 | Rate | Dec 31, 2011 |
|---|---|---|---|---|

| | | | | | |
|---|---|---|---|---|---|
| Banco de Occidente (Panamá) S.A. | | $ | 308.382 | | 242,442 |
| Interbank Funds Purchased | | | | | |
| Banco de Occidente (Panamá) S.A. | | | | | |
| | 0,18% | $ | 51.985 | 0.30% | 38,868 |
| Transfer Commitments: | | | | | |
| Occidental Bank Barbados Ltd. | 2,64% | $ | 37.647 | 2.48% | 36,657 |
| Other Accounts Payable: | | | | | |
| Banco de Occidente (Panamá) S.A. | | | 4 | | 1 |
| Ventas y Servicios S.A. | | | 3.019 | | - |
| | | $ | 3.023 | | 1 |

Below the detail of transactions with related parties for 6-months periods:

| | | | |
|---|---|---|---|
| Income | | | |
| Ventas y Servicios S.A. | | Jun. 30 - 12 | Dec. 31-11 |
| Interest | | 21 | - |
| Commissions | $ | 86 | 129 |
| Profit of leasing sale | | 6 | 11 |
| Rents | | 41 | 48 |
| Other | | 2 | 2 |
| | $ | 156 | 190 |
| Fiduciaria de Occidente S.A. | | | |
| Dividends | $ | 12.222 | 14,772 |
| Other | | 61 | 81 |
| Profit of leasing sale | | 19 | 37 |
| Commissions | | 774 | 5 |
| | $ | 13.076 | 14,895 |
| Banco de Occidente (Panamá) S.A.: | | | |
| Dividends | $ | 1.207 | - |
| Occidental Bank Barbados Ltd. | | | |
| Dividends | | 2.066 | - |
| Other | | 65 | 67 |
| | $ | 2.131 | 67 |
| Expense and Cost | | | |
| Banco de Occidente (Panamá) S.A. | | | |
| Commissions | $ | - | 2 |
| Interests | | 3.311 | 1,269 |
| | $ | 3.311 | 1,271 |
| Ventas y Servicios S.A. | | | |
| Other | $ | 8.991 | 9,072 |
| Occidental Bank Barbados Ltd. | | | |
| Interests | $ | 392 | 120 |
| Fiduciaria de Occidente S.A. | | | |
| Other | $ | - | 35 |
| Premises and Offices | | 9 | - |
| | | 9 | 35 |

Stockholders Operations

The following is the detail of the balances with stockholders which participation is higher than 10%; operations made with stockholders are made under market general conditions for similar operations:

| Grupo Aval Acciones y Valores S.A. | | | | | |
|---|---|---|---|---|---|
| Liability: | Rate | | Jun. 30 - 12 | Rate | Dec. 31-11 |
| Deposits and Payabilities | 2,75% | $ | 223.640 | 2.75% | 249,857 |

| | | | |
|---|---|---|---|
| Accounts Payable Dividends | | 35.426 | 34,469 |
| Other | | 188 | - |
| | $ | 259.254 | 284,326 |
| Incomes: | | | |
| Commission | | 55 | - |
| Interests on Saving Accounts | $ | 6.414 | 7,762 |
| | | 6.469 | 7,762 |
| Expenses | | | |
| Fees | | 4.936 | 2,047 |

Operations with Related Companies

| | | As of June 30, 2012 | | | | |
|---|---|---|---|---|---|---|
| Entity | | Asset | Liabilities | Equity | Income | Expense |
| Banco de Bogotá S.A | $ | 10.056 | 34 | - | 14 | 305 |
| Banco AV Villas S.A | | - | - | - | 706 | - |
| Banco Popular S.A | | - | - | - | - | 16 |
| ATH S.A | | 1.362 | - | 1.099 | - | 911 |
| Pensiones y Cesantías Porvenir S.A | | 167.326 | 2.881 | 34.055 | 18.059 | - |
| Corficolombiana S.A | | 795.331 | 5.436 | 510.833 | 33.488 | 46 |
| Leasing Corficol S.A | | - | 1.986 | - | - | - |
| Fiduciaria Corficol S.A | | - | 499 | - | 48 | 23 |
| Casa de Bolsa S.A. | | 2.605 | 625 | 21 | - | - |
| Banco Corfivalle Panamá | | - | 2 | - | - | - |
| Fiduciaria Popular S.A. | | - | 1.000 | - | - | - |
| Al Popular S.A. | | 99 | - | - | 7 | 26 |
| Seguros Alfa S.A. | | - | 12.316 | - | 3.052 | 143 |
| Seguros de Vida Alfa Vidalfa S.A | | - | 28.500 | - | 4.183 | 1.259 |
| Hoteles Estelar S.A. | | 10.740 | 2.943 | - | 680 | 436 |
| Plantaciones Uni-Palma S.A.. | | - | - | - | 6 | - |
| Colomb. de Licitaciones y Conceciones Concecol S.A | | - | 8 | - | - | - |
| Tejidos Sintéticos De Colombia S.A. | | 881 | 25 | - | 47 | - |
| Pajonales S.A. | | 11.890 | 971 | - | 135 | - |
| Promotora Santamar S.A | | - | 51 | - | - | - |
| Mavalle S.A. | | - | 23 | - | - | - |
| Valle-Bursátiles S.A | | - | 21 | - | - | - |
| Valora S.A. | | - | 3 | - | - | - |
| Industrias Lehner S.A.. | | 4.668 | - | - | - | - |
| Manuf.Terminadas Mantesa S.A. | | 674 | - | - | 493 | - |
| Coninvial S.A. | | - | 164 | - | 2 | - |
| Coviandes S.A | | - | 271 | - | - | - |
| Pizano en Reestructuración S.A. | | 20.466 | - | 413 | 650 | - |
| Agro Sta Helena SAS | | - | 176 | - | - | - |
| Goajira Sas | | - | 176 | - | - | - |
| Plantaciones Sta Rita SAS | | - | 50 | - | - | - |
| Hevea De Los Llanos SAS | | - | 51 | - | - | - |
| Tsr20 Inversiones SAS | | - | 89 | - | - | - |
| Hevea Inversiones SAS | | - | 73 | - | - | - |
| Agro Casuna SAS | | - | 242 | - | - | - |
| Concesionaria Panamericana S.A. | $ | 539 | 123 | - | 66 | - |

| | | As of December 31, 2011 | | | | |
|---|---|---|---|---|---|---|
| Entity | | Asset | Liabilities | Equity | Income | Expense |

| | | | | | | |
|---|---|---|---|---|---|---|
| Banco de Bogotá | $ | 83 | 10,011 | - | 30 | 423 |
| Banco AV Villas | | 33 | - | - | 1,230 | - |
| Banco Popular | | - | - | - | - | 13 |
| ATH | | 1,387 | - | 1,123 | - | 789 |
| Porvenir | | 152,508 | 1,666 | 28,672 | 17,853 | - |
| Corficolombiana | | 872,590 | 11,253 | 603,159 | 38,868 | 69 |
| Leasing Corficol | | - | 172 | - | - | - |
| Fiduciaria Corficolombiana | | 8 | 3 | - | 117 | 110 |
| Casa de Bolsa S.A. | | 2,543 | 2,073 | -41 | 101 | 17 |
| Banco Corfivalle-Panamá | - | - | - | - | - | - |
| Fiduciaria Popular | | - | 1,000 | - | - | - |
| Fiduciaria Bogotá | | - | - | - | - | 3 |
| Al Popular | | 181 | - | - | 13 | 26 |
| Seguros Alfa | | - | 4,592 | - | 1,714 | 86 |
| Seguros de Vida Alfa | | - | 9,593 | - | 2,204 | 1,207 |
| Corfivalle Panamá | $ | - | 75 | - | 2 | - |
| Valora S.A. | | - | 30 | - | - | - |

## (31) Disclosure of Risks

### Management related to risk administration

### Liquidity Risk

During the first half-year changes in the regulatory framework occurred, establishing the Regulations relative to Liquidity Risk Management –LRM-. Colombia Finance Superintendence, under the External Circular Letters 044/2011 and 017/2012, included changes to the Chapter VI of CBCF and Annex 1. The major changes are addressed to the inclusion of new limits to LRI at 30 days and the new indicator of Liquidity Ratio; additionally, establishes the obligation to maintain a high-quality liquid asset level, and introduces changes to the calculation of the Liquidity Risk Indicator –LRI- and to the Net withdrawal Factor.

For the first half-year 2012, a Liquidity Risk Indicator (LRI) is underlined at 7-days of Col$2.6 billion average and at 30 days Col$1.6 billion average, respectively, mainly in an excellent liquid asset level equivalent to Col$3 billion, which, given the net liquidity requirements at 7 and 30 days, represent a mean Liquidity Ratio of 754% and 211% respectively (Liquid Asset over Liquidity Required). In the same way, the compliance with policies and limits set forth is underlined.

### Market Risk

Market Risk Management (MRM) in the first half-year 2012 did not exhibit significant modifications. Measurement made by the calculation of Risk Value reflected a mean exposure level of $52.712 Million pesos which is located within the limits set out. Fixed income portfolio is represented mainly by Colombian Government certificates (83%) and is located in a mean quite short-term maturity (21 months).

The objective is to maintain in the organization a risk control and management culture allowing for the conduction of the different business of the Bank in the commercial and treasury activities within reasonable and measurable exposure margins, preventing from negative impact and supporting the generation of economic value.

### Legal Framework

All activities carried out in developing a proper market risk management, shall be consistent with the Basic Accounting Financial Circular Letter C.E. 100, 1995, specially related to the following sections:

- Chapter I: Classification, Valuation and Investment Valuations
- Chapter VI: Criteria and Procedures to Evaluate Liquidity Risk Management (LRMS)
- Chapter XVIII: Derivatives Valuation and Structured Products.
- Chapter XXI: Standards Relative to Market Risk Management System (MRMS)

### The risks are defined as follows

### Credit and/or Counterpart Risk

Credit risk is defined as the possibility for an entity to incur in loss and impairment of asset value as a result of the failure of clients to timely or efficiently comply with the terms agreed upon in the respective contracts.

In Banco de Occidente credit indebtedness levels, both for commercial operations and treasury operations, are analyzed per credit areas and then subject to the consideration and approval by the appropriate business units, specially by Credit Committee and the Top Management or the Board of Directors.

In the analysis, customers' financial statements are taken into account, at least from the last two operational periods, the cash flow and other elements necessary to make informed decisions. Treasury operations are not independent on other operations assigned to the customers. Especial emphasis is made on customer's payment capacity, both through cash flow and by the analysis of liquidity ratio, current liabilities participation on sales, company's operative cycle and solvency and the other measures integrating the credit analytical model.

Since 2002 operational period, the Bank started a Project to develop Credit Risk Management System (CRMS), which includes credit risk management procedures and policies, structuring of database with customer's historical information, and customer's behavior, development of models for granting, following up and qualification of customers, estimation of expected loss, among others. This development has been adopted based on regulations changes (Chapter II of Accounting and Financial Basic Circular Letter 100 / 1995 from Colombia Finance Superintendence).

Financial entities need to submit the model (by type of credit) to be approved by Finance Superintendence, before its practical application. Those entities failing to submit the internal model or those ones which internal model has been objected need to apply the reference models developed by Finance Superintendence. The model for commercial portfolio began to take force as from July 1/2007 and that for consumption portfolio began to take force from July 1, 2008. For housing and microcredit the reference models have not been developed as yet.

During the first half-year 2008 the Bank began to develop activities to implement Consumption Reference Model (CRM) for customer qualification and provision estimates according to the Annex 5 of Chapter II of Circular Letter 100 / 1995, as well as the activities to develop the analysis of consumption portfolio harvests since January 2005, based on the External Circular Letter 012, 2008.

On May 2009 the entity concluded the development of activities originated from the recommendations made by Colombia Finance Superintendence, as a result of the evaluation of CRMS internal model, communicated on December 2006, which were grouped into five sources of work: Policies, Procedures, Modeling, Database, and Training. This way the weaknesses found were remedied.

Since October 2009 the Entity is working in line with External Circular Letters 035 of September 2009 and 054 of December 2009, where the new portfolio provisions system is defined, which includes the definition of two components of expected loss (Procyclic Individual Component - PIC) and Contracyclic Individual Component– CIC) and the calculation of four (4) indicators determining if the entity can be located in the cumulative or accumulative phase of its provisions.

## Liquidity Risk

Liquidity risk is understood as the contingency of the impossibility to fully and timely comply with the payments in the appropriate dates, due to the deficiency of liquid resources or to the need to assume unusual funding costs.

As from April , 2009 the new chapter VI of "Standards relative to Liquidity Risk Management" began to take force, which derogated the former chapter related to "Criteria and Procedures to Manage Asset and Liabilities" which makes emphasis mainly on Liquidity GAP indicator.

As from October, 2011 and April, 2012 Colombia Finance Superintendence, under External Circular Letter 044, amended the Chapter VI an introduced Liquidity Risk concept.

The degree of exposure to risk is determined by the calculation of Liquidity Risk Indicator (LRI). This indicator compares the level of liquid asset adjusted by market liquidity, Exchange risk (AML), and cash position required against net liquidity requirement (NLR). The major characteristics are the following:

- LRI is calculated on a weekly basis closing date Friday and closing monthly date the last calendar day of the month.

- Net Liquid Asset corresponds to the sum of available, investments negotiable in certificates of indebtedness, investments negotiable in certificates of participation, the investments negotiable for sale in certificates of indebtedness and the investments until maturity. Additionally the securities or coupons transferred to the entity in developing monetary market active operations will make part of Liquid Asset

- Withdrawals of deposits at sight will be adjusted by the Net Withdrawal Factor NWF

- The timeframes are distributed by: less than 7 days, 8 to 15 days, 16 to 30 days, 1 to 30 days, and 31 to 90 days.

- It is considered that any credit entity may be producing a significant exposure to liquidity risk when in a given weekly or monthly report; Liquidity Risk Indicator LRI at one week or 30 days is minus.

## Market Risk

The possibility for any credit entity incurs in loss and diminution of technical patrimony as a result of the changes in the price of financial instruments where the entity maintains positions in or off the balance. Such changes in the price of instruments may occur as a result of variations in interest rates, type of changes and other indexes.

Among market risk measurements derivative instruments are also taken into account, which are defined as financial operations the entity may make to purchase or sell asset in the future, such as foreign currency or securities, or financial futures over exchange rates, interest rates, or stock exchange indexes. The most common examples of derivatives are the fixed term contracts or “forwards”, the options, futures and swaps, or financial barters. All of them are operations with compliance in the future.

## Finance Superintendence Standard Model

Standard methodology comprises tour (4) modules, which are separately calculated; such modules are the following:

- Interest rate Risk
- Exchange Rate Risk
- Stock Price risk
- Collective Portfolio Investment Risk

To obtain total exposure to market risk, the results of these modules shall be arithmetically aggregated.

For interest rate and stocks modules, only the treasury book is taken into account. For exchange rate module, bank book positions are also included.

### 1. Interest Rate Risk Measurement:

Exposure to interest rate risk reflects the risk associated to adverse movements in the market interest rate. Such exposure shall be measured by the entities in a separate manner for positions in Legal Tender, in foreign currency, and in Real Value Units (UVR). The methodology is as follows:

- Calculation of modified length
- Calculation of Sensitivities versus interest rate changes
- Adjustments between bands and zones
- Calculation of interest rate risk for each stair of bands
- Total exposure determination

### 2. Measuring exchange rate risk:

By this methodology, capital minimum requirement necessary to cover the risks associated to take or maintain positions in foreign currency is calculated, both in the treasury book and in the bank book; In order to calculate exchange rate risk exposure, the controlled entities need to calculate net sensitivity in each currency as the product of net position and the corresponding sensitivity factor.

### 3. Measuring stock price risk:

Since the objective of positions held in stocks is not the benefit in the short-run of price fluctuations, such positions are not considered as belonging to the book of treasury, and therefore, they are not taken into account to calculate the Value in the Risk.

### 4. Measuring Collective Portfolio Risk:

For investments in collective portfolios, the exposure to market risk is calculated as the product between risk factor applicable to such fund and the invested position in the factor. The factor of risk applicable corresponds to 14.7%, equivalent to the charge associated to the most risky positions included in the Standard model (stocks).

In order to calculate total exposure to market risk, you must add the exposures obtained for each module of the Standard methodology. The value obtained is computed to calculate Solvency Ratio.

### Calculation of Risk Value – Internal Model

Calculation of Risk Value of the different portfolios is made using Risk Metrics methodology published by J.P Morgan, the objective of which is to forecast maximum loss level that a portfolio may suffer with 99% confidence level. To calculate daily volatilities, EWMA model is used allowing for giving a higher weight to the most recent information.

### Valuation at Market Prices

Banco de Occidente, according to standards set forth by Colombia Finance Superintendence performs evaluation and valuation on a daily basis of total fixed and variable income investments and derivatives; the same procedure applies in the record and causation of interbank operations and repos, applying, for such purposes, the procedure and methodology set forth by the said entity in the Accounting and Financial Circular Letter 100 of November 1995 as amended and currently in force; for such valuation process the Bank uses the applicative acquired from a Software specialized company.

### Structure to Manage Treasury Risk

In compliance with the provisions in Internal Circular Letter 088 of December 29, 2000 from Colombia Finance Superintendence, Banco de Occidente organized the Structure of Treasury in three organizational and functional independent areas, to complete trading activities (Front Office); risk monitoring, control and management (Middle Office) and processing and accounting (Back Office).

### Results of Liquidity Risks
### Closing: June 30, 2012

### Liquidity Risk Management System

Banco de Occidente as of June 30, 2012 submitted a LRI at 7 days of $1.814.378 Million and at 30 days of $968.963 Million indicators which allow for determining that there is no any significant value in risk of liquidity. Net liquid assets added up $2.406.331versus Net Requirement of Liquidity of -$591.953 Million at 7 days and -$1.437.368 Million at 30 days.

It shall be taken into account that as from this closing, LRI is calculated under the new Circular Letter 044 of October 2011 where such indicator is changed and Liquidity Ratio concept is introduced.

LRI Behavior as of June 30, 2012 (Col$ Thousand)

| Description | | Balance | Band 1<br>Days 1 - 7 | Band 2<br>Days 8 - 15 | Band 3<br>Days 16 -30 | Band 4<br>Days 1 - 30 | Band 5<br>Days 31 - 90 |
|---|---|---|---|---|---|---|---|
| Available | $ | 1.836.596 | - | - | - | - | - |

| | | | | | | |
|---|---|---|---|---|---|---|
| Int. Funds, Repos Simult. & TTV | - | 276.715 | - | - | 276.715 | - |
| Investment | 569.734 | 28.741 | 10.658 | 2.808 | 42.207 | 89.969 |
| Certif. in securing Transfer Rights | - | 1.476.756 | 1.880 | 16.099 | 1.494.735 | 10.381 |
| Portfolio | - | 336.778 | 365.781 | 842.406 | 1.544.964 | 2.119.795 |
| Derivatives | - | 432.302 | 725.928 | 912.291 | 2.070.521 | 809.282 |
| Accounts Receivable | - | 111.297 | 127.197 | 238.494 | 476.989 | 238.494 |
| Other Asset & Debtor Accounts | - | - | - | - | - | 8.523.485 |
| Active Positions | 2.406.331 | 2.662.589 | 1.231.444 | 2.012.098 | 5.906.131 | 11.791.407 |
| Current Accounts | 4.094.617 | - | - | - | - | - |
| TDs | - | 14.649 | 115.499 | 293.486 | 423.635 | 788.560 |
| Saving Deposits | 5.647.336 | - | - | - | - | - |
| Payables | 294.076 | - | - | - | - | - |
| Int. Funds, Repos Simult. & TTV | - | 1.531.631 | 1.789 | 16.170 | 1.549.590 | - |
| Derivatives | - | 432.340 | 726.945 | 910.168 | 2.069.453 | 806.862 |
| Bank Credits | - | 25.484 | 20.685 | 105.337 | 151.505 | 368.332 |
| Accounts Payable | - | 127.895 | 146.166 | 274.062 | 548.123 | 49.430 |
| Outstanding Inv. Papers | - | 1.638 | - | 1.923 | 3.562 | 31.469 |
| Other Liabilities & Credit Cont. | - | - | - | - | - | 2.884.869 |
| Passive Positions | 10.036.029 | 2.133.637 | 1.011.085 | 1.601.146 | 4.745.868 | 4.929.523 |
| Net flow withdrawals not subject to contractual maturities | - | 234.174 | 267.627 | 501.801 | 1.003.603 | 2.007.206 |
| Net Liquidity Requirement | - | 591.953 | 319.678 | 525.737 | 1.437.368 | 1.734.182 |
| Total Liquid Asset Investment | 569.734 | - | - | - | - | - |
| Total Net Liquid Asset | $ 2.406.331 | - | - | - | - | - |
| Liquidity Risk Indicator (LRI) | - | 1.814.378 | 1.494.700 | - | 968.963 | 765.219 |
| Liquid Ratio | - | 407% | 264% | - | 167% | 76% |

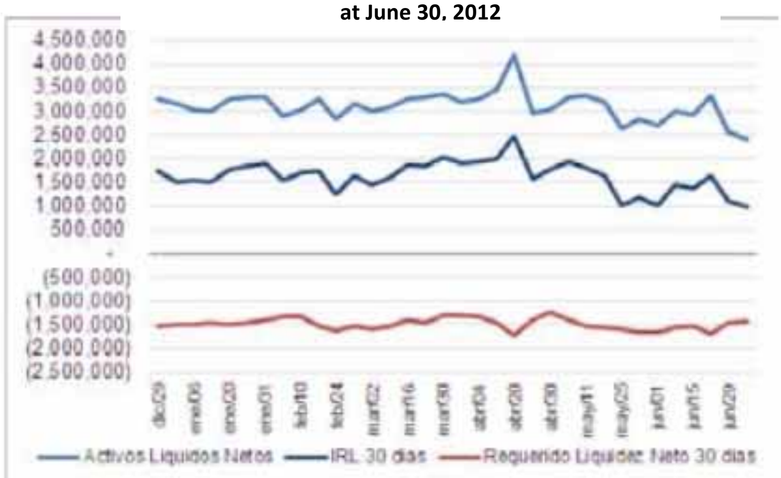
## LRI Behavior as of December 31, 2011 (Col$ Thousand)

| Description | Balance | Band 1 Days 1 - 7 | Band 2 Days 8 - 15 | Band 3 Days 16 -30 | Band 4 Days 1 - 30 | Band 5 Days 31 - 90 |
|---|---|---|---|---|---|---|
| Available | $ 1,526,293 | - | - | - | - | - |
| Int. Funds, Repos Simult. & TTV | - | 64,091 | - | - | 64,091 | - |
| Investment | 1,635,678 | 2,067 | 6,523 | 176,147 | 184,737 | 95,312 |
| Certif. in securing Transfer Rights | - | 476,979 | 24,779 | 11,934 | 513,692 | - |
| Portfolio | - | 341,487 | 358,405 | 795,508 | 1,495,400 | 2,059,724 |
| Derivatives | - | 529,171 | 667,059 | 1,198,563 | 2,394,793 | 1,359,081 |
| Accounts Receivable | - | 97,003 | 110,861 | 207,864 | 415,729 | 207,864 |
| Other Asset & Debtor Accounts | - | - | - | - | - | 6,658,758 |
| Active Positions | 3,161,970 | 1,510,800 | 1,167,626 | 2,390,017 | 5,068,443 | 10,380,740 |
| Current Accounts | 4,617,210 | - | - | - | - | - |
| TDs | - | 88,730 | 71,466 | 139,302 | 299,499 | 537,030 |
| Saving Deposits | 5,650,228 | - | - | - | - | - |
| Payables | 261,780 | - | 1 | 1 | 1 | - |
| Int. Funds, Repos Simult. & TTV | - | 599,591 | 30,758 | 23,859 | 654,208 | - |
| Derivatives | - | 527,867 | 574,994 | 1,196,963 | 2,299,824 | 1,300,370 |
| Bank Credits | - | 50,400 | 28,263 | 107,116 | 185,779 | 428,667 |
| Accounts Payable | - | 121,881 | 139,292 | 26,173 | 522,346 | 83,660 |
| Outstanding Inv. Papers | - | 1,489 | - | 1,909 | 3,398 | 95,222 |
| Other Liabilities & Credit Cont. | - | - | - | - | - | 2,803,624 |
| Passive Positions | 10,570,945 | 1,389,958 | 844,773 | 1,730,322 | 3,965,054 | 5,248,574 |
| Net flow, Contractual maturity - Adjusted | - | 473,011 | 540,584 | 1,013,595 | 2,027,189 | 4,054,378 |
| Net flow withdrawals not subject to contractual maturities | - | - | - | - | - | - |
| Net Liquidity Requirement | - | 465,742 | 346,339 | 685,979 | 1,498,061 | 2,325,738 |
| Total Liquid Asset Investment | 1,648,346 | - | - | - | - | - |
| Total Net Liquid Asset | $ 3,174,638 | - | - | - | - | - |
| Liquidity Risk Indicator (LRI) | - | 2,708,896 | 2,362,557 | - | 1,676,578 | -649,160 |
| Liquid Ratio | - | 68% | 391% | - | 212% | 83% |

**Behavior of Liquidity Risk Indicator (LRI) at June 30, 2012**


**Behavior of Liquidity Risk Indicator (LRI) at June 30, 2012**

IRL

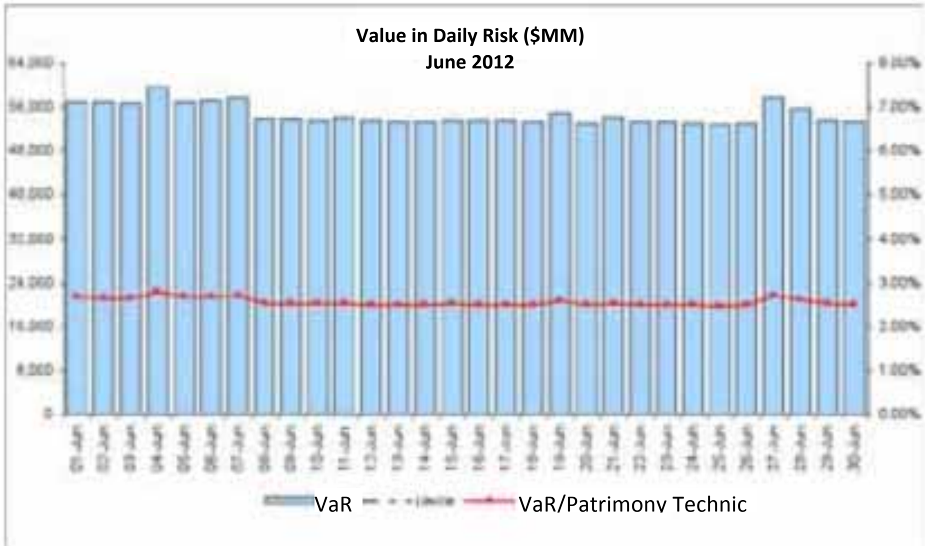


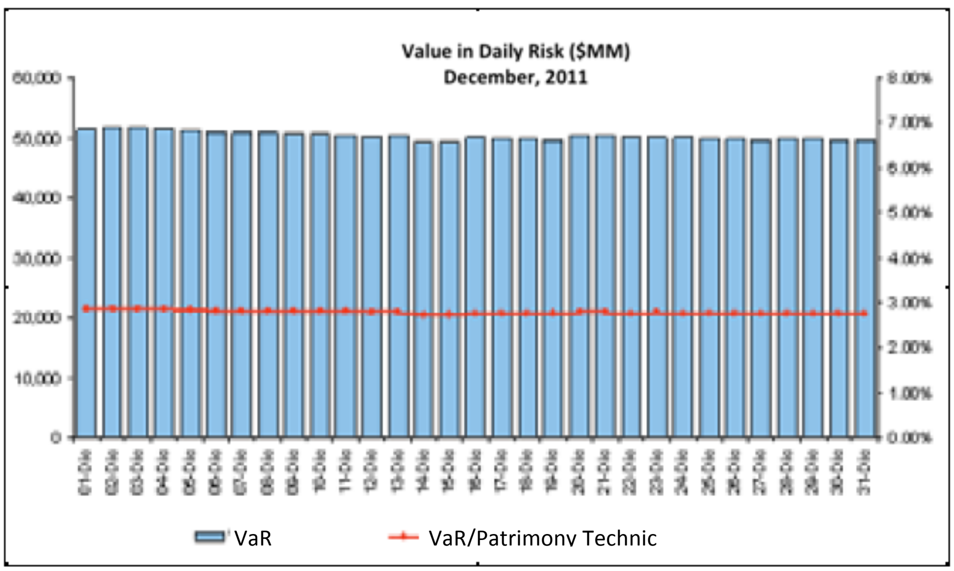

IRL

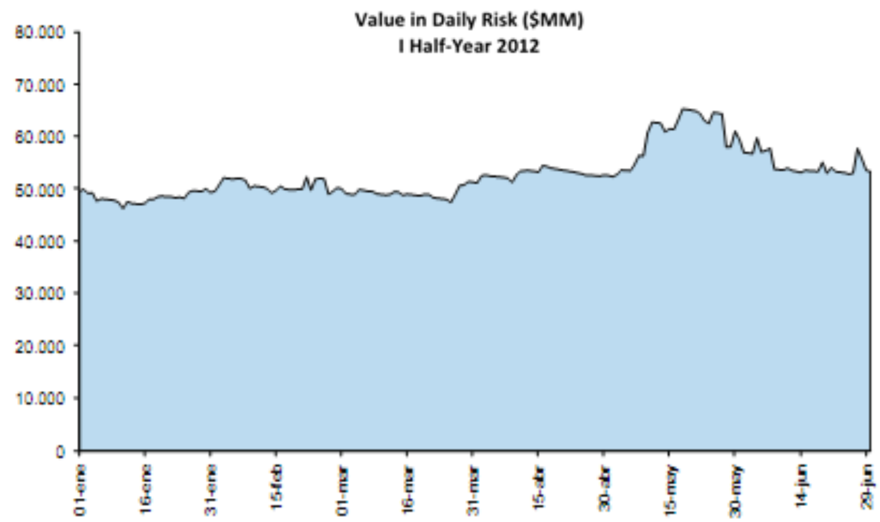
Result of Market Risk
Closing June 30, 2012

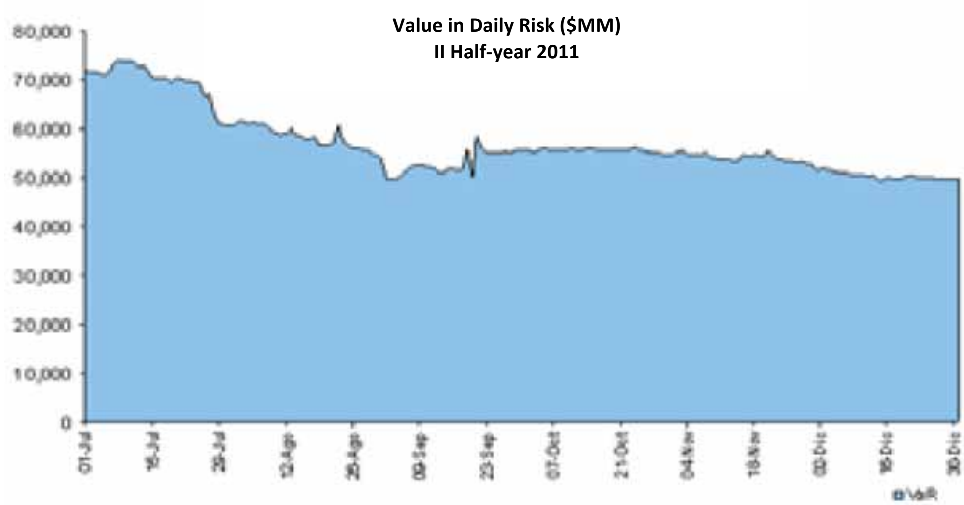
At the closing operational period of June 30, 2012 risk value of Banco de Occidente, calculated by using a new methodology provided in the Circular Letter 042, 2010 (standardized model of Risk Value in blocks, as suggested by Basle Committee) $53.389,9. result was obtained. The figure below shows the recent evolution of Risk Value

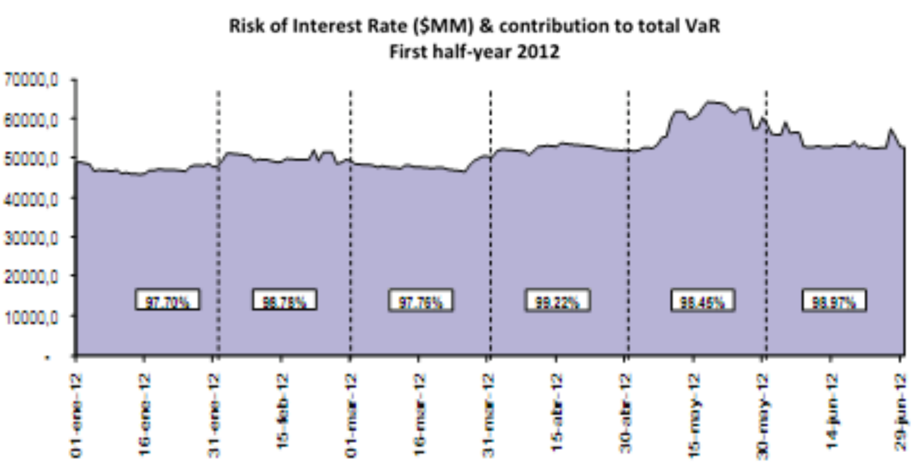
| Risk Value per Modules | | Jun. 30 - 12 | Dec. 31-11 |
|---|---|---|---|
| Interest Rate | $ | 52.805 | 49.157 |
| Exchange Rate | | 584 | 596 |
| Total Risk Value | $ | 53.389 | 49.753 |

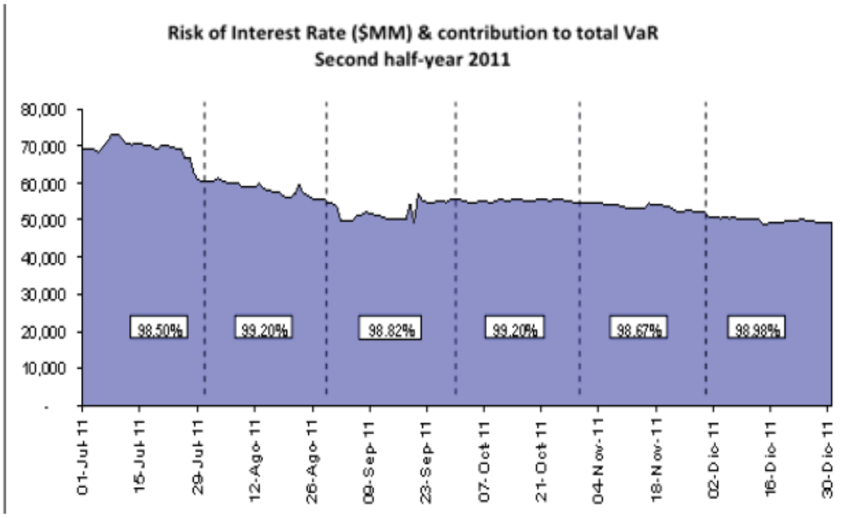

Value in Daily Risk ($MM)
June 2012
VaR
VaR/Patrimony Technic

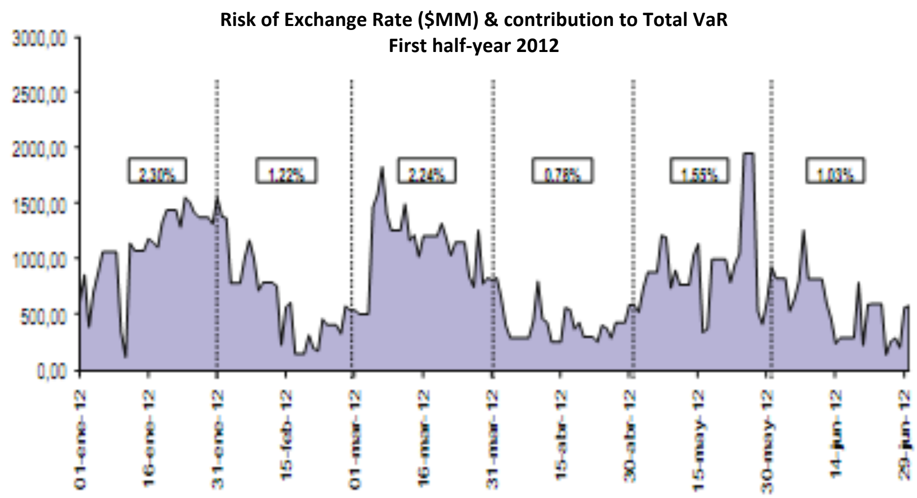

Value in Daily Risk ($MM)
December, 2011
60,000
50,000
40,000
30,000
20,000
10,000
0
8.00%
7.00%
6.00%
5.00%
4.00%
3.00%
2.00%
1.00%
0.00%
VaR
VaR/Patrimony Technic

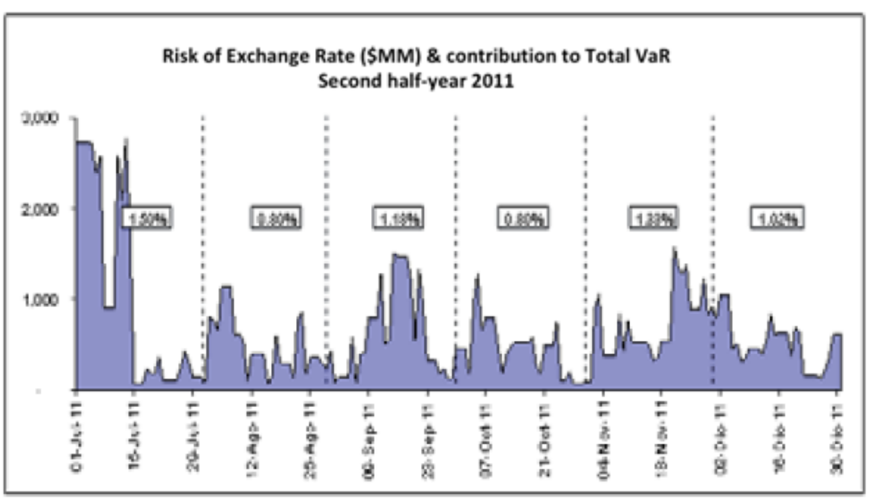

Value in Daily Risk ($MM)
I Half-Year 2012
80.000
70.000
60.000
50.000
40.000
30.000
20.000
10.000
0
01-ene
16-ene
31-ene
15-feb
01-mar
16-mar
31-mar
15-abr
30-abr
15-may
30-may
14-jun
29-jun

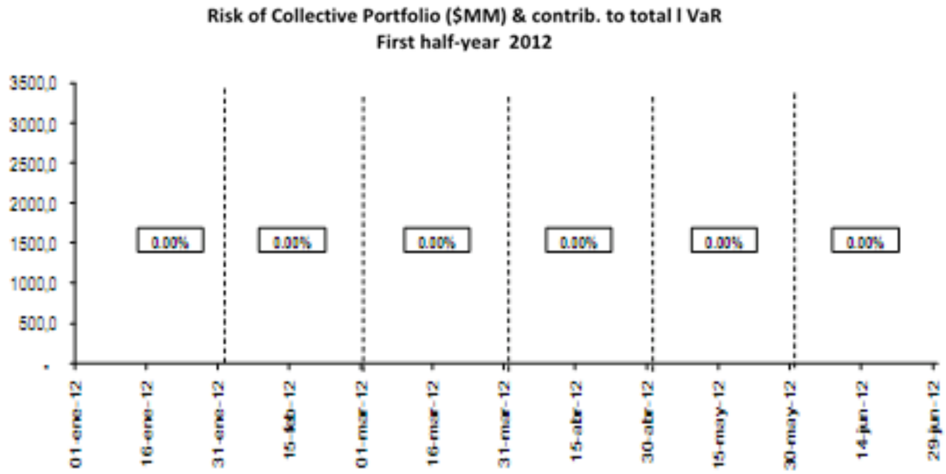

Value in Daily Risk ($MM)
II Half-year 2011
80,000
70,000
60,000
50,000
40,000
30,000
20,000
10,000
0
VaR

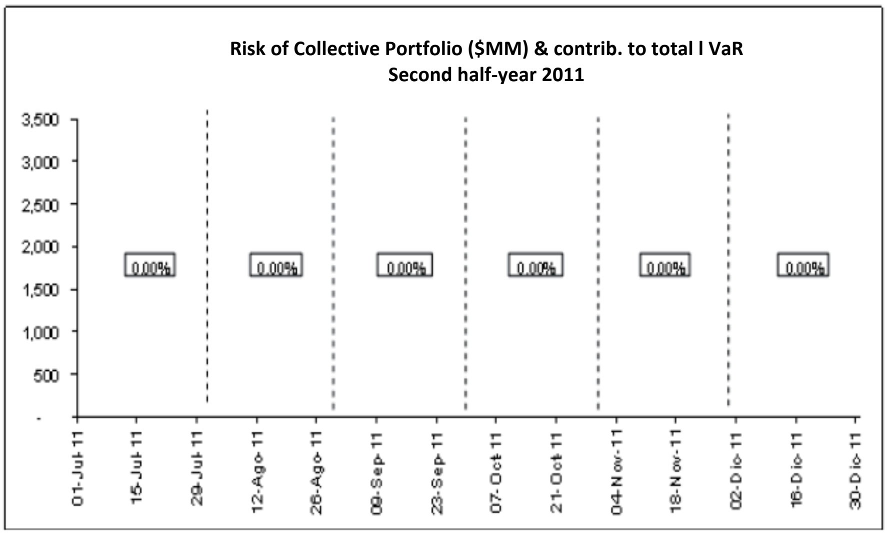

Risk of Interest Rate ($MM) & contribution to total VaR
First half-year 2012
70000,0
60000,0
50000,0
40000,0
30000,0
20000,0
10000,0
97.70%
98.78%
97.76%
99.22%
98.45%
98.97%
01-ene-12
16-ene-12
31-ene-12
15-feb-12
01-mar-12
16-mar-12
31-mar-12
15-abr-12
30-abr-12
15-may-12
30-may-12
14-jun-12
29-jun-12


Risk of Interest Rate ($MM) & contribution to total VaR
Second half-year 2011
80,000
70,000
60,000
50,000
40,000
30,000
20,000
10,000
-
98.50%
99.20%
98.82%
99.20%
98.67%
98.98%
01-Jul-11
15-Jul-11
29-Jul-11
12-Ago-11
26-Ago-11
09-Sep-11
23-Sep-11
07-Oct-11
21-Oct-11
04-Nov-11
18-Nov-11
02-Dic-11
16-Dic-11
30-Dic-11


Risk of Exchange Rate ($MM) & contribution to Total VaR
First half-year 2012
3000,00
2500,00
2000,00
1500,00
1000,00
500,00
0,00
2.30%
1.22%
2.24%
0.76%
1.55%
1.03%
01-ene-12
16-ene-12
31-ene-12
15-feb-12
01-mar-12
16-mar-12
31-mar-12
15-abr-12
30-abr-12
15-may-12
30-may-12
14-jun-12
29-jun-12


Risk of Exchange Rate ($MM) & contribution to Total VaR
Second half-year 2011
3,000
2,000
1,000
-
1.50%
0.80%
1.18%
0.80%
1.33%
1.02%
01-Jul-11
15-Jul-11
29-Jul-11
12-Ago-11
26-Ago-11
09-Sep-11
23-Sep-11
07-Oct-11
21-Oct-11
04-Nov-11
18-Nov-11
02-Dic-11
16-Dic-11
30-Dic-11




## Solvency Ratio

Calculation of solvency ratio corresponding to the closing periods June 30, 2012 and December 31, 2011 is follows:

| | | Jun. 30 - 2012 | Dec. 31-11 |
|---|---|---|---|
| Total VeR (*) | $ | 53.390 | 49,754 |
| Technical Patrimony (*) | $ | 2.169.182 | 1,853,195 |
| Assets Weighed by Risk Level (*) | $ | 17.849.365 | 16,923,813 |
| Solvency Ratio | | 12.15% | 10.95% |
| Solvency Ratio (VeR 100% ) | | 11.76% | 10.60% |
| VeR / P TECN. (Legal Required) | | 2.46% | 2.68% |

At the closing operational period June, 2012  the value under market risk represents 2.46% of Technical Patrimony, compatible to Bank asset and liabilities structure and to investment and risk policies established, as well as to the use of capital and historical behavior of those risks.

## Operational Risk

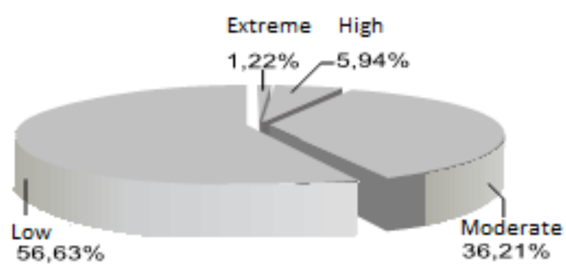
According to the definition given by Colombia Finance Superintendence, Operational Risk is understood as the possibility to incur in loss due to deficiencies, failures or inadequacies of human resource, processes, technology, infrastructure or otherwise, due to the occurrence of external events. This definition includes the legal risk, custody risk, and reputational risk associated to such factors.

On a monthly basis and in an itemized manner ORMS Committee and the Board of Directors are informed about the most relevant aspects of the events related to operative risk, such report including the tracking of corrective actions implemented, aimed at mitigating the qualified risk in the external and high zones, the evolution of loss by this type of risk, the analysis of which allows for prioritizing the materialized events in the Bank, among others. In the same way, the changes in risk profile, the identification of new risks and control of the current and new processes are reported to such entities
.
The Bank has available a database where operative risk events are recorded, such database is permanently fed with the reports submitted by Operative Risk Managers and by the concentrating areas. Such database is reconciled on a monthly basis with PUC accounts assigned, ensuring a proper accounting tracking. Tracking operative risk event records allows for feeding back ORMS, i.e., to identify new risks, reclassify risks and controls, prioritize those processes where development of action plans are required, among others

Operative Risk Management System, as well as Internal Control System, has been reinforced by risk, failures and controls permanent updating in the process risk matrixes and its respective documentation in the procedure manuals.

Below Bank’s consolidate risk profile is showed with closing date June 2012

| Residual Risks<br>December, 2011 | | |
|---|---|---|
| Extreme | 15 | 1,22% |
| High | 73 | 5,94% |
| Moderate | 445 | 36,21% |
| Low | 696 | 56,63% |




## Business Continuity Plan

As a part of Operative Risk Management and according to the definition given by Colombia Finance Superintendence, Business Plan Continuity makes reference to the detailed group of actions described in the procedures, systems and resources necessary to resume and pursue the operation in the event of any interruption.

In the first half-year 2012 and according to the planning, technological tests were made, such as critical process operation. Included prior them to the test, the relocation of contingency operation balancing and consolidation centers from Barranquilla and

Bogotá. In the same way, through Asobancaria, feedback is obtained about the continuity of third parties offering critical and common services to financial entities.

## Financial Customer Services System (FCSS)

This standard defines financial consumer service and protection. The Bank has defined activities and procedures the purpose of which is the promote a protection and respect environment towards financial consumers consistent with the provisions in Act 1328/2009 and regulated by the External Circular Letter 015/2010 from Colombia Finance Superintendence. For the service, protection and respect of financial consumer, the Bank implemented schemes and procedures aimed a optimizing the identification, measurement, control and monitoring:

- Using the due diligence to offer the products and supply the services. So that customers may receive the information and/or service in a proper and respectful manner in the development of the relationships actually or prospectively established with the Bank.

-Providing financial consumer adequate education.

- Supply financial consumer with true, sufficient, clear and opportune information allowing for the customer to properly know the rights and obligations and the cost of the several different products and services.

## Risk of Asset Laundry and Financing of Terrorism

The legal framework for Laundry Asset Control and Prevention, is essentially based on policies, regulations and procedures included in the Circular Letter 026 of June 27/2008 contained in the Title I, Chapter 11, of Circular Letter 007 / 1996 issued by Colombia Finance Superintendence, as well as the provisions in the Financial System Organic Statute, 40 recommendations of GAFI, 9 recommendations of GAFISUD, and Colombia legal provisions.

On the other hand, is should be stressed that the Bank counts on the resolute commitment of all its employees and directives, fully complies with the opportune remittance of the different reports and information to all controlling bodies, counts on an Official of Compliance properly trained who, in turn, leads an adequate structure of compliance duly trained on Risk Management with emphasis on the prevention of Laundry Asset and Financing of Terrorism, uses an advanced transactional monitoring system which is duly segmented and profiled and related to the analysis of quantitative and qualitative variables making this system a robust and reliable tool, and in the same way the bank acquired an specialized software to Risk Management LAFTRMS, includes a functional and interactive training program about Laundry Asset and Financing of Terrorism prevention addressed to all Bank employees, allowing for doing the evaluation of the knowledge acquired according to the international standards. Similarly, the Bank implemented a well-known methodology to qualify the different risk factors and the associated risk focused to Laundry Asset and Financing of Terrorism Prevention.

In this connection LAFTRMS developed by Banco de Occidente contains the appropriate controls allowing for mitigating both laundry asset and financing of terrorism risk, as well as the legal, reputational, operational and contagion risk implementing the due control, monitoring and opportune report, and this way meeting the specific expectations of controlling authorities as well as the expectations of overseas correspondent banks.

## (32) Corporate Governance

In regards with corporate governance concept, the Board of Directors of the Bank, consulting and integrating the legal, regulatory and statutory directives, as well as internal policies and the best practice of government, the Bank established and issued a code of corporate governance.

## Board of Directors and Top Management

The Bank is aware of the responsibility inherent to the management of the bank business risks, knows that they are consistent with the entity's general strategy and are informed about the processes, business structure and the nature of activities.

It is a policy of the Board of Directors and the Top Management to assist with guidance and follow up Bank's business, by issuing the instructions and guidelines to grant the credits, determining the policies and limits of action by type of market, product or business unit; defining the profile of risk of the entity and adopting the actions necessary to face with the new financial risks; establishing the organizational structure required and assessing the risk methodologies.

The Board of Directors is responsible for the approval of methodology, procedures and limits to grant the credit facilities. There exists a protocol of report addressed to this business unit in order to keep the appropriate instance properly informed about credit risk management.

Additionally, the Board of Directors urges the compliance with the policies of internal control through its Audit Committee, with a view to reduce operational risks.

### Reports to the Board of Directors and to the Top Management

The Board of Directors and the Top Management of the Bank, have available clear, accurate, and opportune information means allowing for implementing permanent control over the several different risks inherent to bank business with the exposures per type of risk, per area of negotiation and per portfolio.

Such reports allow for doing a regular follow up of business, profitability and management indicators.

The Code of Corporate Governance defines the issues related to the establishment and supervision of control policies of the entity, the objectives, goals, mechanisms and responsibilities of the different administrative bodies, as well as control issues must be knows of the Board of Directors and the Audit Committee empowered by the Board.

In the same way, establishes the responsibilities, limits, and quote about management, supervision and control of risks in completion of the different Bank's business, under the limits of exposure, covering counterpart's or credit risks, Liquidity Risk, Interest Rate Risks, Exchange Rate Risk, Derivatives Risks, and Operational Risks.

### Technology Infrastructure

The Bank has been outfitted with systems and Technologies rendering its activity more controllable. The streamline technology process has not been only about traditional software of registry and accounting of operations; it has implied as well updating of security and communication systems.

On the other hand, the Control and Risk Management Areas count on technologic structure to offer information, assess production process and the results obtained, both per operation and at portfolio level.

The Bank counts on several different information systems documented to support all activities, in addition to applicative equipped with database to satisfy control requirements. Most of these applicative are open systems allowing for unloading information to electronic sheets so to support measurement, follow-up and risk control activity.

The Bank makes technological developments on a permanent basis in order to verify and increase operational control and reduce associated risks.

### Risk Measurement Model

To identify, measure, and monitor the different types of risks, the Bank holds specific methodologies and information and measurement systems allowing for qualifying and quantifying business risks according to the standards prevailing; Credit, Market, Liquidity, Operative.

In the specific area of measurement of Market Risk and Liquidity Risk the Bank adopted Finance Superintendence standard methodologies .

### Organizational Structure

The Bank has in place an Organizational Structure headed by Risk and Collection Vice President, allowing for promoting analysis, integration and management of risks inherent to the several different business types.

Credit risk management of credit operations, as well as operative and business continuity risks is made in the Division of Credit and Operative Risk, while market risk management in Treasury operation and Liquidity Risk is accomplished by Treasury Risk Division.

In the same way, concerning operation and business continuity risk, the Bank has commenced a quantification work.

The Bank has available the Division of Control and Compliance Unit specifically for juridical risk linked to laundry asset.

In the same way, Legal Vice Presidency manages the other legal risks.

Authority and responsibility levels in risk management are identified and recognized by the employees of every area, who have available an accurate description of functions, objectives and scope of their positions.

## Human Resources

Bank's Personnel Selection Area has established some criteria related to minimal educational and experience levels required according to the profile of every position.

People involved in risk analysis, measurement and management, hold professional training and skills necessary to discharge their duties in a competent manner.

Specifically it is intended to combine a demanding professional training in financial area and a recognized honesty and human quality.

To maintain employees' technical competence, internal and external training programs are made about the topics required for risk management, as well as participation in several different forums and interaction with regulatory and controlling entities.

## Verification of Operations

Technological Systems, processes involved, evaluation tools and mechanism established throughout the different negotiations allow for evidencing operations to be made according to the conditions agreed upon. Such systems render more agile and transparent risk management and control.

At present, there are in place several security mechanisms such as telephone call recording, security cameras located in strategic points, electronic control of physical access to the units, contingency plans and assistance in the event of systems failures or interruptions, restricted access areas; control of access to systems, as well as procedures established for the closing operations allowing for verifying timely and properly accounting of operations.

Specifically in the table of Treasury there are in place recording devices allowing for verifying transaction made by the operators, such recordings properly maintained and during the time indicated in the legal standards. Additionally, the Code of Conduct, containing the guidelines, policies, parameters, duties and obligations to be complied by all employees prohibits the use of cell-telephone in negotiation room. In the same way, the Bank counts on a signal blocking mechanisms of those communication devices.

## Audit

Bank's Auditing allocated the human resource necessary to review and evaluate those aspects related to risk management and administration. Internal Control system operating in the Bank allows for Auditing to keep informed in detail about the operations made and implement the follow-up to the opportune and proper accounting activities according to the chronograms and defined working plans.

The major auditing duties is the periodical and systematic operations revision; analysis and verification of compliance with internal control; generation of report including enhancement recommendations and follow up and advisory about the actions implemented.

Bank controlling units validate on a permanent basis all activities, transactions and operations of the Bank; such validation is made within the parameters allowed by the regulations prevailing and authorized by the Board of Directors and the Top Management.

## (33) Legal Controls

As of June 30, 2012 and December 31, 2011 the Bank has complied with the cash provisions requirements, own position, minimum capital, mandatory solvency and investment ratio

## (34) Legal Stability Agreement

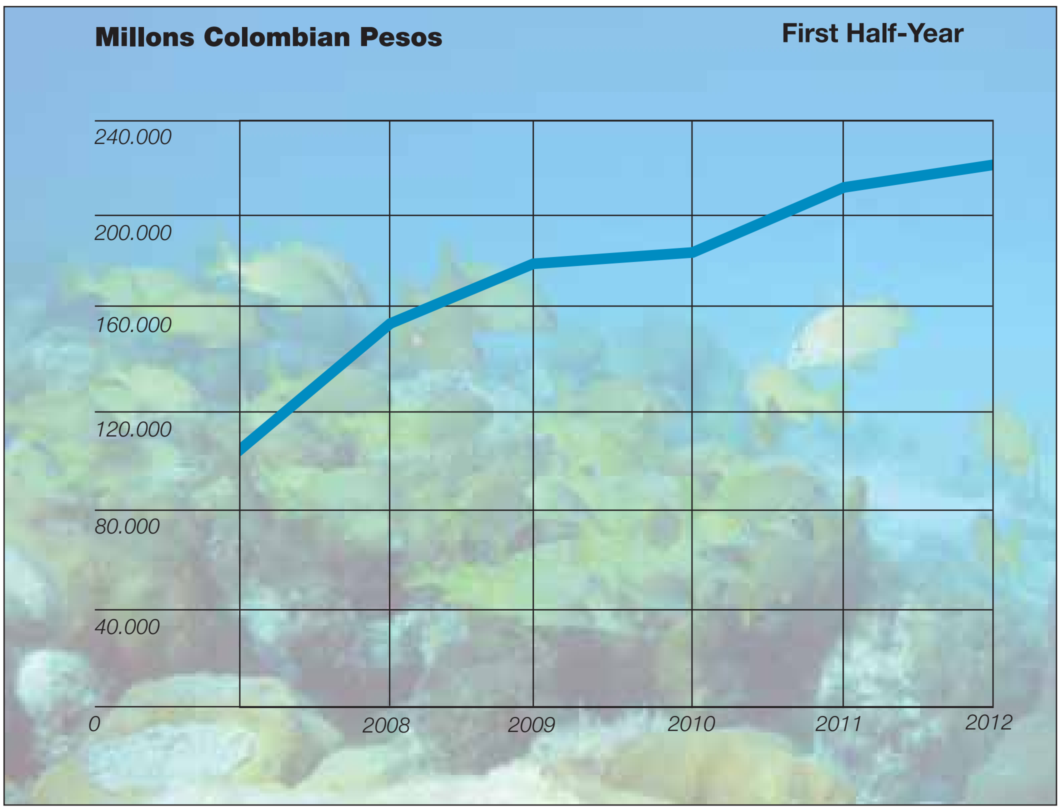
Leasing de Occidente S.A. (Sociedad merged by taking over on June 11, 2010 by Banco de Occidente S.A.), subscribe don June 10, 2010 with Colombia Ministry of Treasury and Public Credit the Legal Stability Agreement N° EJ-03, maintaining, among other provisions, the fiscal deductions of productive fixed asset delivered in Leasing operations. Banco de Occidente S.A. took over Leasing de Occidente by the Merging process accomplished in fully compliance with all legal requirements. The Bank, as alternate of all rights and obligation from Leasing de Occidente S.A. in compliance with Act 963/2005, applied from the Legal Stability Committee aforementioned. On April 20, 2012, the bank was advised that its application had been denies, decision against which the Bank filed an appeal for reversal on April 27, 2012, currently pending of decision.

## (35) Contingencies

Against the Bank civil judicial actions which values are itemized below

| Claimant | | Valuation | Provision | Type of proceeding |
|---|---|---|---|---|
| Jose Reinaldo Bolaños | | 414 | - | Others |
| Ernesto Acosta Trujillo | | 350 | - | Others |
| Carlos Viña | | 574 | 574 | Ordinary |
| Tesorería Municipal Medellín | | 272 | 272 | Executive |
| Tesorería Distrital de Bogota | | 1,185 | 1,185 | Executive |
| DIAN | | 1,351 | 1,351 | Executive |
| Others | | 4.606 | 1,925 | Sundry |
| | $ | 8.752 | 5.307 | |

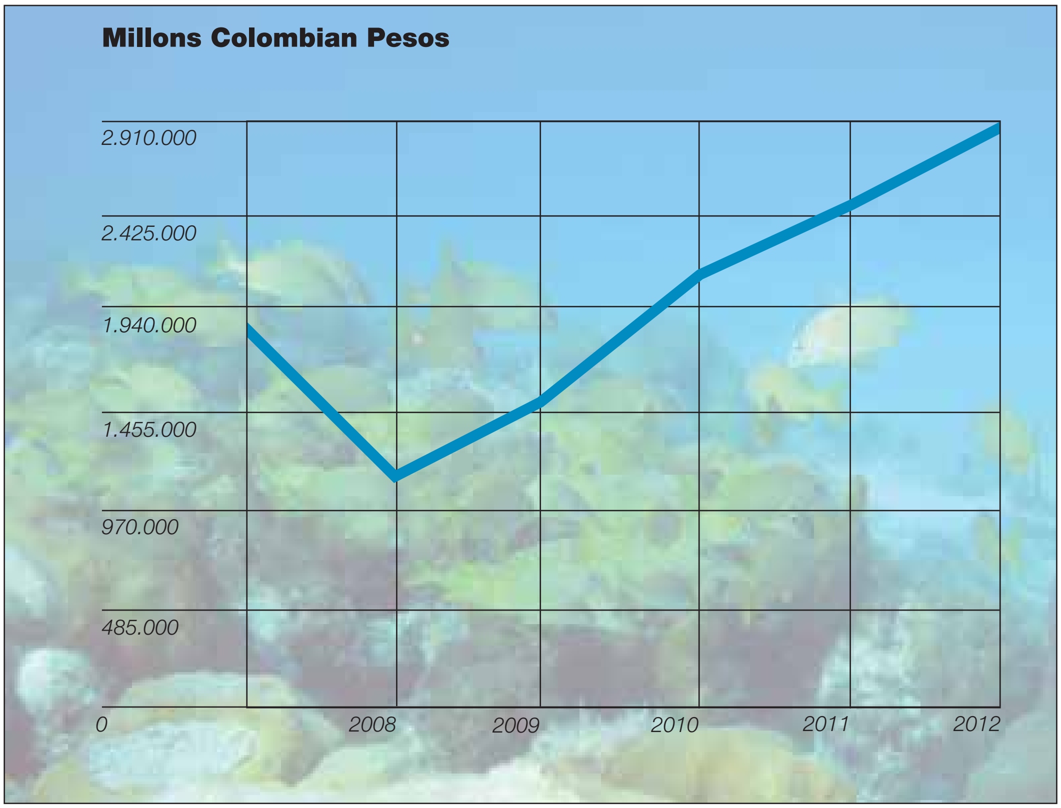
# Profits




| Year | First Half-Year | Second Half-Year | Total |
|---|---|---|---|
| Jun - 08 | 156.604 | 180.212 | 336.816 |
| Jun - 09 | 182.683 | 177.844 | 360.527 |
| Jun - 10 | 187.451 | 202.020 | 389.471 |
| Jun - 11 | 214.342 | 226.983 | 441.321 |
| Jun - 12 | 223.616 | 0 | 233.616 |

millions Colombian pesos

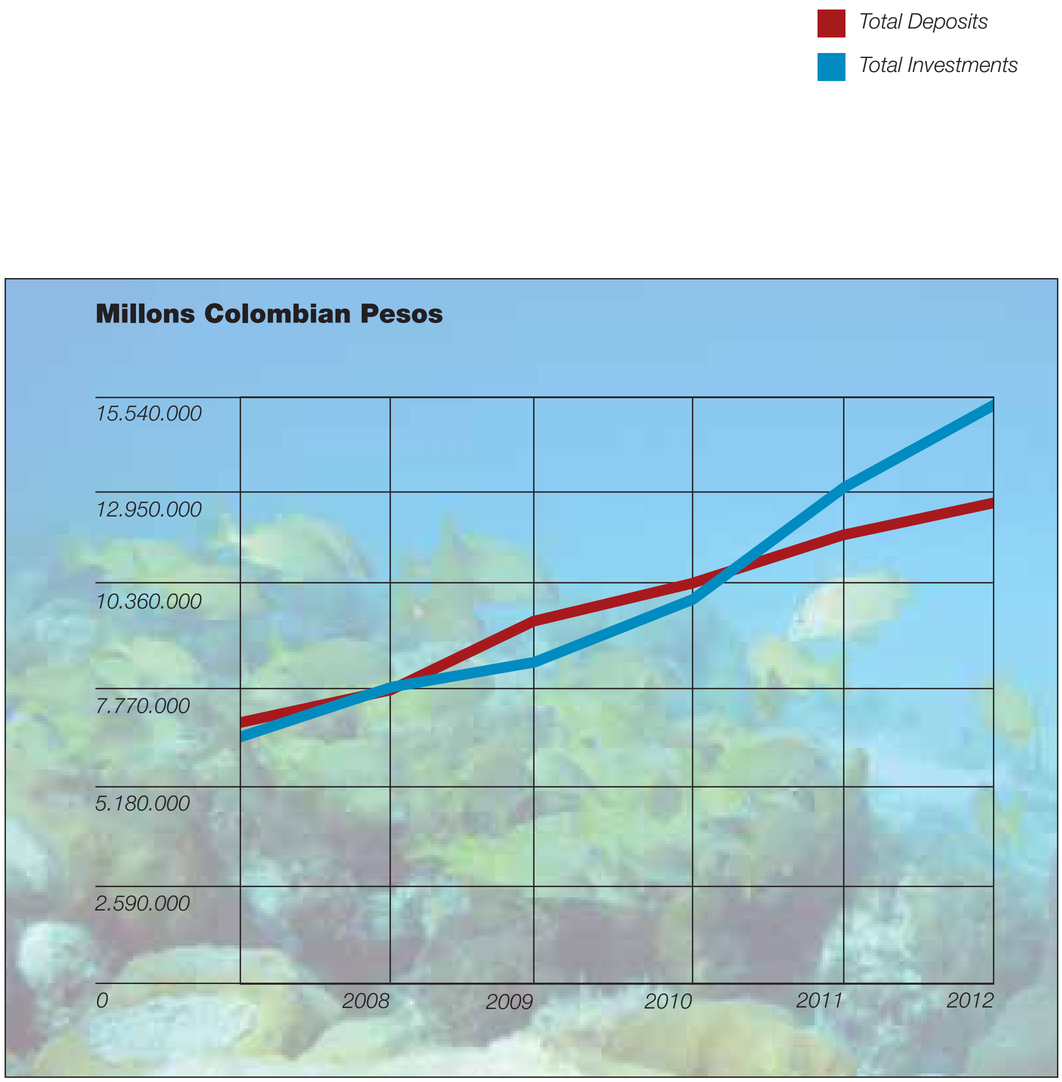
# Equity, Reserves and Surplus




| Period | Paid Equity | Legal Reserve | Occasional Reserves | Surplus | Total |
|---|---|---|---|---|---|
| Jun. 2008 | 4.111 | 683.057 | 105.124 | 340.018 | 1.132.310 |
| Jun. 2009 | 4.111 | 864.362 | 105.272 | 526.791 | 1.500.536 |
| Jun. 2010 | 4.495 | 1.144.081 | 201.306 | 787.182 | 2.137.065 |
| Jun. 2011 | 4.495 | 1.350.684 | 199.421 | 960.709 | 2.515.309 |
| Jun. 2012 | 4.677 | 1.807.473 | 178.838 | 891.356 | 2.882.344 |

millions Colombian pesos

# Deposits and Placements in Legal Tender and Foreign Currency




| Period | Total Deposits (1) | Total Placements (2) |
|---|---:|---:|
| Jun. 2008 | 7.832.215 | 7.911.831 |
| Jun. 2009 | 9.676.761 | 8.583.900 |
| Jun. 2010 | 10.690.130 | 10.951.222 |
| Jun. 2011 | 11.978.790 | 13.254.150 |
| Jun. 2012 | 12.851.360 | 15.491.010 |

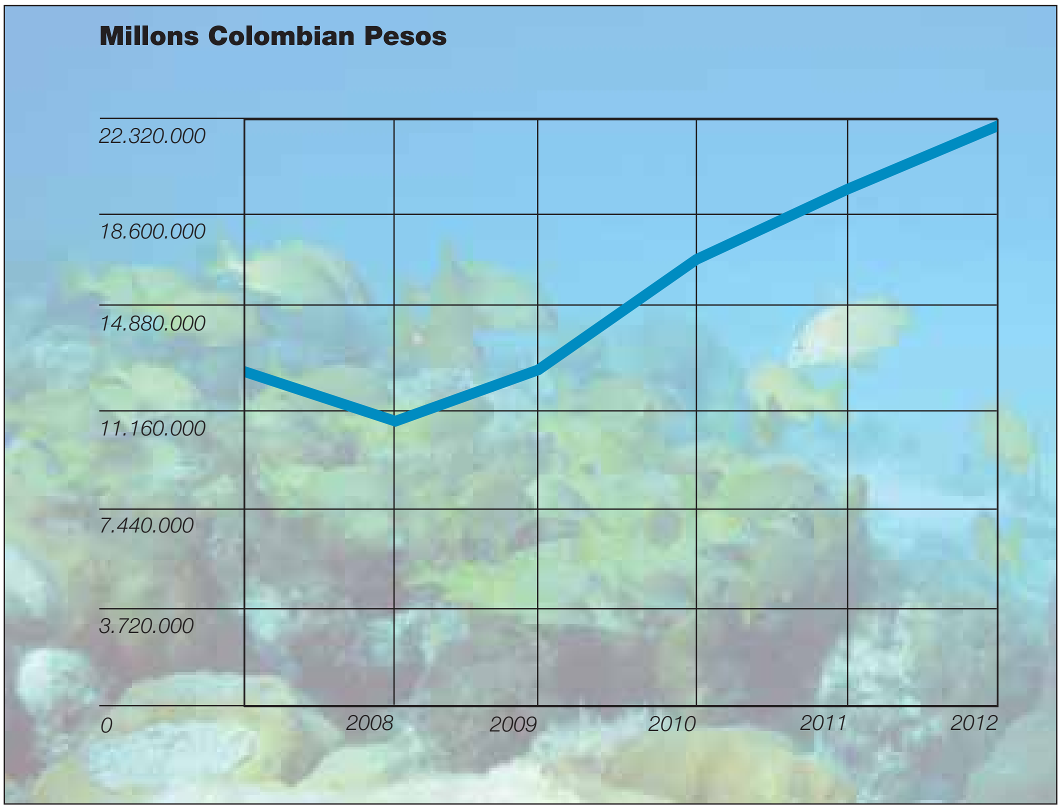
millions Colombian pesos

Notes:

(1) Includes Depos millions Colombian pesos its in Current Account, and Certificates of Time Deposits, Saving Deposits, Trust Funds and Collection Bank Services.

(2) Includes Credit Portfolio, Provisions, Credit to Employees, Accounts Receivable of Credential Clients L/T, Account Receivable F/C, Excepting Sundry Account Receivable F/C.

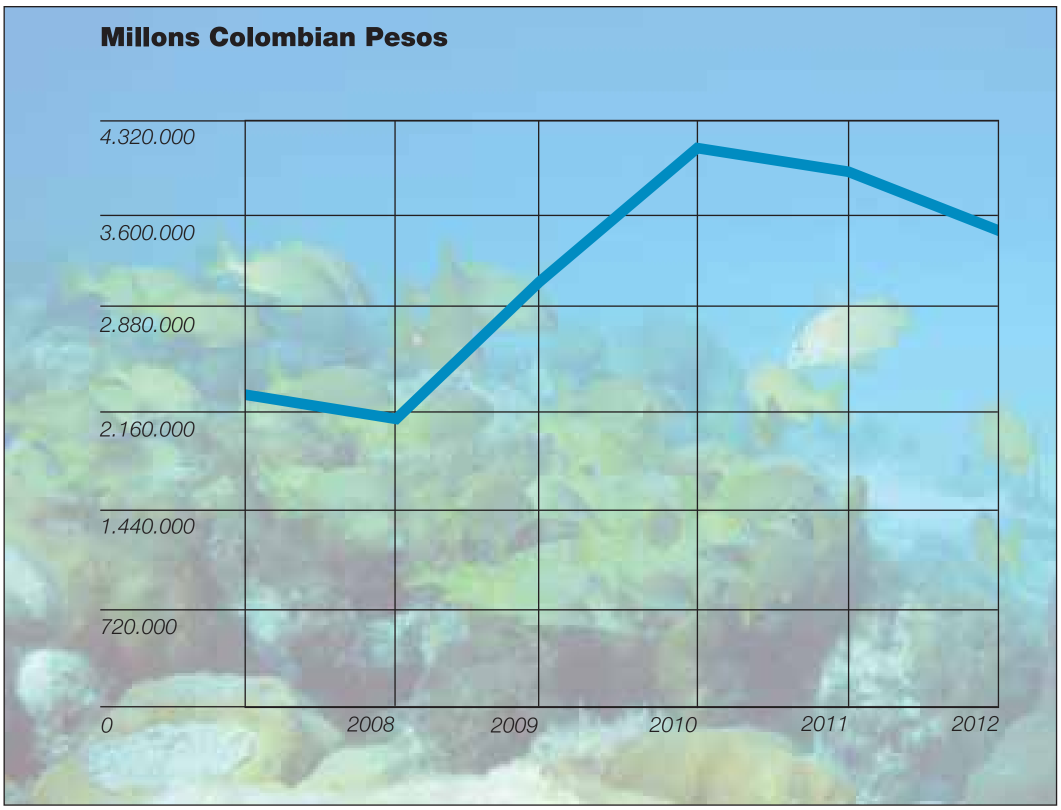
# Total Asset




| Period | Total |
|---|---:|
| Jun. 2008 | 10.923.225 |
| Jun. 2009 | 12.887.172 |
| Jun. 2010 | 17.118.440 |
| Jun. 2011 | 19.815.136 |
| Jun. 2012 | 22.267.996 |

millions Colombian pesos

# Investments

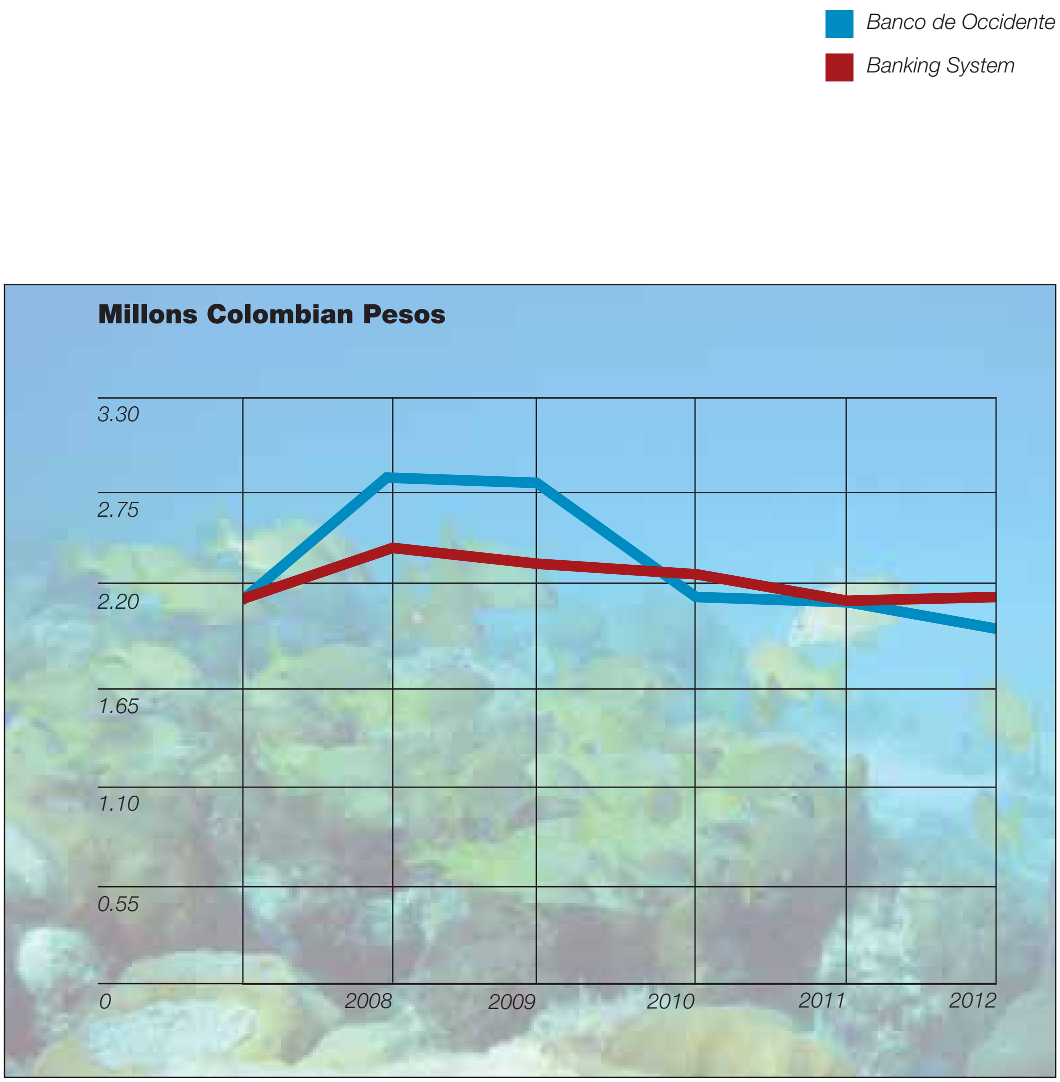



| Period | Total |
|---|---|
| Jun. 2008 | 2.150.179 |
| Jun. 2009 | 3.168.131 |
| Jun. 2010 | 4.157.904 |
| Jun. 2011 | 3.986.276 |
| Jun. 2012 | 3.543.878 |

millions Colombian pesos

Note Includes:
Investment
Sale back commitments
Interbank Funds Sold, Ordinary

# Return on Total Assets

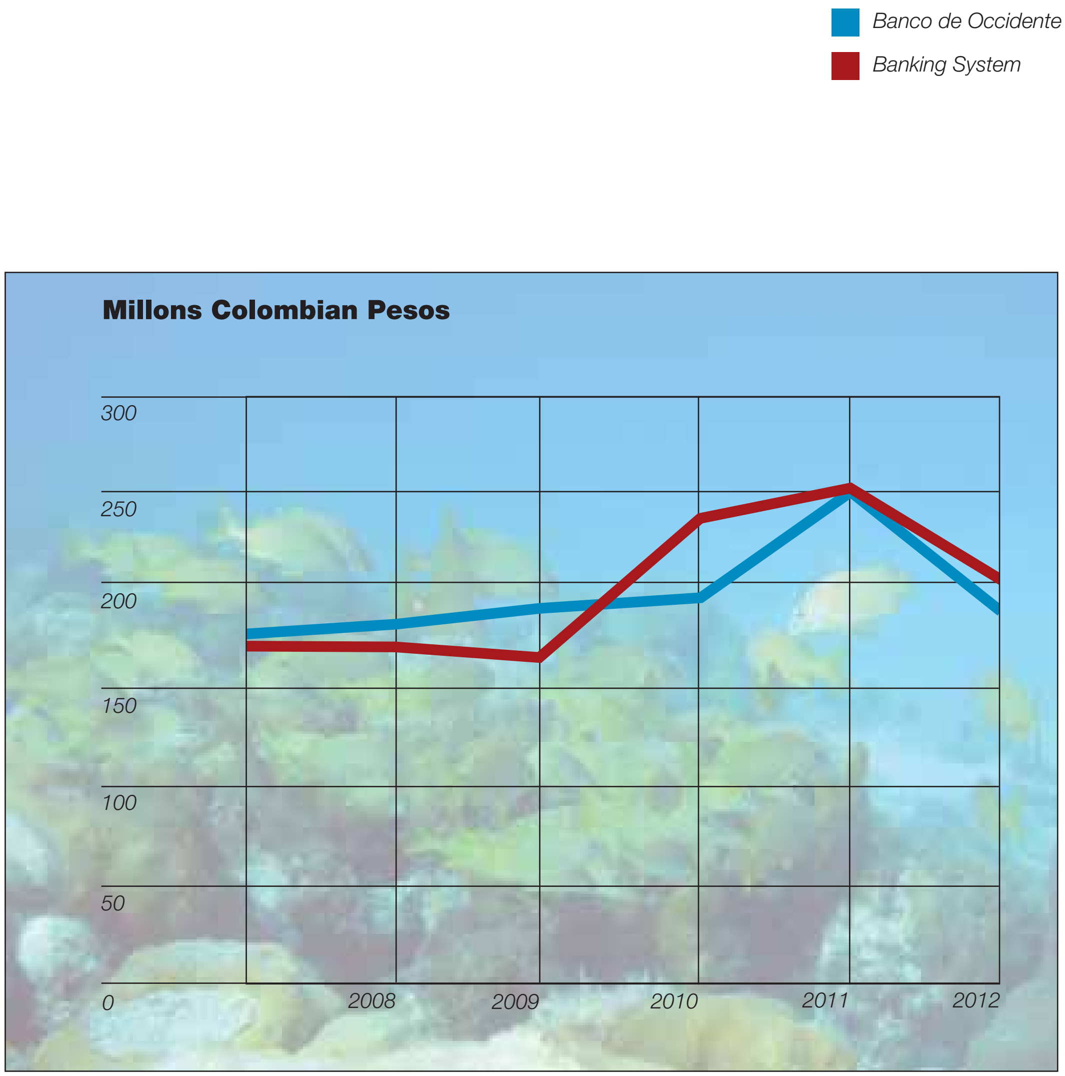



| Period (*) | Banco de Occidente | Total System |
|---|---|---|
| Jun. 2008 | 2,87% | 2,47% |
| Jun. 2009 | 2,84% | 2,38% |
| Jun. 2010 | 2,19% | 2,32% |
| Jun. 2011 | 2.16% | 2.17% |
| Jun. 2012 | 2.01% | 2,19% |

(*) Indicator corresponds to semiannual profitability for operational periods between January 1 and June 30 each year

Profitability Over Total Asset = $\frac{\text{Net Profit}}{\text{Total Asset}}$

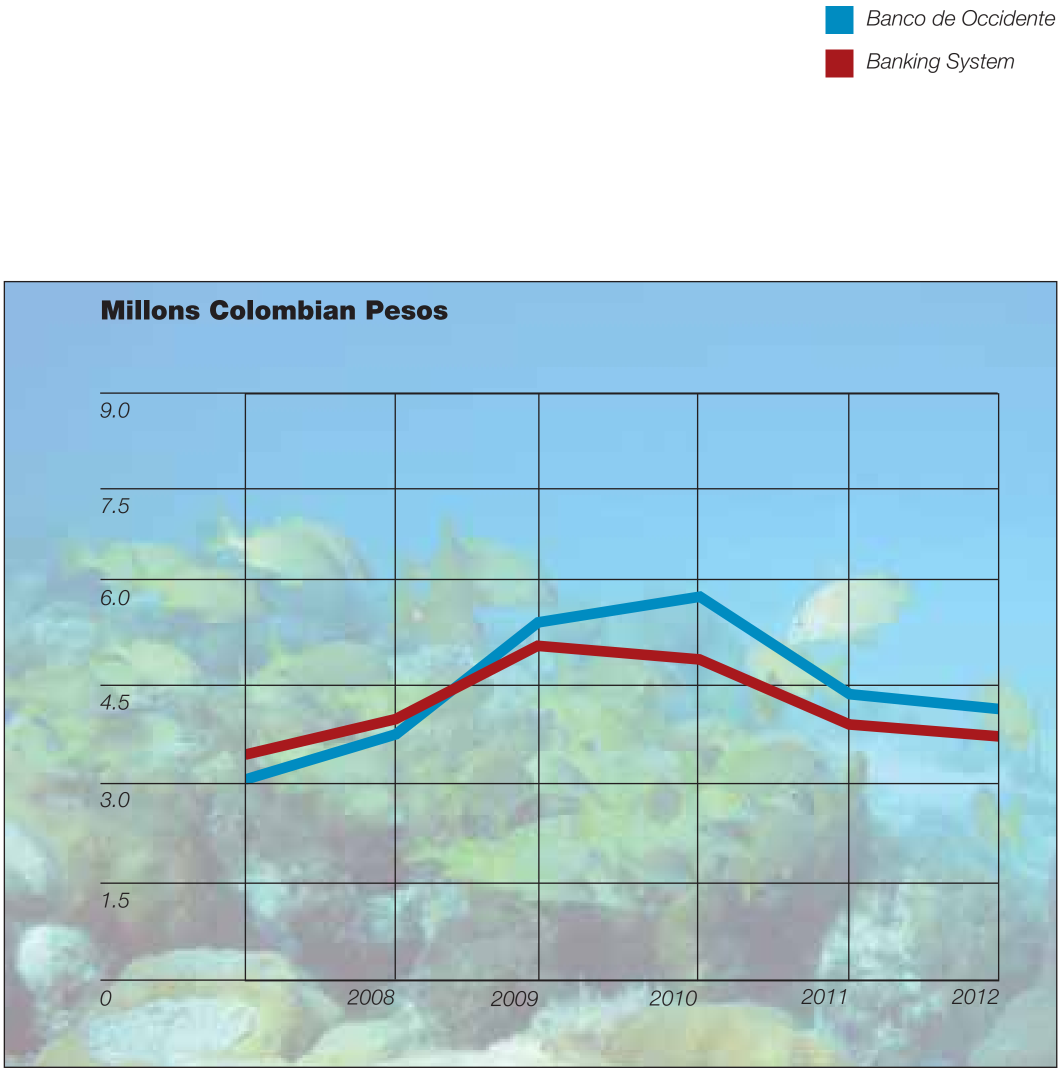
# Intermediation Gross Margin




| Period | Banco de Occidente (%) | Total System (%) |
|---|---:|---:|
| Jun. 2008 | 185,84 | 173,83 |
| Jun. 2009 | 194,02 | 168,53 |
| Jun. 2010 | 199,41 | 240,04 |
| Jun. 2011 | 253,97 | 255,83 |
| Jun. 2012 | 192,21 | 202,30 |

$$\text{Intermediation gross margin} = \frac{\begin{array}{l}\text{Interest received L/T + FC}\\ \text{+ Commissions received L/T + FC + Sundry Income}\\ \text{+ Valuations \& Invest. Returns}\end{array}}{\begin{array}{l}\text{Interest paid L/T + F/C}\\ \text{+ Commissions paid L/T + FC}\\ \text{+ Investment valuations}\end{array}} - 1$$

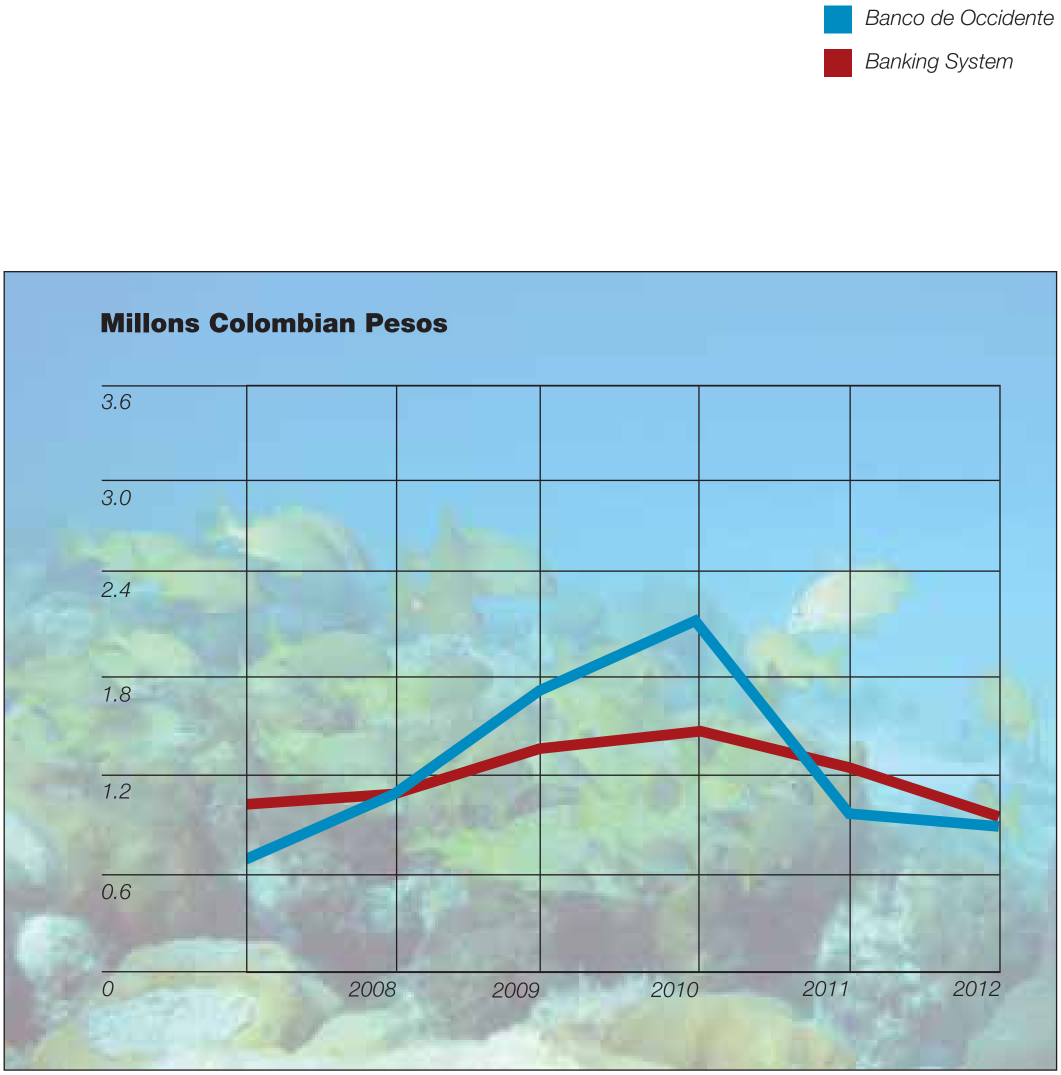
# Portfolio Quality by Rating




| Period | Banco de Occidente (%) | Total Sistema (%) |
|---|---|---|
| Jun. 2008 | 3,82 | 4,05 |
| Jun. 2009 | 5,55 | 5,18 |
| Jun. 2010 | 5,94 | 4,97 |
| Jun. 2011 | 4.43 | 3.97 |
| Jun. 2012 | 4.18 | 3.78 |

$$\text{Portfolio quality by qualification} = \frac{\text{Total portfolio Qualification C+D+E}}{\text{Credit Portfolio + Provision Credit Portfolio}}$$

# List of Due Portfolio




| Period | Banco de Occidente (%) | Total System (%) |
|---|---|---|
| Jun. 2008 | 1,11 | 1,11 |
| Jun. 2009 | 1,75 | 1,39 |
| Jun. 2010 | 2,18 | 1,50 |
| Jun. 2011 | 0,99 | 1,06 |
| Jun. 2012 | 0,91 | 0,97 |

Overdue Portfolio Ratio = 

Overdue portfolio more than 6 months
Admissible Guarantee & Other Guarantees
———
Credit Portfolio
+ Provision Credit Portfolio

# Bank Branch Network

**Southwest Region**

**Cali**
29 Offices
2 Credicentros
1 Leasing Office
**Andalucía**
**Buenaventura**
**Buga**
**Cartago**
**Espinal**
**Florencia**
**Girardot**
**Ibagué**
2 Offices
1 Credicentro
1 Leasing Office
**Ipiales**
**La Victoria**
**La Unión**
**Leticia**
**Neiva**
2 Offices
**Palmira**
2 Offices
**Pasto**
1 Credicentro
1 Payment and Collection Center
**Puerto Tejada**
**Popayán**
2 Offices
**Tuluá**
**Santander de Quilichao**

**Bogotá Region**

**Bogotá**
55 Offices
1 Credicentro
2 Payment and Collection Centers
1 Leasing Office
**Chía**
**Duitama**
**Facatativa**
**Mosquera**
**Siberia**
**Sogamoso**
**Tunja**
1 Office
1 Credicentro
**Zipaquirá**

**Northwest Region**

**Medellín**
19 Offices
1 Credicentro
1 Payment and Collection Center
1 Leasing Office
**Armenia**
2 Offices
1 Credicentro
**Bello**
**Dosquebradas**
**Envigado**
**Guatape**
**Itaguí**
**Manizales**
2 Offices
**Montería**
2 Offices
1 Credicentro
**Pereira**
3 Offices
1 Credicentro
1 Leasing Office
**Rionegro**
**Sabaneta**
**San Antero**

**North Region**

**Barranquilla**
10 Offices
1 Credicentro
1 Payment and Collection Center
1 Leasing Office
**Bucaramanga**
6 Offices
1 Credicentro
1 Leasing Office
**Barrancabermeja**
**Cartagena**
6 Offices
1 Leasing Office
1 Credicentro
1 Payment and Collection Center
**Cúcuta**
2 Offices
**Girón**
**Riohacha**
**San Andrés (Isla)**
**Santa Marta**
2 Offices
1 Payment and Collectio
**Sincelejo**
**Valledupar**
**Villavicencio**
2 Offices
1 Credicentro
**Yopal**

**Banco de Occidente Panamá S.A.**

**Ciudad de Panamá**

**Occidental Bank (Barbados) Ltd.**

**Barbados**